

MAGELLAN GLOBAL FUND

(ABN 18 387 878 844)

MAGELLAN INFRASTRUCTURE FUND

(ABN 64 144 747 279)

Annual Financial Reports for the Year Ended 30 June 2013

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**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Report
For the Year Ended 30 June 2013**

Directors' Report

The Directors of Magellan Asset Management Limited (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund and Magellan Infrastructure Fund ("the Funds") submit their financial report in respect of the year ended 30 June 2013.

Directors

The following persons were Directors of Magellan Asset Management Limited during the year and up to the date of this report:

Name	Directorship
Paul Lewis	Independent Non- executive Director
Brett Cairns	Independent Non-executive Director
Hamish Douglass	Chairman and Chief Executive Officer

Principal Activity

Magellan Global Fund commenced on 1 July 2007 as a registered managed investment scheme. Its principal activity is investment in companies and businesses in the global financial services, consumer and retail, and infrastructure sectors, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013.

Magellan Infrastructure Fund commenced on 1 July 2007 as a registered managed investment scheme. Its principal activity is investment in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, in accordance with its investment strategy as detailed in the current Product Disclosure Statement, issued 30 June 2013.

Review of Operations

(i) Financial Results

The performance of the Funds, as represented by the operations and their performance were as follows:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Results				
Net profit from operating activities	838,474	146,179	51,157	14,850
Distribution paid and payable to unitholders for the year	76,314	22,664	11,793	6,863
Distribution – cents per unit	3.2550	2.0000	2.4000	2.4470
Performance				
Growth return	36.7%	16.2%	14.5%	4.2%
Distribution return	2.9%	2.1%	3.2%	3.4%
Total return	39.7%	18.3%	17.7%	7.6%
Redemption unit price (ex distribution) as at 30 June	\$1.5169	\$1.1094	\$0.8700	\$0.7599
Indirect cost ratio^(A)	2.08%	2.24%	1.63%	1.18%
	2013	2012	2013	2012
The unit prices of the Funds at 30 June (ex-distribution):	\$ 1.5184	\$ 1.1105	\$ 0.8713	\$ 0.7610

^(A) The Indirect cost ratio includes the impact of performance fees.

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with IFSA Standard 6.00 Product Performance – calculation and presentation of returns.

The Indirect cost ratio is the ratio of the Funds' management costs over their average net assets attributable to unitholders for the year, expressed as a percentage. Management costs include management fees, performance fees, and other reimbursements deducted in relation to the Funds, but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Funds' unit prices on a daily basis.

(ii) Strategy and Future Outlook

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time to the market along with fund and outlook commentary.

Fees Paid to and Interests Held by the Responsible Entity and Related Parties

Fees paid to the Responsible Entity of the Funds and holdings held in the Funds by the Responsible Entity or related parties are disclosed in Note 8 to the financial statements.

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Directors' Report
For the Year Ended 30 June 2013**

Interest in the Funds

The movement in units on issue in the Funds during the year are disclosed in Note 6 to the financial statements.

At 30 June 2013 net assets attributable to unitholders of Magellan Global Fund were \$3,558,946,000 (June 2012: \$1,258,312,000) and net assets attributable to unitholders of Magellan Infrastructure Fund were \$453,301,000 (June 2012: \$212,995,000). The basis for valuation of the assets is disclosed in Note 2.

Events After the End of the Year

On 29 August 2013, Magellan Financial Group Limited made a further \$5,000,000 investment in MGF. Apart from this, there have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

Significant changes in state of affairs

There were no significant changes to the investment strategies of the Funds or operational circumstances since the publication of the initial Product Disclosure Statements of the Funds.

Likely Developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategy as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report under the review of operations.

The methods of operating the Funds are not expected to change in the foreseeable future.

Environmental Regulation

The Funds' operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

Indemnification and Insurance of Directors and Officers

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (and where approved by the Directors, employee, former employees and the auditor and former auditors of the Company) out of the property of the Responsible Entity against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the *Corporations Act 2001*; and
- (b) liabilities incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium to insure the Directors and the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

Auditors

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

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.

Rounding of Amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and consequently amounts in the Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



Hamish Douglass
Chairman
Magellan Asset Management Limited
Sydney

19 September 2013



Building a better
working world

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Auditor's Independence Declaration to the Directors of Magellan Asset Management Limited as the Responsible Entity of Magellan Global Fund and Magellan Infrastructure Fund (the "Schemes")

In relation to our audit of the financial report of the Schemes for the financial year ended 30 June 2013, 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.

