

18 February 2010

Company Announcements Office
Australian Securities Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

**MAGELLAN FINANCIAL GROUP LIMITED
CONDENSED FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

Results Announcement

The net profit after tax of Magellan Financial Group (**'the Group'**) for the six months ended 31 December 2009 was \$1.33 million. The Group's underlying operating result, excluding the significant item, realised and unrealised investment gains and losses and the contribution from the unlisted Magellan funds, was a profit after tax of \$1.16 million. This compares with an underlying profit after tax for the previous corresponding period of \$0.75 million.

During the half year period, funds management fees increased by approximately \$1 million and total operating expenses were reduced by \$0.40 million compared with the previous corresponding period. Based on the current level of funds under management and expenses, the Group's operations are profitable.

The Group has maintained its strong Balance Sheet and financial position, with net assets of approximately \$110 million, no debt and total liabilities of \$0.69 million. As at 31 December 2009, the Group's net assets per share (diluted for the conversion of the Class B shares) was approximately \$0.70, compared with net assets per share at 30 June 2009 of \$0.66.

As at 31 December 2009, the Group had funds under management of approximately \$694 million (30 June 2009: \$393 million).

Investments in Magellan's Funds and Principal Investments

In early 2009 we decided to increase our investment in equities and have done so by progressively increasing our investment in the funds we manage. As at 31 December 2009, Magellan's investment assets comprised \$57.3 million in these three funds, and an investment portfolio of \$18.1 million in other securities (which includes fixed and floating rate debt investments of \$10.4 million).

The fixed and floating rate securities are scheduled to mature in calendar 2010 and earn annualised yields from 5.5% to 9.7% for credit qualities that we believe are comparable with those of the major Australian banks. These securities are liquid and we regard them as comparable to our cash holdings, although we expect to hold them to maturity.

We consider the Group's investments in our funds as "look through" investments in the underlying companies which comprise the portfolios. We are delighted with the quality of the investments in our funds and believe that Magellan has acquired interests in high quality companies on terms that we regard as attractive. The following table aggregates these "look through" investments with the Group's direct portfolio investments to show the ten largest aggregated "look through" equity investments as at 31 December 2009.

	<u>\$ million</u>
American Express	10.4
Nestlé	7.7
Ebay	6.0
Yum! Brands	5.9
Wal-Mart	5.5
McDonalds	3.5
PepsiCo	3.4
Google	3.1
Procter & Gamble	3.1
Coca Cola	3.1

As at 31 December 2009, the Group had cash of approximately \$20.2 million in addition to the fixed and floating rate investments mentioned earlier. This conservative Balance Sheet approach has benefitted the Company, particularly during the early stages of the funds and asset management business in the extreme markets of recent years. We also believe that Balance Sheet strength will be a significant future benefit.

Dividends

The Directors do not recommend payment of an interim dividend, and do not expect to recommend payment of a final dividend, for the year ending 30 June 2010.

Enclosures

Magellan Financial Group Limited hereby lodges:

1. Appendix 4D statement for the half year ended 31 December 2009; and
2. Condensed Financial Report for Magellan Financial Group Limited for the half year ended 31 December 2009.

Yours sincerely



Leo Quintana
Legal Counsel & Company Secretary

Appendix 4D
Magellan Financial Group Limited
Half Year Report Ended 31 December 2009

Details of Reporting Periods

Current: 1 July 2009 to 31 December 2009
 Comparative: 1 July 2008 to 31 December 2008

Results for Announcement to the Market	Percentage change from the Comparative Period	Dec 2009 \$'000
Total revenue ("revenue from ordinary activities")	Up by 163% to	5,452
Net operating profit before significant items ("profit (loss) from ordinary activities after tax attributable to members")	Up by 113% to	1,222
Net profit attributable to members of the parent after significant items ("profit (loss) for the period attributable to members") (2008: \$11.9m loss)	Up by 111% to	1,329

Dividends

The Group does not propose to pay any dividend for the half year ended 31 December 2009 and does not expect to pay a final dividend for the year ending 30 June 2010.

