

Magellan Financial Group Limited
ABN 59 108 437 592

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24 February 2012

ASX Market Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

**CONDENSED FINANCIAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2011**

Magellan Financial Group Limited hereby lodges:

1. Appendix 4D for the period ended 31 December 2011; and
2. Condensed Financial Report for the period ended 31 December 2011.

Yours faithfully,



Leo Quintana
Legal Counsel & Company Secretary

Appendix 4D

Magellan Financial Group Limited

Half Year Report Ended 31 December 2011

Details of reporting periods

Current: 1 July 2011 to 31 December 2011
 Comparative: 1 July 2010 to 31 December 2010

Results for announcement to the market

	Percentage change from the Comparative Period	Dec 2011 \$'000
Total revenue ("revenue from ordinary activities")	107%	15,492
Net operating profit ("profit (loss) from ordinary activities after tax attributable to members")	178%	5,225
Net operating profit ("net profit (loss) for the period attributable to members")	178%	5,225

Commentary on results

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

Dividends

	Amount per share	Franked amount per share at 30% tax
Interim dividend per share	1.5 cents	1.5 cents
Previous comparative period	0 cents	0 cents

Interim Dividend Dates

Ex-dividend Date 13 March 2012
 Record Date 19 March 2012
 Payment Date 18 April 2012

The Dividend Reinvestment Plan will not operate in respect of the interim dividend.

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

31/12/2011 \$0.81
 31/12/2010 \$0.75

Financial Report

The Company's independent auditor, Ernst & Young, has reviewed the Condensed Financial Report on which this Appendix 4D is based and has provided an unqualified Review Report. A copy of the Group's Condensed Financial Report, inclusive of the Auditor's Review Report, is attached.

MAGELLAN FINANCIAL GROUP LIMITED

ABN 59 108 437 592

CONDENSED FINANCIAL REPORT

**FOR THE HALF YEAR ENDED
31 DECEMBER 2011**

MAGELLAN FINANCIAL GROUP LIMITED

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Directors

The following persons were Directors of Magellan Financial Group Limited during the half year ended 31 December 2011 and up to the date of this report.

Brett Cairns
Hamish Douglass
Paul Lewis
Chris Mackay
Naomi Milgrom AO

Principal Activities

The principal activity of Magellan Financial Group Limited and its controlled entities ('the Group') during the six months ended 31 December 2011 was funds management, primarily focussed on international investment funds. 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 operating profit after tax of the Group for the six months ended 31 December 2011 was \$5.2 million. This compares with a net operating profit after tax of \$1.9 million for the previous corresponding period.

During the half year period, management fees increased by approximately 153% to \$14.1 million against the previous corresponding period. Following the outperformance of the Magellan Global Fund / Colonial First State Magellan Global Option, the Group's management fees for the six month period ended 31 December 2011 include net performance fees of approximately \$4.7 million. This compares with net performance fees of approximately \$7,000 for the comparative six month period ended 31 December 2010. Performance fees earned (if any) may fluctuate significantly from period to period.

In the six months to 31 December 2011 the Group's total operating expenses increased by 63% against the comparative period to 31 December 2010 to \$7.8 million. Employee benefits expense (the Group's largest expense) rose by approximately 65% against the comparative period. The increase in employee benefits expense reflects a 32% increase in employees since 31 December 2010 (from 27 to 35 people) and an increase in compensation. Since 31 December 2011 we have hired 4 additional people taking the total employees to 39. The increase in employees reflects the investment to grow the business in Australia and internationally.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

The Group has continued to make steady progress in developing its Australian business. As at 31 December 2011, the Group had funds under management of approximately \$2.93 billion (30 June 2011: \$2.76 billion and 31 December 2010: \$2.17 billion).

Magellan's retail funds under management comprised:

	<u>\$ million</u>
Global Equities	1,216
Infrastructure Equities	190
	<u>1,406</u>

The Magellan Global Fund / Colonial First State Magellan Global Option ("the Global Fund") had a value of \$931 million and the Magellan Infrastructure Fund \$190 million as at 31 December 2011, compared with values as at 30 June 2011 of \$650 million and \$165 million respectively.

The Global Fund has retained strong investment ratings from the major retail asset consultants and we continue to attract new dealer groups and wealth management firms as clients. Net inflows into the Global Fund were \$221 million for the 6 months from 1 July 2011 to 31 December 2011.

