

Magellan Financial Group Limited
ABN 59 108 437 592

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21 February 2011

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

Dear Sir/Madam,

**CONDENSED FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Magellan Financial Group Limited hereby lodges:

1. Appendix 4D for the half year ended 31 December 2010; and
2. Condensed Financial Report for the half year ended 31 December 2010.

Yours faithfully,



Leo Quintana
Legal Counsel & Company Secretary

Appendix 4D

Magellan Financial Group Limited

Half Year Report Ended 31 December 2010

Details of reporting periods

Current: 1 July 2010 to 31 December 2010

Comparative: 1 July 2009 to 31 December 2009

Results for announcement to the market

	Percentage change from the Comparative Period	Dec 2010 \$'000
Total revenue ("revenue from ordinary activities")	37%	7,473
Net operating profit ("profit (loss) from ordinary activities after tax attributable to members")	42%	1,881
Net operating profit ("net profit (loss) for the period attributable to members")	42%	1,881

Commentary on results

Please refer to the attached Condensed Financial Report and Financial Statements.

Dividends

The Company does not propose to pay any dividend for the half year ended 31 December 2010.

Net tangible assets per share (diluted for the conversion of the MFG Class B shares)

31/12/2010 \$0.75

31/12/2009 \$0.70

Financial Report

The Company's independent auditor, Ernst & Young, has reviewed Condensed Financial Report on which this report is based and has provided an unqualified review report. A copy of the Group's Condensed Financial Report, inclusive of the review report, is attached.

MAGELLAN FINANCIAL GROUP LIMITED

ABN 59 108 437 592

CONDENSED FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2010**

MAGELLAN FINANCIAL GROUP LIMITED

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Directors

The following persons were directors of Magellan Financial Group Limited during the half year ended 31 December 2010 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 2010 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 net profit after tax of Magellan Financial Group ('the Group') for the six months ended 31 December 2010 was \$1.88 million. This compares with a reported net profit after tax of \$1.33 million for the previous corresponding period.

During the half year period, funds management fees increased by approximately 83% to \$5.6 million against the previous corresponding period. Total operating expenses increased by 37% to \$4.8 million.

During the six months the Group further materially increased its investment in personnel. This reflected growth in funds under management. More importantly, this is an investment to position Magellan for further organic growth. As at today's date we have 28 employees having added 5 people since 30 June 2010, across our investment, operations and distribution teams.

The Group has maintained its strong Balance Sheet and financial position, with net assets of approximately \$118.2 million, no debt and total liabilities of \$1.5 million. As at 31 December 2010, the Group's net assets per share (diluted for the conversion of the Class B shares) was approximately \$0.75, compared with net assets per share at 30 June 2010 of \$0.71.

As at 31 December 2010, the Group had funds under management of approximately \$2,174 million (30 June 2010: \$1,147 million and 31 December 2009: \$694 million).

Magellan's retail funds under management comprised:

	<u>\$ million</u>
Global Equities	690
Infrastructure Equities	137
	<u>827</u>

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

The Magellan Global Fund had a value of \$432 million and the Magellan Infrastructure Fund \$137 million as at 31 December 2010 compared with values as at 30 June 2010 of \$261 million and \$80 million respectively.

Wholesale funds under management were \$1,347 million of which 86% were beta style mandates and funds. Wholesale mandates have materially lower fees than the fees of other Magellan products.

At 31 January 2011, funds under management were \$2,458 million, split 35% retail and 65% wholesale. Wholesale beta style mandates and funds represent approximately 88% of wholesale funds under management.

Investments in Magellan's Funds and Principal Investments

We have previously reported that 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 2010, Magellan's investment assets comprised \$72.5 million in these three funds (\$60.7 million at 30 June 2010), and an investment portfolio of \$9.3 million in other securities (\$7.6 million at 30 June 2010).

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 largest aggregated "look through" equity investments as at 31 December 2010 (with values above \$2 million).