Commentary on Results

The net profit after tax of Magellan Financial Group ('the Group') for the six months ended 31 December 2009 was \$1.33 million. The Group's underlying operating result, excluding the significant item, realised and unrealised investment gains and losses and the contribution from the unlisted Magellan funds, was a profit after tax of \$1.16 million. This compares with an underlying profit after tax for the previous corresponding period of \$0.75 million.

During the half year period, funds management fees increased by approximately \$1 million and total operating expenses were reduced by \$0.40 million compared with the previous corresponding period. Based on the current level of funds under management and expenses, the Group's operations are profitable.

The Group has maintained its strong Balance Sheet and financial position, with net assets of approximately \$110 million, no debt and total liabilities of \$0.69 million. As at 31 December 2009, the Group's net assets per share (diluted for the conversion of the Class B shares) was approximately \$0.70, compared with net assets per share at 30 June 2009 of \$0.66 (31 December 2008: \$0.67).

As at 31 December 2009, the Group had funds under management of approximately \$694 million (30 June 2009: \$393 million).

Investments in Magellan's Funds and Principal Investments

In early 2009 we decided to increase our investment in equities and have done so by progressively increasing our investment in the funds we manage. As at 31 December 2009, Magellan's investment assets comprised \$57.3 million in these three funds, and an investment portfolio of \$18.1 million in other securities (which includes fixed and floating rate debt investments of \$10.4 million).

The fixed and floating rate securities are scheduled to mature in calendar 2010 and earn annualised yields from 5.5% to 9.7% for credit qualities that we believe are comparable with those of the major Australian banks. These securities are liquid and we regard them as comparable to our cash holdings, although we expect to hold them to maturity.

Commentary on Results (continued)

We consider the Group's investments in our funds as "look through" investments in the underlying companies which comprise the portfolios. We are delighted with the quality of the investments in our funds and believe that Magellan has acquired interests in high quality companies on terms that we regard as attractive. The following table aggregates these "look through" investments with the Group's direct portfolio investments to show the ten largest aggregated "look through" equity investments as at 31 December 2009.

	<u>\$ million</u>
American Express	10.4
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McDonalds	3.5
PepsiCo	3.4
Google	3.1
Procter & Gamble	3.1
Coca Cola	3.1

As at 31 December 2009, the Group had cash of approximately \$20.2 million in addition to the fixed and floating rate investments mentioned earlier. This conservative Balance Sheet approach has benefitted the Company, particularly during the early stages of the funds and asset management business in the extreme markets of recent years. We also believe that Balance Sheet strength will be a significant future benefit.

Please refer to the Directors' Report of the attached Half Year Financial Report for further information.

Financial Report

The Group's independent auditor Ernst & Young has reviewed the 31 December 2009 Half Year Financial Report on which this report is based and has provided an unqualified review report. A copy of the Group's Half Year Financial Report inclusive of review report is attached.

MAGELLAN FINANCIAL GROUP LIMITED

ABN 59 108 437 592

CONDENSED FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2009**

MAGELLAN FINANCIAL GROUP LIMITED

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Directors

The following persons were directors of Magellan Financial Group Limited during the half year ended 31 December 2009 and up to the date of this report.

Brett Cairns
Hamish Douglass
Paul Lewis
Chris Mackay
Naomi Milgrom

Principal Activities

The principal activity of the Group during the six months ended 31 December 2009 was funds management, focussed on international investment funds for Australian and New Zealand investors. The Group seeks to achieve superior risk adjusted returns for investors in its funds over the medium term. The Group's objectives and its principal activity are not expected to change within the foreseeable future.

Review and Results of Operations

The Group's net profit after tax for the six months ended 31 December 2009 was \$1.33 million. The Group's underlying operating result, excluding the significant item, realised and unrealised investment gains and losses and the contribution from the unlisted Magellan funds, was a profit after tax of \$1.16 million. This compares with an underlying profit after tax for the previous corresponding period of \$0.75 million.

During the half year period, funds management fees increased by approximately \$1 million and total operating expenses were reduced by \$0.40 million compared with the previous corresponding period. Based on the current level of funds under management and expenses, the Group's operations are profitable.

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As at 31 December 2009, the Group had funds under management of approximately \$694 million (30 June 2009: \$393 million).