As at 31 December 2011 wholesale funds under management were \$1,527 million of which 88% were beta style mandates and funds. Wholesale mandates have materially lower fees than the fees of other Magellan products.

At 22 February 2012, funds under management were \$3,056 million, split 50% retail and 50% wholesale. From 1 February to 22 February 2012, Magellan experienced net inflows of \$56 million, which included net inflows of \$51 million into the Global fund.

At the end of December we established two institutional mutual funds in the United States in conjunction with Frontier Partners, for our global equities and infrastructure capabilities. We are also in the process of establishing institutional funds for European investors. To date there have not been any meaningful additions to funds under management from our activities in North America or Europe, but we are pleased with the early progress in establishing client and asset consultant relationships.

The Group has maintained its strong financial position, with net assets of approximately \$131 million, no debt, and total liabilities of \$5.2 million. As at 31 December 2011, the Group's net assets per share (diluted for the conversion of the Class B shares) was approximately \$0.81, compared with net assets per share at 30 June 2011 of approximately \$0.78.

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 2011, Magellan's investment assets comprised \$74.2 million in these three funds (\$70.8 million at 30 June 2011), and an investment portfolio of \$7.8 million in other listed securities (\$7.4 million at 30 June 2011).

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

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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 2011 (with values above \$2 million).

	<u>\$ million</u>
American Express	11.8
Yum! Brands	9.5
eBay	8.0
Google	7.7
Wells Fargo	6.5
Nestlé	5.6
Coca-Cola	4.9
Visa	4.0
McDonald's	3.6
US Bancorp	3.5
Procter & Gamble	3.2
China Mobile	3.1
Lowe's Co	2.9
MasterCard	2.4
Wal-Mart	2.2

As at 31 December 2011, the Group had cash, fixed term deposits and fixed rate debt investments of approximately \$33.5 million. This conservative Balance Sheet strategy 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 and we remain cautious about overall macro economic risks.

Dividends

On 24 February 2012, the Directors declared a fully franked interim dividend of 1.5 cents per share (2010: \$nil). The amount of the dividend expected to be paid on 18 April 2012, but not recognised as a liability at 31 December 2011, is \$2.3 million (2010: \$nil).

The Company paid a fully franked final dividend of 1.5 cents per share, representing \$2.3 million, in respect of the 2010/2011 year.

Events Subsequent to the End of the Half Year

Since the end of the half year, the Group has invested approximately \$7 million in two institutional mutual funds in the United States which were established at the end of December with Frontier Partners.

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.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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 5.

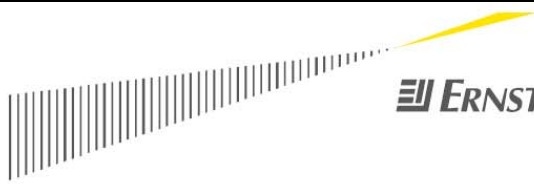
This report is made in accordance with a resolution of the Directors.



Chris Mackay
Chairman

Sydney
24 February 2012

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 2011, 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.

Ernst & Young

Rita Da Silva
Partner
Sydney
24 February 2012

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 2011**

		Consolidated	
	Note	31 December 2011 \$ '000	31 December 2010 \$ '000
Revenue			
Management fee revenue	5	14,084	5,572
Consulting fee revenue		618	667
Interest income		713	845
Dividend income		45	58
Net changes in fair value of held for trading financial assets		34	119
(Loss) / gain on sale of available for sale financial assets		(7)	216
Foreign exchange gain / (loss)		1	(18)
Other revenue		4	14
Total revenue		15,492	7,473
Expenses			
Employee benefits expense		5,625	3,413
Occupancy expense		231	207
Audit fees		61	68
Legal and professional fees		149	27
Fund administration		343	210
Marketing and distribution		446	266
Travel and entertainment expense		388	232
Depreciation and amortisation		67	61
Other operating expenses		511	306
Total expenses		7,821	4,790
Operating profit before income tax		7,671	2,683
Income tax expense	4 a)	(2,446)	(802)
Net operating profit		5,225	1,881