Ernst and Young

Graeme McKenzie
Partner
Sydney
19 September 2013

**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statements of Comprehensive Income
For the Year Ended 30 June 2013**

Statements of Comprehensive Income

	Note	Magellan Global Fund 2013 \$'000	2012 \$'000	Magellan Infrastructure Fund 2013 \$'000	2012 \$'000
Investment income					
Interest income		1,678	1,199	645	449
Dividend and distribution income		48,541	20,085	13,941	8,113
Net change in fair value of investments					
- held for trading		-	-	(27,191)	4,396
- designated at fair value through profit or loss		839,997	148,625	69,928	4,984
Net foreign exchange gain/(loss)		2,799	(353)	393	89
Total net investment income		893,015	169,556	57,716	18,031
Expenses					
Management fees	8	30,772	12,389	3,457	1,975
Performance fees	8	16,803	8,012	1,179	242
Swap finance costs		-	-	592	126
Transaction costs		614	201	107	70
Withholding tax on dividends		6,352	2,775	1,224	768
Total expenses		54,541	23,377	6,559	3,181
Operating profit		838,474	146,179	51,157	14,850
Finance costs attributable to unitholders					
Distributions to unitholders		(76,314)	(22,664)	(11,793)	(6,863)
Increase in net assets attributable to unitholders		(762,160)	(123,515)	(39,364)	(7,987)
Profit / (loss) for the year		-	-	-	-
Other comprehensive for the year		-	-	-	-
Total comprehensive for the year		-	-	-	-

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statements of Financial Position
As at 30 June 2013

Statements of Financial Position

	Note	Magellan Global Fund 2013 \$'000	2012 \$'000	Magellan Infrastructure Fund 2013 \$'000	2012 \$'000
Assets					
Cash and cash equivalents	7(a)	148,121	63,492	89,797	19,549
Receivables	3	19,700	6,138	14,126	2,716
Investments	4(a), 4(b)	3,506,547	1,220,232	413,853	202,545
Total assets		3,674,368	1,289,862	517,776	224,810
Liabilities					
Payables	5	115,422	31,550	64,475	11,815
Total liabilities (excluding net assets attributable to unitholders)		115,422	31,550	64,475	11,815
Net assets attributable to unitholders	6(b)	3,558,946	1,258,312	453,301	212,995

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

The Funds' net assets attributable to unit holders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Funds have no equity and no changes in equity at the start or end of the current or prior years.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Statements of Cash Flows
For the Year Ended 30 June 2013

Statements of Cash Flows

	Note	Magellan Global Fund 2013 \$'000	2012 \$'000	Magellan Infrastructure Fund 2013 \$'000	2012 \$'000
Cash flows from operating activities					
Interest received		1,438	1,194	601	432
Dividends and distributions received		35,935	15,165	10,796	5,479
Management and performance fees paid		(31,288)	(15,766)	(4,078)	(1,517)
Other expenses paid		(1,327)	(356)	(163)	(76)
Net cash inflow from operating activities	7(b)	4,758	237	7,156	4,318
Cash flows from investing activities					
Purchase of investments		(2,009,887)	(624,976)	(177,497)	(83,939)
Proceeds from sale of investments		574,096	162,947	58,217	48,427
Net cash flows from foreign exchange hedging activities		-	-	(3,175)	2,116
Proceeds from close out of equity swap positions		-	-	3,533	222
Net foreign exchange gains/(losses)		2,967	9	10	(310)
Net cash outflow from investing activities		(1,432,824)	(462,020)	(118,912)	(33,484)
Cash flows from financing activities					
Receipts from issue of units		1,724,365	620,431	221,288	54,984
Payments for redemption of units		(189,811)	(110,475)	(30,638)	(11,015)
Distributions paid		(22,664)	(9,942)	(8,789)	(4,445)
Net cash inflow from in financing activities		1,511,890	500,014	181,861	39,524
Net increase in cash and cash equivalents		83,824	38,231	70,105	10,358
Cash and cash equivalents at the beginning of the year		63,492	25,170	19,549	9,030
Effect of exchange rate fluctuations on cash and cash equivalents		805	91	143	161
Cash and cash equivalents at the end of the year	7(a)	148,121	63,492	89,797	19,549

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

1 Reporting Entity

Magellan Global Fund and Magellan Infrastructure Fund (the "Funds") are registered managed investment schemes under the Corporations Act 2001. In accordance with the Funds' Constitutions, they commenced on the date that the first units were issued, which was 1 July 2007. The Funds will terminate on 1 July 2088 unless terminated earlier in accordance with the provisions of the Funds Constitution.