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MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

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As at 31 December 2009, the Group had cash of approximately \$20.2 million in addition to the fixed and floating rate investments mentioned earlier. This conservative Balance Sheet approach has benefitted the Company, particularly during the early stages of the funds and asset management business in the extreme markets of recent years. We also believe that Balance Sheet strength will be a significant future benefit.

Dividends

The Directors do not recommend payment of an interim dividend, and do not expect to recommend payment of a final dividend, for the year ending 30 June 2010.

Events Subsequent to the End of the Half Year

Since the end of the half year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial periods.

Rounding Off of Amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which this Class Order applies.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

This report is made in accordance with a resolution of the Directors.



Chris Mackay
Chairman

Sydney
18 February 2010

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Magellan Financial Group Limited

In relation to our review of the financial report of Magellan Financial Group Limited for the half year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Rita Da Silva'.

Rita Da Silva
Partner
18 February 2010

Liability limited by a scheme approved
under Professional Standards Legislation

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

		Consolidated	
		31 December 2009	31 December 2008
		\$'000	\$'000
Revenue			
Management fees		3,049	2,013
Consulting fees		764	870
Dividend income		48	470
Interest income		1,176	1,850
Net changes in fair value of financial assets	4a)	369	(14,723)
Net (loss) / gain on sale of financial assets	4b)	6	869
Foreign exchange gain / (loss)		37	88
Other revenue		3	(25)
Total revenue		5,452	(8,588)
Expenses			
Employee benefits expense		2,434	2,651
Depreciation and amortisation		63	91
Rental expense		184	171
Audit fees		56	103
Legal and professional fees		34	73
Fund administration		123	140
Marketing expense		182	109
Other operating expenses		420	545
Total operating expenses		3,496	3,883
Share of loss of an associate		(292)	(161)
External unit holders' share of profit		-	(484)
Operating profit / (loss) before significant items and income tax		1,664	(13,116)
Income tax (expense) / benefit attributable to operating profit / (loss)	5a)	(442)	3,990
Net operating profit / (loss) before significant items		1,222	(9,126)
Significant items:			
External unitholders' share of movement in available for sale reserve		-	(769)
Loss to Group on deemed disposal of controlling interest in unlisted funds		-	(4,118)
Gain to Group on loss of significant influence over associate entity		153	-
AASB 132 Accounting Adjustment		-	1,327
Income tax (expense) / benefit attributable to significant items	5a)	(46)	800
Net profit / (loss) for the period		1,329	(11,886)

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated	
	31 December 2009 \$'000	31 December 2008 \$'000
Other comprehensive income		
Net gains realised on disposal of available for sale financial assets	(6)	(869)
Net impact of deemed disposal upon ending of significant influence over associate entity	(153)	-
Net impact of deemed disposal of controlling interest in unlisted funds	-	4,084
Revaluation of available for sale financial assets	7,403	1,120
Share of revaluation of available for sale financial assets of an associate	1,444	(139)
Impairment loss on available for sale financial assets	-	14,146
Income tax on items of other comprehensive income	(2,606)	(4,924)
Other comprehensive income for the period, net of tax	6,082	13,418
 Total comprehensive income for the period	7,411	1,532
 <u>Earnings per share for net profit / (loss) for the period</u>		
Basic (loss) / earnings per share - cents	0.9	(8.2)
Diluted (loss) / earnings per share - cents	0.9	(8.2)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the Financial Statements.

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

Consolidated			
		31 December 2009	30 June 2009
	Note	\$'000	\$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents		20,223	39,622
Financial assets	7a)	11,861	3,316
Trade and other receivables		2,275	2,310
Loans under share purchase plan		378	-
Prepayments		300	223
Total current assets		35,037	45,471
<i>Non-current assets</i>			
Investment in associate		-	15,441
Financial assets	7b)	63,763	27,054
Deferred tax assets	5b)	6,784	9,874
Loans under share purchase plan		4,751	4,217
Property, plant and equipment		303	359
Total non-current assets		75,601	56,945
Total assets		110,638	102,416
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		693	707
Total current liabilities		693	707
Total liabilities		693	707
Net assets		109,945	101,709
Equity			
Contributed equity	8)	108,517	107,692
Retained (losses) / profit		(2,546)	(3,875)
Available for sale reserve		3,974	(2,108)
Total equity		109,945	101,709

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the Financial Statements.