MAGELLAN FINANCIAL GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

		Consolidated	
		31 December 2011	31 December 2010
		\$ '000	\$ '000
Other comprehensive income			
Net loss / (gain) on sale of available for sale financial assets		7	(216)
Revaluation of available for sale financial assets		2,632	6,286
Income tax expense on items of other comprehensive income	4 a)	(795)	(1,820)
Other comprehensive income for the period, net of tax		1,844	4,250
Total comprehensive income for the period		7,069	6,131

Earnings per share for the period

Earnings attributable to shares		
Basic earnings per share		3.4 cents
Diluted earnings per share		1.3 cents
		3.2 cents
		1.2 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 2011**

		Consolidated	
	Note	31 December 2011 \$ '000	30 June 2011 \$ '000
Assets			
<i>Current assets</i>			
Cash and cash equivalents		6,570	1,625
Financial assets	7 a)	26,933	27,879
Trade and other receivables		8,506	8,441
Loans - share purchase plan (SPP)		405	186
Prepayments		245	138
Total current assets		42,659	38,269
<i>Non-current assets</i>			
Financial assets	7 b)	83,957	79,980
Deferred tax assets	4 b)	3,889	4,637
Loans - SPP		5,737	6,135
Property, plant and equipment		217	245
Total non-current assets		93,800	90,997
Total assets		136,459	129,266
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		2,822	2,095
Income tax payable		2,331	1,336
Total current liabilities		5,153	3,431
Total liabilities		5,153	3,431
Net assets		131,306	125,835
Equity			
Contributed equity		115,209	114,529
Available for sale reserve		7,407	5,563
Retained profits		8,690	5,743
Total attributable to members of the Group		131,306	125,835
Total Equity		131,306	125,835

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 2011**

	Attributable to Equity Holders of the Group			
	Contributed Equity	Retained Profits	Available for Sale Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Equity - 1 July 2011	114,529	5,743	5,563	125,835
Net profit for the period	-	5,225	-	5,225
Other comprehensive income	-	-	1,844	1,844
Total comprehensive income for the period	-	5,225	1,844	7,069
Issue of securities:				
- under employee share purchase plan (SPP)	578	-	-	578
Dividend paid during the period	6	(2,278)	-	(2,278)
SPP expense for the period	102	-	-	102
Total transactions with equity holders in their capacity as equity owners	680	(2,278)	-	(1,598)
Equity - 31 December 2011	115,209	8,690	7,407	131,306

	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 year	-	1,881	4,250	6,131
Issue of securities:				
- under employee share purchase plan (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

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 CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	31 December 2011 \$ '000	31 December 2010 \$ '000
Cash flows from operating activities		
Receipt of fee income	9,068	5,391
Interest received	1,226	893
Proceeds from sale of held for trading financial assets	209	1,029
Other revenue received	581	406
Dividends and distributions received	45	25
Tax paid	(1,491)	(174)
Payments to suppliers and employees	(7,038)	(4,653)
<i>Net cash inflows from operating activities</i>	2,600	2,917
Cash flows from investing activities		
Proceeds from sale of available for sale financial assets	34	4,712
Maturities of held to maturity financial assets	570	1,546
Purchases of available for sale financial assets	(477)	(9,847)
Net cash flows from foreign exchange transactions	1	(18)
Purchase of plant and equipment	(39)	(43)
<i>Net cash inflows / (outflows) from investing activities</i>	89	(3,650)
Cash flows from financing activities		
Proceeds from issue of securities	4,138	-
Proceeds from repayment of employee share purchase plan loan	282	377
Dividends paid	(2,164)	-
<i>Net cash inflows from financing activities</i>	2,256	377
<i>Net increase / (decrease) in cash and cash equivalents</i>	4,945	(356)
Cash and cash equivalents at the beginning of the period	1,625	2,243
<i>Cash and cash equivalents at the end of the period</i>	6,570	1,887

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 2011

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 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 2011 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 2011 and with public announcements made by the Company during the half year ended 31 December 2011 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 2011.

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 2011	30 June 2011
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.