	<u>\$ million</u>
American Express	10.0
Nestlé	8.5
Wells Fargo	7.7
Yum! Brands	7.7
eBay	7.4
Coca Cola	5.6
Google	4.6
McDonalds	3.6
US Bancorp	3.6
Wal-Mart	3.6
Procter & Gamble	3.4
Colgate-Palmolive	2.8
PepsiCo	2.8
Lowe's	2.7
Kraft	2.0

As at 31 December 2010, the Group had cash, fixed term deposits and fixed rate debt investments of approximately \$24.5 million. 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 continue to believe that Balance Sheet strength will be a significant future benefit.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Dividends

The Directors do not recommend payment of an interim dividend.

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.

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
21 February 2011

MAGELLAN FINANCIAL GROUP LIMITED
AUDITOR'S INDEPENDENCE DECLARATION



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**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 2010, 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
21 February 2011

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 2010**

		Consolidated	
	Note	31 December 2010	31 December 2009
		\$ '000	\$ '000
Revenue			
Management fee revenue		5,572	3,049
Consulting fee revenue		667	764
Dividend income		58	48
Interest income		845	1,176
Net changes in fair value financial assets		119	369
Net gain on sale of financial assets		216	6
Foreign exchange gain / (loss)		(18)	37
Other revenue		14	3
Total revenue		7,473	5,452
Expenses			
Employee benefits expense		3,413	2,434
Depreciation and amortisation		61	63
Occupancy expense		207	184
Audit fees		68	56
Legal and professional fees		27	34
Fund administration		210	123
Marketing expense		266	182
Other operating expenses		538	420
Total expenses		4,790	3,496
Share of income from associate entity		-	(292)
Gain to Group on loss of significant influence over associate entity		-	153
Operating profit before income tax		2,683	1,817
Income tax expense	4 a)	(802)	(488)
Net operating profit		1,881	1,329

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Consolidated	
	31 December 2010 \$ '000	31 December 2009 \$ '000
Other comprehensive income		
Net gain on sale of financial assets	(216)	(6)
Net impact of deemed disposal upon ending of significant influence over associate entity	-	(153)
Revaluation of available for sale financial assets	6,286	7,403
Share of revaluation of available for sale financial assets of an associate	-	1,444
Income tax expense on items of other comprehensive income	(1,820)	(2,606)
Other comprehensive income for the period, net of tax	4,250	6,082
Total comprehensive income for the period	6,131	7,411

Earnings per share for the period

Earnings attributable to shares		
Basic earnings per share	1.3 cents	0.9 cents
Diluted earnings per share	1.2 cents	0.9 cents

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 2010**

	Note	Consolidated 31 December 2010 \$ '000	30 June 2010 \$ '000
Assets			
<i>Current assets</i>			
Cash and cash equivalents		1,887	2,243
Financial assets	6 a)	22,434	27,057
Trade and other receivables		2,695	3,181
Loans - share purchase plan (SPP)		157	357
Prepayments		260	176
Total current assets		27,433	33,014
<i>Non-current assets</i>			
Financial assets	6 b)	81,907	67,595
Deferred tax assets	4 b)	4,376	6,683
Loans - share purchase plan (SPP)		5,774	4,922
Property, plant and equipment		250	268
Total non-current assets		92,307	79,468
Total assets		119,740	112,482
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		1,177	1,177
Income tax payable		319	172
Total current liabilities		1,496	1,349
Total liabilities		1,496	1,349
Net assets		118,244	111,133
Equity			
Contributed equity		109,610	108,630
Available for sale reserve		6,802	2,552
Retained profits / (Accumulated losses)		1,832	(49)
Total attributable to members of the Group		118,244	111,133
Total Equity		118,244	111,133

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 2010**

Attributable to Equity Holders of the Group

	Contributed Equity	Retained Profits / (Accumulated Losses)	Available for Sale Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Equity - 1 July 2010	108,630	(49)	2,552	111,133
Net profit for the period	-	1,881	-	1,881
Other comprehensive income	-	-	4,250	4,250
Total comprehensive income for the period	-	1,881	4,250	6,131
Issue of securities:				
- under employee share scheme (SPP)	840	-	-	840
SPP expense for the period	140	-	-	140
Total transactions with equity holders in their capacity as equity owners	980	-	-	980
Equity - 31 December 2010	109,610	1,832	6,802	118,244