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

Attributable to Equity Holders of the Group

	Contributed Equity \$'000	Retained Profit \$'000	Available for Sale Reserve \$'000	Total Equity \$'000
As at 1 July 2009	107,692	(3,875)	(2,108)	101,709
Net profit for period	-	1,329	-	1,329
Other comprehensive income	-	-	6,082	6,082
Total comprehensive income for the period	-	1,329	6,082	7,411
Transactions with owners in their capacity as owners:				
Issue of securities (note 8)	647	-	-	647
SPP expense for the period	178	-	-	178
	825	-	-	825
As at 31 December 2009	108,517	(2,546)	3,974	109,945

Attributable to Equity Holders of the Group

	Contributed Equity \$'000	Retained Profit \$'000	Available for Sale Reserve \$'000	Total Equity \$'000
As at 1 July 2008	106,757	8,490	(13,380)	101,867
Net profit / (loss) for period	-	(11,886)	-	(11,886)
Other comprehensive income	-	-	13,418	13,418
Total comprehensive income for the period	-	(11,886)	13,418	1,532
Transactions with owners in their capacity as owners:				
Issue of securities	210	-	-	210
SPP expense for the period	130	-	-	130
	340	-	-	340
As at 31 December 2008	107,097	(3,396)	38	103,739

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the Financial Statements.

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

	Consolidated	
	31 December 2009	31 December 2008
	\$'000	\$'000
Cash flows from operating activities		
Receipt of fee income	2,675	1,994
Receipt of consulting income	784	249
Interest received	600	1,413
Dividends received	19	474
Proceeds from sale of held for trading financial assets	169	1,334
Purchases of held for trading financial assets	(297)	(263)
Other revenue received	3	6
Net cash flows from foreign exchange transactions	37	(1,022)
Tax paid	-	(45)
Administration and general expenses paid	(3,295)	(6,967)
<i>Net cash inflows / (outflows) from operating activities</i>	695	(2,827)
Cash flows from investing activities		
Proceeds from sale of available for sale financial assets	128	7,202
Purchases of available for sale financial assets	(20,215)	(5,603)
Purchase of plant and equipment	(7)	-
Cash outflow on loss of control of unlisted trusts	-	(9,343)
<i>Net cash (outflows) / inflows from investing activities</i>	(20,094)	(7,744)
Cash flows from financing activities		
Proceeds from issue of securities and units	-	4,777
Payment for redemption of units	-	(1,978)
Distributions paid by controlled unlisted trusts	-	(246)
<i>Net cash inflows / (outflows) from financing activities</i>	-	2,553
Net increase / (decrease) in cash and cash equivalents	(19,399)	(8,018)
Effects of exchange rate movements	-	853
Cash and cash equivalents at the beginning of the half year	39,622	53,363
Cash and cash equivalents at the end of the half year	20,223	46,198

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the Financial Statements.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. Corporate Information

Magellan Financial Group Limited (the "Company") is a company limited by shares and incorporated in Australia. The shares of the Company are publicly traded on the Australian Securities Exchange (ASX) (ASX code: MFG). The Company and its controlled and associated entities comprise the Group.

2. Summary of Significant Accounting Policies

a) Basis of Preparation of Half Year Financial Report

This general purpose condensed consolidated financial report for the half year ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. This half year financial report does not include all the notes normally included in an annual financial report and it is recommended that it be read in conjunction with the Company's and the Group's annual report for the year ended 30 June 2009 and with public announcements made by the Company during the half year ended 31 December 2009 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX.

Comparative information in respect of the previous period has been re-classified where this assists in the understanding of the current period's financial report.

b) New Accounting Standards and Interpretations

Except as described below, the accounting policies applied by the Group in this interim financial report are the same as those applied by the Group for the year ended 30 June 2009.