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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 Trustee and Responsible Entity 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 Core Infrastructure 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 Non-executive Directors' Share Purchase Plan (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 2011**

3. Operating Segment Information (continued)

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

31 December 2011	Funds Management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Consolidated \$ '000
Revenue				
Management fees	14,084	-	-	14,084
Consulting fees	618	-	-	618
Dividend income	-	45	-	45
Interest income	409	615	(311)	713
Changes in fair value of financial assets	-	34	-	34
Net losses on disposal of financial assets	-	(7)	-	(7)
Foreign exchange gains	-	1	-	1
Other revenue	4	-	-	4
	15,115	688	(311)	15,492
Expense				
Employee benefits expense	5,498	-	25	5,523
Employee benefits expense - SPP	88	-	14	102
Other expenses	2,066	-	130	2,196
	7,652	-	169	7,821
Operating profit before income tax	7,463	688	(480)	7,671
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 before income tax	1,842	873	(32)	2,683

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

3. Operating Segment Information (continued)

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

31 December 2011	Funds Management	Principal Investments	Unallocated - Corporate	Eliminations*	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents	1,717	4,854	-	-	6,571
Financial assets	11,698	99,192	-	-	110,890
Loans – SPP	-	-	6,142	-	6,142
Other assets	9,445	4,995	1,150	(2,734)	12,856
Total assets	22,860	109,041	7,292	(2,734)	136,459
Other liabilities	5,513	43	2,331	(2,734)	5,153
Total liabilities	5,513	43	2,331	(2,734)	5,153
Net assets	17,347	108,998	4,961	-	131,306

30 June 2011	Funds Management	Principal Investments	Unallocated - Corporate	Eliminations*	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Cash and cash equivalents	891	734	-	-	1,625
Financial assets	10,508	97,351	-	-	107,859
Loans – SPP	-	-	6,321	-	6,321
Other assets	4,173	9,590	1,150	(1,452)	13,461
Total assets	15,572	107,675	7,471	(1,452)	129,266
Other liabilities	3,506	41	1,336	(1,452)	3,431
Total liabilities	3,506	41	1,336	(1,452)	3,431
Net assets	12,066	107,634	6,135	-	125,835

*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 2011 is:

	31 December 2011	30 June 2011
	\$ '000	\$ '000
Capital invested in controlled entity	12,500	12,500
Subordinated loan to controlled entity	1,150	1,150
	13,650	13,650
Cash and fixed term deposits held by funds management	(13,175)	(11,159)
Cash held for regulatory and operating requirements	5,000	5,000
Net investment in funds management business	5,475	7,491

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 2011**

4. Income Tax

	Consolidated	
	31 December 2011 \$'000	31 December 2010 \$'000
a) Total income tax expense recognised in the period comprises:		
Income tax expense attributable to operating profit	(2,446)	(802)
Total income tax expense recognised in profit or loss	(2,446)	(802)
Income tax expense recognised in other comprehensive income:		
- Arising from the revaluation of financial assets	(793)	(1,886)
- Arising from the disposal of financial assets	(2)	66
Total income tax expense recognised directly in other comprehensive income	(795)	(1,820)
b) Deferred tax balance relates to the following:		
Tax losses carried forward	-	99
Net capital losses carried forward	1,354	1,379
Costs associated with the issue of securities, deductible in future years	-	52
Revaluation of financial assets	1,979	2,774
Other temporary differences	556	333
	3,889	4,637

5. Management fees

	Consolidated	
	31 December 2011 \$'000	31 December 2010 \$'000
Management fees	9,366	5,565
Performance fees	4,718	7
	14,084	5,572

6. Dividends

	Consolidated	
	31 December 2011 \$'000	31 December 2010 \$'000
Declared and paid during the period		
Fully franked final dividend for the year ended 30 June 2011: 1.5 cents per ordinary share (2010: nil)	2,278	-
	2,278	-

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

6. Dividends (continued)

On 24 February 2012, the Directors declared a fully franked interim dividend of 1.5 cents per share (31 December 2010: nil cents per share). The amount of the dividend expected to be paid on 18 April 2012 is \$2.3 million (31 December 2010: \$ nil). In accordance with accounting standards, the dividend has not been provided for in the 31 December 2011 financial statements.