Attributable to Equity Holders of the Group

	Contributed Equity	Retained Profits / (Accumulated Losses)	Available for Sale Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Equity - 1 July 2009	107,692	(3,875)	(2,108)	101,709
Net profit for the period	-	1,329	-	1,329
Other comprehensive income	-	-	6,082	6,082
Total comprehensive income for the period	-	1,329	6,082	7,411
Issue of securities:				
- under employee share scheme (SPP)	647	-	-	647
SPP expense for the period	178	-	-	178
Total transactions with equity holders in their capacity as equity owners	825	-	-	825
Equity - 31 December 2009	108,517	(2,546)	3,974	109,945

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 2010**

	Consolidated	
	31 December 2010	31 December 2009
	\$ '000	\$ '000
Cash flows from operating activities		
Receipt of fee income	5,391	2,675
Interest received	893	600
Proceeds from sale of held for trading financial assets	1,029	169
Purchases of held for trading financial assets	-	(297)
Other revenue received	406	787
Dividends received	25	19
Tax paid	(174)	-
Payments to suppliers and employees	(4,653)	(3,296)
<i>Net cash inflows from operating activities</i>	2,917	658
Cash flows from investing activities		
Proceeds from sale and maturity of financial assets	28,530	128
Purchases of financial assets	(32,119)	(20,215)
Net cash flows from foreign exchange transactions	(18)	37
Purchase of plant and equipment	(43)	(7)
<i>Net cash (outflows)/ inflows from investing activities</i>	(3,650)	(20,057)
Cash flows from financing activities		
Proceeds from repayment of share purchase plan loan	377	-
<i>Net cash inflows from financing activities</i>	377	-
<i>Net increase / (decrease) in cash and cash equivalents</i>	(356)	(19,399)
Cash and cash equivalents at the beginning of the period	2,243	39,622
<i>Cash and cash equivalents at the end of the period</i>	1,887	20,223

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 2010

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 2010 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board. 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 2010 and with public announcements made by the Company during the half year ended 31 December 2010 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX.

b) New Accounting Standards and Interpretations

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group for the year ended 30 June 2010.

c) Basis of Consolidation

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

	% Ownership	
	31 December 2010	30 June 2010
Magellan Asset Management Limited	100.0	100.0
Magellan Capital Partners Pty Limited	100.0	100.0

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 are accounted for using the acquisition 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.

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

3. Operating Segment Information

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

Funds management

Funds management activities are undertaken by the controlled entity, Magellan Asset Management Limited (MAM). MAM acts as 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 (Unlisted Funds) which are managed investment schemes offered to Australian and New Zealand investors. MAM acts as trustee and investment manager for the Magellan Infrastructure Beta Fund which is an unregistered managed investment scheme offered to Australian wholesale 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

Interest income on SPP loans, and 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 2010**

3. Operating Segment Information (continued)

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

31 December 2010	Funds Management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Consolidated \$ '000
Revenue				
Management fees	5,572	-	-	5,572
Consulting fees	667	-	-	667
Interest income	159	498	188	845
Dividend income	-	58	-	58
Changes in fair value of financial assets	-	119	-	119
Net gains on disposal of financial assets	-	216	-	216
Foreign exchange losses	-	(18)	-	(18)
Other revenue	14	-	-	14
	6,412	873	188	7,473
Expense				
Employee benefits expense	3,247	-	26	3,273
Employee benefits expense - (SPP)	68	-	72	140
Other expenses	1,255	-	122	1,377
	4,570	-	220	4,790
Operating profit / (loss) before income tax	1,842	873	(32)	2,683
31 December 2009	Funds 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	-	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)
Gain to Group on loss of significant influence over associate entity	-	153	-	153
Operating profit / (loss) before income tax	607	1,147	63	1,817