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations which are applicable for interim and annual periods beginning on or after 1 January 2009:

- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement or in two linked statements. The Group has elected to present one statement.

c) Basis of Consolidation

The Financial Report of the Group comprises the consolidated financial reports of the Company and its controlled entities. Controlled entities included within the consolidated financial report are:

	% Ownership	
	31 December 2009	30 June 2009
Magellan Asset Management Limited	100.0	100.0
New Privateer Holdings Pty Limited	100.0	100.0
Magellan Capital Partners Pty Limited	100.0	100.0

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

2. Summary of Significant Accounting Policies (continued)

c) Basis of Consolidation (continued)

The comparative Statement of Comprehensive Income for the six months ended 31 December 2008 includes a contribution from two controlled unlisted trusts, Magellan Global Fund and Magellan Infrastructure Fund ('the Funds'), and the effect of the loss of control of these Funds when external investor contributions diluted the Group's percentage holdings to less than 50%.

Magellan Infrastructure Fund was classified as an available-for-sale financial investment from 22 October 2008, the date of loss of control. Changes in the fair value since this date are recognised in the Available For Sale Reserve.

From 4 December 2008 (the date of loss of control) until 3 August 2009, Magellan Global Fund was deemed to be an associate entity as the percentage of units held by the Group was sufficient to provide the Group with significant influence, and accounted for in accordance with AASB 128: *Investments in Associates*. In August 2009, the Company's percentage holding in Magellan Global Fund fell below 20% and from this date is classified as an available-for-sale financial investment.

All inter-entity balances and transactions between entities in the consolidated group, including unrealised profits or losses, have been eliminated on consolidation. Policies of the controlled entities have been changed where necessary to ensure consistency with those policies adopted by the parent entity.

Acquisitions have been accounted for using the purchase method of accounting, which involves allocating the cost of the business combination to the fair value of assets acquired and the liabilities and contingent liabilities assumed at the date of the acquisition.

3. Operating Segment Information

The Group's business activities are organised into the following reportable operating segments for internal management purposes:

Funds and asset management

Funds and asset management activities are undertaken by the controlled entity, Magellan Asset Management Limited (MAM), which acts as an Investment Manager for the Magellan Flagship Fund Limited (the Flagship Fund), a listed investment company (ASX code: MFF) and other wholesale client mandates. It acts as Responsible Entity and Investment Manager for the Magellan Global Fund and Magellan Infrastructure Fund (the Unlisted Funds) which are registered schemes offerings made to Australian and New Zealand wholesale and retail investors.

Principal investments

The principal investment portfolio is comprised of investments in the Flagship Fund, the Unlisted Funds, and in a select portfolio of Australian and international listed companies, cash and fixed interest securities and other investments.

Unallocated - Corporate

Costs associated with the board, ASX listing, audit and regulatory compliance activities of the Group.

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

3. Operating Segment Information (continued)

The operating results of the Group's operating segments are as follows:

31 December 2009	Funds and asset management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Consolidated \$ '000
Revenue				
Management fees	3,049	-	-	3,049
Consulting fees	764	-	-	764
Interest income	84	826	266	1,176
Dividend income	-	48	-	48
Changes in fair value of financial assets	-	369	-	369
Net gains on sale of financial assets	-	6	-	6
Foreign exchange gains / (losses)	-	37	-	37
Other revenue	3	-	-	3
	3,900	1,286	266	5,452
Expense				
Employee benefits expense	2,231	-	25	2,256
Employee benefits expense - (SPP)	106	-	72	178
Other expenses	956	-	106	1,062
	3,293	-	203	3,496
Share of income from an associate	-	(292)	-	(292)
Operating profit / (loss) before significant items and income tax	607	994	63	1,664
31 December 2008	Funds and asset management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Consolidated \$ '000
Revenue				
Management fees	2,013	-	-	2,013
Consulting fees	870	-	-	870
Interest income	185	1,665	-	1,850
Dividend income	-	470	-	470
Changes in fair value of financial assets	-	(14,723)	-	(14,723)
Net gains on sale of financial assets	-	869	-	869
Foreign exchange gains / (losses)	-	88	-	88
Other revenue	-	-	(25)	(25)
	3,068	(11,631)	(25)	(8,588)
Expense				
Employee benefits expense	2,500	-	23	2,523
Employee benefits expense - (SPP)	58	-	72	130
Other expenses	1,035	-	195	1,230
	3,593	-	290	3,883
Share of income from an associate	-	(161)	-	(161)
Finance cost – external unit holders' share of net profit	-	(484)	-	(484)
Operating profit / (loss) before significant items and income tax	(525)	(12,276)	(315)	(13,116)