	Consolidated	
	31 December 2011 \$'000	31 December 2010 \$'000
Franking credit balance		
Balance at 1 July based on tax paid and franking credits attached to dividends received	2,412	830
Franking debits arising from payment of dividend	(976)	-
Franking credits arising from income tax paid and payable	2,486	172
	3,922	1,002

7. Financial Assets

	Consolidated	
	31 December 2011 \$'000	30 June 2011 \$'000
a) Current		
Held for trading		
- Listed shares – Australia	-	175
Held to maturity		
- Fixed and floating rate securities	352	352
Loans and receivables		
- Fixed term deposits	26,581	27,352
	26,933	27,879

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 2011 \$'000	31 December 2010 \$'000
Balance at 1 July	27,879	27,057
Disposals	(209)	(1,029)
Maturities of fixed and floating rate securities	-	(9,390)
Maturities of fixed term deposits	(27,110)	(16,363)
Cash placed on fixed term deposit	26,339	22,272
Changes in fair value	34	(113)
Balance at 31 December	26,933	22,434

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

7. Financial Assets (continued)

b) Non-current

	31 December 2011 \$'000	30 June 2011 \$'000
Available for sale financial assets (by domicile of primary stock exchange)		
- Listed shares – Australia		
- Magellan Flagship Fund Limited	33,235	32,746
- Listed shares – United States	6,182	5,776
- Listed shares – Switzerland	1,383	1,437
- Listed shares – Europe	136	125
- Listed shares – Hong Kong	55	51
- Unlisted funds		
- Magellan Global Fund	38,147	35,262
- Magellan Infrastructure Fund	2,815	2,777
- Other	1,829	1,806
- Unlisted shares - Other	175	-
	83,957	79,980

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

	31 December 2011 \$'000	31 December 2010 \$'000
Balance at 1 July	79,980	67,595
Acquisitions	1,380	10,797
Disposals	(34)	(2,771)
Changes in fair value	2,631	6,286
Balance at 31 December	83,957	81,907

8. Financial Risk Management

The Group has previously disclosed in its Annual Report the International Prime Brokerage Agreements (IPBA) entered into with Merrill Lynch International (MLI), a wholly owned subsidiary of Bank of America. This arrangement remained in place during the half year ended 31 December 2011.

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

9. Contributed Equity

	Consolidated	
	31 December 2011 \$ '000	31 December 2010 \$ '000
Contributed equity	115,209	114,529
	<u>115,209</u>	<u>114,529</u>

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 2011	151,893	-	7,882	10,200
Issue of shares under share purchase plan (SPP)	665	-	-	-
Balance at 31 December 2011	<u>152,558</u>	<u>-</u>	<u>7,882</u>	<u>10,200</u>

	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 SPP	1,019	-	-	-
Balance at 31 December 2010	<u>148,217</u>	<u>6,034</u>	<u>7,882</u>	<u>10,200</u>

MFG 2011 Options expired on 30 June 2011. Proceeds from the exercise of MFG 2011 options totalled \$4,583,684. \$495,420 was received prior to 30 June 2011 and the balance of \$4,088,264 was held in trust and received by the Company in July 2011.

	Value	
	2011 \$'000	2010 \$'000
Balance at 1 July	114,529	108,630
Issue of shares under SPP	578	840
Recognition of SPP expense for the half year	102	140
Balance at 31 December	<u>115,209</u>	<u>109,610</u>

10. Contingent Liabilities and Commitments for Expenditure

Capital Commitments

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

MAGELLAN FINANCIAL GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

10. Contingent Liabilities and Commitments for Expenditure (continued)

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 2011	30 June 2011
	\$'000	\$'000
Within one year	431	305
Later than one year but not later than five years	1,700	86
	2,131	391

Since the end of the half year, Magellan Asset Management Limited has entered into an agreement to extend the lease for its current office premises in Sydney for a further 5 years from 1 April 2012.

Contingent Liabilities

The Group has a contingent liability for uncalled amounts of \$0.3 million (30 June 2011: \$0.4 million) 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

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

11. Events Subsequent to Reporting Date

Since the end of the half year, the Group has invested approximately \$7 million in two institutional mutual funds in the United States which were established at the end of December with Frontier Partners.

There have been no other matters or circumstances not otherwise dealt within this report or the financial statements that have significantly or may significantly affect the operations of the Group, the results 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 2011 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 Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board,




Chris Mackay
Chairman

Sydney
24 February 2012

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 2011, 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 condensed half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the condensed 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 2011 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.