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

3. Operating Segment Information (continued)

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

31 December 2010	Funds Management	Principal Investments	Unallocated - Corporate	Eliminations*	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents	1,240	647	-	-	1,887
Financial assets	3,612	100,729	-	-	104,341
Loan to Parent Company – Corporate	2,500	-	-	(2,500)	-
Loans – share purchase plan(SPP)	-	-	5,931	-	5,931
Other assets	4,337	4,271	1,150	(2,177)	7,581
Total assets	11,689	105,647	7,081	(4,677)	119,740
Loan from controlled subsidiary	-	-	2,500	(2,500)	-
Other liabilities	2,274	372	1,027	(2,177)	1,496
Total liabilities	2,274	372	3,527	(4,677)	1,496
Net assets	9,415	105,275	3,554	-	118,244

30 June 2010	Funds Management	Principal Investments	Unallocated - Corporate	Eliminations*	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents	1,971	272	-	-	2,243
Financial assets	1,958	92,694	-	-	94,652
Loan to Parent Company – Corporate	2,000	-	-	(2,000)	-
Loans – share purchase plan (SPP)	-	-	5,279	-	5,279
Other assets	4,445	7,502	1,150	(2,789)	10,308
Total assets	10,374	100,468	6,429	(4,789)	112,482
Loan from Funds management	-	-	2,000	(2,000)	-
Other liabilities	2,286	213	1,639	(2,789)	1,349
Total liabilities	2,286	213	3,639	(4,789)	1,349
Net assets	8,088	100,255	2,790	-	111,133

*Eliminations include adjustments / eliminations for inter-segment transactions and netting of items on the Statement of Financial Position

The Group's net investment into its funds management business activities as at 31 December 2010 is:

	31 December 2010	30 June 2010
	\$ '000	\$ '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 management operating segment	(1,240)	(1,971)
Fixed term deposits held by funds management operating segment	(3,372)	(1,718)
Loan from controlled subsidiary	(2,500)	(2,000)
Net investment in funds management business	<u>6,538</u>	<u>7,961</u>

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 2010**

4. Income Tax

a) Total income tax benefit recognised in the period comprises:	Consolidated	
	31 December	31 December
	2010	2009
	\$'000	\$'000
Income tax expense attributable to operating profit	802	488
Total income tax expense recognised in profit or loss	802	488
Income tax expense recognised in other comprehensive income:		
- Arising from the revaluation of financial assets	(1,886)	(2,173)
- Arising from the disposal of financial assets	66	-
- Arising from the loss of significant influence over associate entity	-	(433)
Total income tax directly in other comprehensive income	(1,820)	(2,606)

b) Deferred tax relates to the following:	Consolidated	
	31 December	30 June
	2010	2010
	\$'000	\$'000
Tax losses carried forward	457	806
Net capital losses carried forward	1,412	971
Costs associated with the issue of securities deductible in future years	52	210
Revaluation of financial assets	2,249	4,509
Other temporary differences	206	187
Deferred tax asset	4,376	6,683

5. Dividends

No dividends have been paid or declared during the half-year ended 31 December 2010 (2009: nil).

6. Financial Assets

a) Current	Consolidated	
	31 December	30 June
	2010	2010
	\$'000	\$'000
Held for trading		
- Listed shares – Australia	162	1,072
Held to maturity		
- Fixed and floating rate securities	-	9,622
Loans and receivables		
- Fixed term deposits	22,272	16,363
	22,434	27,057

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

6. Financial Assets (continued)

a) Current (continued)