The Responsible Entity and Investment Manager of the Funds is Magellan Asset Management Limited (MAM). MAM is a wholly owned subsidiary of Magellan Financial Group Limited.

2 Summary of significant accounting policies

This financial report is for Magellan Global Fund and Magellan Infrastructure Fund (the "Funds") for the year ended 30 June 2013 and was approved by the Directors of the Responsible Entity on 19 September 2013.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report which is presented in Australian dollars and has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

New accounting standards

None of the new standards and amendments to standards that are mandatory for the first time in this financial report affected any of the amounts recognised or disclosed in current or prior year.

New accounting standards issued but not yet adopted

The following accounting standards and interpretations issued or amended but not yet mandatory have not been adopted by the Funds in the preparation of this financial report. The impact of these standards, along with the effective date is set out below:

- **AASB 2012-5: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures** (effective 1 July 2013)

AASB 2012-5 comprises minor amendments to AASB 1, 101, 116, 132 and 134 and no impact on the Funds' financial performance or financial position is expected once the Funds apply these amendments.

- **AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities** (effective 1 July 2014)

AASB 2012-2 and AASB 2012-3 amends AASB 7 Financial Instruments: Disclosures and AASB 132 Financial Instruments: Presentation by revising and clarifying the criteria where financial assets and liabilities can be offset in the financial statements. As at 30 June 2013 the Funds have no offsetting arrangements and as a result no additional disclosures or material impact on financial performance or financial position are expected on adoption of these amendments.

- **AASB 9: Financial Instruments and AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures** (effective 1 July 2015)

AASB 9 contains new requirements for classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets discussed at note 1(i) will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be able to be measured at amortised cost where very specific conditions are met. At 30 June 2013, no significant impact is expected on adoption of this standard as the Funds currently classify financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. However the Funds continue to evaluate the disclosure requirements of this standard.

- **AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13** (effective 1 July 2013)

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when the Fund is required to use fair value but, rather, provides guidance on how to determine fair value when fair value is required or permitted, and expands the disclosure requirements for assets and liabilities carried at fair value. During the year, the Funds have undertaken an assessment of all assets and liabilities and determined only cash and cash equivalents are held at fair value. No impact is expected on the Funds' financial performance or financial position nor are additional disclosures required upon adoption of this Standard as the necessary fair value disclosure is currently provided under AASB 7 for these assets.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

• AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australia Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 July 2013)

AASB 10 replaces all guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. AASB 10 establishes a new control model and broadens the situations when an entity is considered to be controlled by another entity as it focuses on the need to have both power and rights or exposure to variable returns. Control generally exists when the investor can use its power to affect the amount of its returns. AASB 11 replaces AASB 131 Interests in Joint Ventures and uses the principle of control in AASB 10. During the year, the Funds have undertaken an assessment of its investments and do not anticipate AASB 10 or AASB 11 will have a significant impact on its composition.

AASB 12 includes all disclosures relating to the Funds' interests in subsidiaries, joint arrangements, associates and structured entities. It introduces new disclosures about the judgements made by management to determine whether control exists and requires summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. It is not expected that the new standard will have an impact on the type of information disclosed in relation to the Fund's investments.

(b) Foreign currency translation

The functional and presentation currency of the Company as determined in accordance with AASB 121: The Effects of Changes in Foreign Exchange Rates is the Australian dollar. Transactions denominated in foreign currencies are translated into Australian currency at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian Dollars at the foreign currency closing exchange rate ruling at the balance date.

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities, are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the Statement of Comprehensive Income.

(c) Investment income

Dividend/distribution income

Dividend and distribution income is recognised on the applicable ex-dividend / distribution declaration date gross of withholding tax. Foreign dividends and trust distributions received are recognised net of withholding tax in the Statement of Cashflows, with the foreign withholding tax recorded as an expense in the Statement of Comprehensive Income.

Net changes in fair value of investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

Interest income

Interest income is recognised on an accruals basis using the effective interest rate method.

If revenue is not received at balance date, it is included in the statement of financial position as a receivable and carried at amortised cost.

(d) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accruals basis. Management and performance fees are set out in note 8.

(e) Distributions

Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders. Unitholders will be entitled to a share of any amounts declared based on the number of units they hold in the Funds on the distribution date determined by the Responsible Entity.

(f) Income tax

Under current income tax legislation, the Funds are not subject to income tax provided the net taxable income of the Funds is fully distributed to unitholders.

The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of Comprehensive Income. The benefits of foreign withholding tax paid, and of imputation credits attaching to Australian franked dividends, are passed on to unitholders.