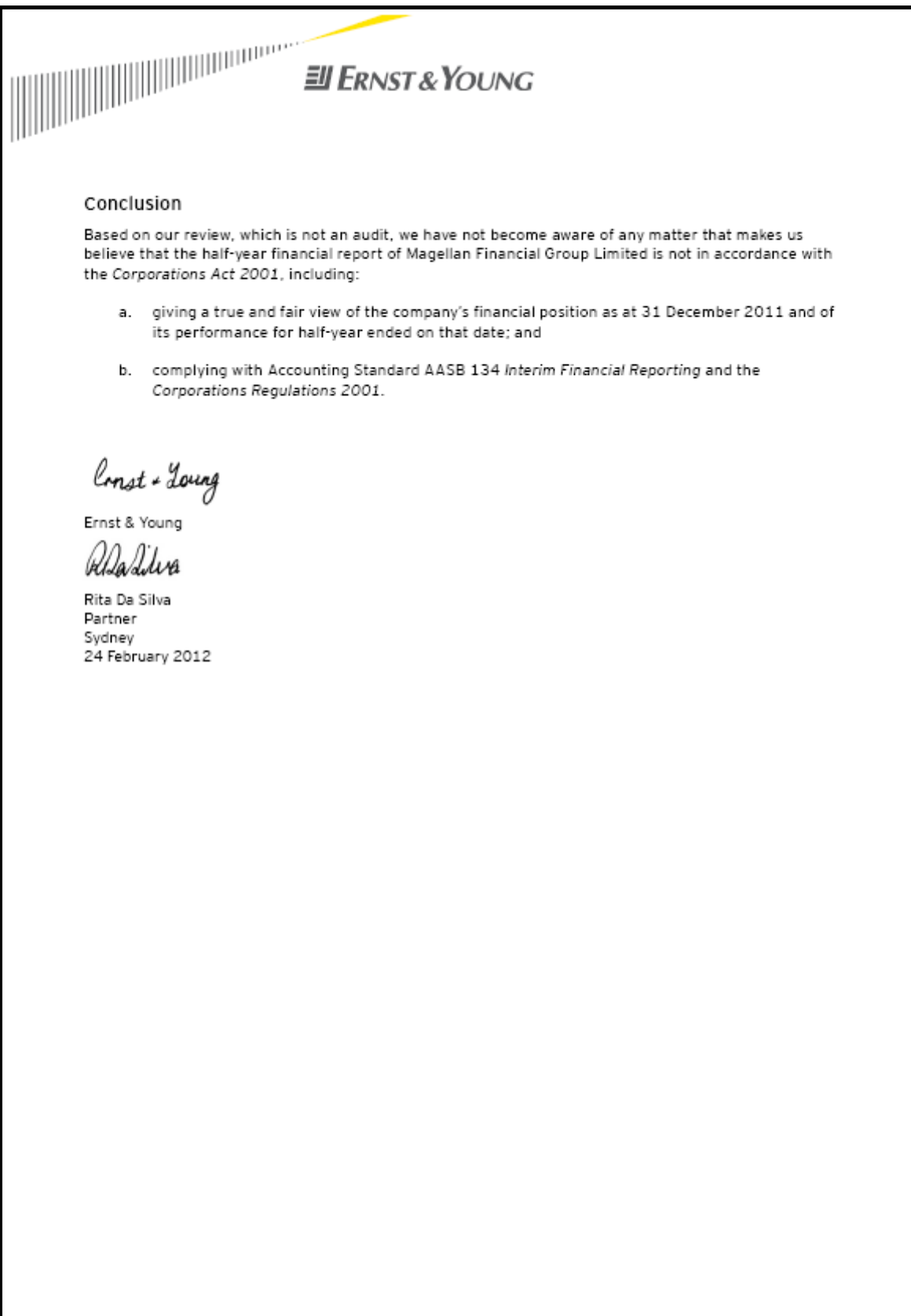
Independence

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 attached to the Directors' Report.

Liability limited by a scheme approved under Professional Standards Legislation

MAGELLAN FINANCIAL GROUP LIMITED

INDEPENDENT REVIEW REPORT



MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE INFORMATION

Directors

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

Company Secretaries

Nerida Campbell
Leo Quintana

Registered Office

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Securities Exchange Listing

Australian Securities Exchange
ASX code: MFG

Website

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