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

3. Operating Segment Information (continued)

The assets and liabilities of the Group's operating segments are as follows:

31 December 2009	Funds and asset management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Eliminations* \$ '000	Consolidated \$ '000
Cash and cash equivalents	3,708	16,515	-	-	20,223
Financial assets	-	75,624	-	-	75,624
Loans – share purchase plan (SPP)	-	-	5,129	-	5,129
Other assets	4,987	7,220	1,150	(3,695)	9,662
Total assets	8,695	99,359	6,279	(3,695)	110,638
Other liabilities	1,784	-	2,604	(3,695)	693
Total liabilities	1,784	-	2,604	(3,695)	693
Net assets	6,911	99,359	3,675	-	109,945

30 June 2009	Funds and asset management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Eliminations* \$ '000	Consolidated \$ '000
Cash and cash equivalents	3,617	36,005	-	-	39,622
Financial assets	240	30,370	-	-	30,610
Investment in associate	-	15,441	-	-	15,441
Loans – share purchase plan (SPP)	-	-	4,217	-	4,217
Other assets	4,616	10,478	1,491	(4,059)	12,526
Total assets	8,473	92,294	5,708	(4,059)	102,416
Other liabilities	2,074	124	2,568	(4,059)	707
Total liabilities	2,074	124	2,568	(4,059)	707
Net assets	6,399	92,170	3,140	-	101,709

*Eliminations includes adjustments and eliminations for inter-segment transactions and netting of balance sheet items

The capital invested by the Group into its funds and asset management business activities is as follows:

	31 December 2009 \$ '000	30 June 2009 \$ '000
Capital invested in controlled entity	12,500	12,500
Subordinated loan to controlled entity	1,150	1,150
	<u>13,650</u>	<u>13,650</u>
Cash held by funds and asset management operating segment	3,708	3,617
Net investment in funds and asset management business	9,942	10,033

The Group's business activities are conducted in Australia.

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

4. Changes in the Fair Value of Financial Assets

The changes in fair value of financial assets recognised in the Income Statement comprise

	Consolidated	
	31 December 2009	31 December 2008
	\$'000	\$'000
a) Change in fair value of financial assets		
Company and its operating subsidiaries		
Fair value movements – held for trading	369	(577)
Unrealised impairment loss – available for sale	-	(14,146)
	369	(14,723)
b) Net (loss)/ gain on sale of available-for-sale financial assets		
Company and its operating subsidiaries		
	6	341
Controlled trusts	-	528
	6	869

5. Income Tax

	Consolidated	
	31 December 2009	31 December 2008
	\$'000	\$'000
a) Total income tax benefit recognised in the period comprises:		
Income tax (expense) / benefit attributable to operating profit	(442)	3,990
Income tax (expense)/ benefit attributable to significant items	(46)	800
Total income tax (expense) /benefit recognised in Profit and Loss	(488)	4,790
Income tax on items transferred directly to or from equity:		
- Arising from the revaluation of available for sale financial assets	(2,173)	4,924
- Arising from the loss of significant influence over associate entity	(433)	-
Total income tax directly in Other Comprehensive Income	(2,606)	4,924

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

5. Income Tax (continued)

	Consolidated	
	31 December 2009	30 June 2009
b) Deferred tax relates to the following:	\$'000	\$'000
Tax losses carried forward	1,640	1,863
Net capital losses carried forward	972	943
Costs associated with the issue of securities deductible in future years	210	395
Revaluation of available for sale financial assets	3,633	6,198
Revaluation of held for trading financial assets	331	495
Impairment losses on available for sale financial assets	-	(12)
Other temporary differences	(2)	(8)
Deferred tax asset	6,784	9,874

6. Dividends

No dividends have been paid or declared during the half-year ended 31 December 2009 (2008: nil).