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

	Consolidated	
	31 December	31 December
	2010	2009
	\$'000	\$'000
Balance at 1 July	27,057	3,316
Acquisitions	-	5,326
Reclassification from non-current to current of held to maturity securities	-	2,822
Disposals	(1,029)	(169)
Maturities of fixed and floating rate securities	(9,390)	-
Maturities of fixed term deposits	(16,363)	-
Cash placed on fixed term deposit	22,272	-
Changes in fair value	(113)	566
Balance at 31 December	22,434	11,861

b) Non-current

	31 December	30 June
	2010	2010
	\$'000	\$'000
Held to maturity		
- Fixed and floating rate securities	352	352
Available for sale financial assets (by domicile of primary stock exchange)		
- Listed shares – Australia		
- Magellan Flagship Fund	35,190	27,507
- Listed shares – United States	5,751	3,252
- Listed shares – Switzerland	1,420	1,420
- Listed shares – Europe	125	134
- Unlisted funds - Magellan		
- Magellan Global Fund	34,743	29,822
- Magellan Infrastructure Fund	2,531	3,347
- Unlisted funds - Other	1,795	1,761
	81,907	67,595

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

	31 December	31 December
	2010	2009
	\$'000	\$'000
Balance at 1 July	67,595	27,054
Acquisitions	10,797	13,346
Reclassification of investment in associate	-	18,910
Disposals	(2,771)	(128)
Reclassification from non-current to current of held to maturity securities	-	(2,822)
Changes in fair value	6,286	7,403
Balance at 31 December	81,907	63,763

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2010

7. Financial Risk Management

The Group has previously disclosed the International Prime Brokerage Agreements (IPBA) entered into with Merrill Lynch International (MLI), a wholly owned subsidiary of Bank of America.

During the period Magellan Asset Management Limited (MAM), in its capacity as trustee and responsible entity of the Magellan Global Fund and Magellan Infrastructure Fund (Unlisted Funds), amended the IPBA arrangements to include a separate custody facility. Under this new arrangement MAM may, at its sole election and at a time of its own choosing, cause the transfer of the securities of the Unlisted Funds from MLI to a separate custodian, Prime Asset Custody Transfers Limited (PACT).

8. Contributed Equity

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

	Shares	MFG 2011 Options	MFG 2016 Options	Class B Shares
	'000	'000	'000	'000
Balance at 1 July 2010	147,198	6,034	7,882	10,200
Issue of shares under share purchase plan (SPP)	1,019	-	-	-
Balance at 31 December 2010	148,217	6,034	7,882	10,200

	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	1,253	-	-	-
Balance at 31 December 2009	147,198	6,034	7,882	10,200

	31 December 2010	31 December 2009
	\$'000	\$'000
Balance at 1 July	108,630	107,692
Issue of shares under SPP	840	647
Recognition of SPP expense for the half year	140	178
Balance at 31 December	109,610	108,517

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

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	30 June
	2010	2010
	\$'000	\$'000
Within one year	370	375
Later than one year but not later than five years	115	292
	485	668
	485	668

Contingent Liabilities

The Group has a contingent liability for uncalled amounts of \$0.4m (30 June 2010: \$0.4m) on units in unlisted unit trusts that are held for investment.

The directors are not aware of any other contingent liabilities at balance date.

Guarantees

The Company has issued a letter of comfort to a client of its controlled entity Magellan Asset Management Limited (MAM) where the Company undertakes to provide support and assistance as required to ensure MAM complies with the financial conditions of its Australian Financial Services Licence.

10. Events Subsequent to Reporting Date

Since the end of the half year, there have been no matters or circumstances not otherwise dealt with in this report or the financial statements that have 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.

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 2010 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, 21 February 2011

MAGELLAN FINANCIAL GROUP LIMITED

INDEPENDENT REVIEW REPORT



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To the members of Magellan Financial Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magellan Financial Group Limited (the company), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, 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

MAGELLAN FINANCIAL GROUP LIMITED

INDEPENDENT REVIEW REPORT



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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:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b. 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
21 February 2011

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE INFORMATION

Directors

Chris Mackay – Chairman
Hamish Douglass – Managing Director and Chief Executive Officer
Naomi Milgrom
Paul Lewis
Brett Cairns

Company Secretaries

Nerida Campbell
Leo Quintana

Registered Office

Magellan Financial Group Limited
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Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

Share Registrar

Registries Limited
Level 7, 207 Kent Street
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Email: registries@registries.com.au

Securities Exchange Listing

Australian Securities Exchange
ASX code: MFG

Website

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