7. Financial Assets

	Consolidated	
	31 December 2009	30 June 2009
a) Current	\$'000	\$'000
Held for trading (by domicile of primary stock exchange)		
- listed shares-Australia	1,198	684
Held to maturity		
- Fixed and floating rate securities	10,422	2,391
- cash term deposits	241	241
	11,861	3,316

The movement in the fair value of current financial assets of the Company and its operating subsidiaries can be analysed as follows

	\$'000
Balance at 1 July 2009	3,316
Acquisitions	5,326
Reclassification from non-current to current of held to maturity securities	2,822
Disposals	(169)
Changes in fair value	566
Balance at 31 December 2009	11,861

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

7. Financial Assets (continued)

b) Non-current	Consolidated	
	31 December 2009 \$'000	30 June 2009 \$'000
Held to maturity		
- Fixed and floating rate securities	-	2,822
Available for sale financial assets (by domicile of primary stock exchange)		
- Listed shares – Australia – Magellan Flagship Fund	28,625	15,499
- Listed shares – United States	3,242	2,613
- Listed shares – Switzerland	1,338	1,143
- Listed shares - Europe	148	122
- Unlisted unit trusts – Magellan Global Fund*	24,487	-
- Unlisted unit trusts – Magellan Infrastructure Fund	4,172	3,172
- Unlisted unit trusts – other	1,751	1,683
	63,763	27,054

* As at 30 June 2009, the Group's investment in Magellan Global Fund (fair value of \$15,441,000) was classified as an investment in an associate. Magellan Global Fund ceased to be an associate of the Group on 13 August 2009.

The movement in the fair value of non-current financial assets of the Group can be analysed as follows:

Balance at 1 July 2009	\$ '000 27,054
Acquisitions	13,346
Reclassification of investment in associate	18,910
Disposals	(128)
Reclassification from non-current to current of held to maturity securities	(2,822)
Changes in fair value	7,403
Balance at 31 December 2009	63,763

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

8. Contributed Equity

The movements during the half year of Group securities on issue were as follows:

Number of securities	Shares	MFG 2011 Options	MFG 2016 Options	Class B Shares
	'000	'000	'000	'000
Balance at 1 July 2009	145,945	6,034	7,882	10,200
Issue of shares under SPP ⁽¹⁾	1,253	-	-	-
Balance at 31 December 2009	<u>147,198</u>	<u>6,034</u>	<u>7,882</u>	<u>10,200</u>

	Total \$'000
Balance at 1 July 2009	107,692
Issue of shares under SPP	647
Recognition of SPP expense for the half- year	<u>178</u>
Balance at 31 December 2009	<u>108,517</u>

⁽¹⁾ Employee share purchase plan (SPP)

9. Contingent Liabilities and Commitments for Expenditure

Capital Commitments

The directors are not aware of any capital commitments as at the date of this report.

Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases in respect of office premises and equipment are as follows:

	Consolidated	
	31 December 2009	30 June 2009
	\$'000	\$'000
Within one year	340	334
Later than one year but not later than five years	<u>461</u>	<u>610</u>
	<u>801</u>	<u>944</u>

Contingent Liabilities

The Group has a contingent liability for uncalled amounts of \$0.4m (30 June 2009: \$0.5m) on units in unlisted unit trusts that are held for investment. The directors are not aware of any other contingent liabilities at balance sheet date.

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

10. Events Subsequent to Reporting Date

No significant events have occurred since the balance date which would impact on the financial position of the group as at 31 December 2009 and on the results for the half year ended on that date.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Magellan Financial Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (ii) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half year ended on that date for the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Chris Mackay
Chairman

Sydney
18 February 2010

INDEPENDENT REVIEW REPORT



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

To the members of Magellan Financial Group Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Magellan Financial Group Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magellan Financial Group Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Liability limited by a scheme approved
under Professional Standards Legislation

INDEPENDENT REVIEW REPORT



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Magellan Financial Group Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Rita Da Silva".

Rita Da Silva
Partner
Sydney
18 February 2010

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE INFORMATION

Directors

Brett Cairns
Hamish Douglass
Paul Lewis
Chris Mackay
Naomi Milgrom

Company Secretaries

Nerida Campbell
Leo Quintana

Registered Office

Magellan Financial Group Limited
Level 7, 1 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 8114 1888
Email: info@magellangroup.com.au
Fax: +61 2 8114 1800

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000