2 Summary of significant accounting policies (continued)

(g) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services and investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 75% and are also eligible to recover GST on offshore transactions. Hence management fees, custodial fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the statement of financial position as receivable or payable. Cashflows are included in the statement of cash flows on a gross basis.

(h) Cash and cash equivalents

Cash includes cash at bank and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(i) Receivables

Receivables are measured at fair value, which in the case of the Funds is the:

- balance in the unsettled report for receivables on equities sold but not settled at balance date. Trades are recorded on trade date and the standard settlement period is usually between two and five days after trade date;
- original invoice amount less a provision for any uncollected debt.

Collectability of receivables is reviewed on an ongoing basis, and bad debts are written off by reducing the amount of the receivable in the statement of financial position. A specific provision is made for doubtful debts where evidence exists that the amount will not be collected.

(j) Investments

(i) Recognition

The Funds recognise financial assets and financial liabilities on the date they become a party to the contractual agreement. Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139: *Financial Instruments*.

(ii) Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading.

Derivative financial instruments held by the Funds are classified as held for trading. Derivative instruments used by the Funds during the period include forward foreign exchange contracts and equity swaps. The only such instruments held by the Funds at the balance date were forward foreign exchange contracts held by Magellan Infrastructure Fund. All derivatives in a net receivable position (positive fair value) are reported as financial assets held-for-trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held-for-trading.

- Financial instruments designated at fair value through profit and loss upon initial recognition.

The Funds have designated all their non-derivative investments as fair value through profit and loss. The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The fair value through profit and loss classification is available for the majority of the financial assets held by the Funds. The financial liabilities arising from the units on issue must be fair valued. Therefore, not fair valuing the financial assets used in the calculation of the financial liability would result in an accounting mismatch. In addition, the Funds' performance and risk management are assessed on a fair value basis.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, which in the case of the Funds is the transaction price. Transaction costs are expensed immediately in Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities classified at fair value through profit or loss are measured at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses (if any). Refer to note 3 for further details.

2 Summary of significant accounting policies (continued)

(j) Investments (continued)

(iii) Measurement (continued)

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Funds are carried at redemption amount representing the investors' right to a residual interest in the Funds' assets, effectively fair value at balance date.

The fair value of financial instruments traded in active markets is based on their quoted market prices at the end of the balance date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Funds is the current bid price, while financial liabilities are priced at current asking price.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flows techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Further details are at note 4.

(k) Payables

Payables comprise trade creditors and accrued expenses owing by the Company at balance date which are unpaid. Amounts due to brokers relate to the purchase of investments are usually settled between two and five days after trade date. Trade creditors are unsecured and usually paid within 30 days of recognition. Payables are recognised at fair value.

A distribution payable to unitholders of the Funds is recognised for the amount of any net profit, capital or tax credits distributable to unitholders in accordance with the Funds' Constitutions but not distributed at balance date.

(l) Net assets attributable to unitholders

Net assets attributable to unitholders of the Funds include unrealised changes in the fair value of investments, accumulated capital losses, and undistributed income, which may include income not yet assessable and expenses not yet deductible.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of units redeemed.

The Investment Manager, where permitted under the law, may provide rebates to dealer groups, wholesale and certain sophisticated and professional investors, Investor directed portfolio service (IDPS) operators, stockbrokers and other licensees who invest in the Funds. Rebates can be elected to be paid in cash or in units, which are reinvested in the applicable Fund. Further details on the rebates are set out in the Funds' Product Disclosure Statements.

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund's Constitutions require the net income of the Funds to be distributed to members of the Funds. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the year if unitholders exercised their right to redeem units in the Fund.

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

(m) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) and amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases, the nearest dollar.

(n) Critical accounting estimates and judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer to further detail in note 8). As most investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgment or complexity nor are the Funds' liabilities.

(o) Including different registered scheme financial reports in a single document

The registered schemes have applied Australian Securities and Investments Commission's Class Order 06/441, which allows registered schemes with a common responsible entity to include their financial statements in adjacent columns in a single financial report.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

3 Receivables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Income receivable	6,674	1,761	2,925	1,876
Recoverable GST and foreign withholding tax	4,813	1,740	838	455
Applications receivable	8,083	2,637	10,363	385
Total loans and receivables	19,570	6,138	14,126	2,716

4 Investments

a) Financial assets designated at fair value through profit or loss

Equity securities

Australian listed equity and stapled securities

International listed equity securities

Total financial assets designated at fair value through profit or loss

b) Held for trading financial assets/(liabilities)

Derivatives

Foreign currency forward contracts

Equity swap

Total held for trading financial assets/(liabilities)

Total investments

-	-	65,475	38,433
3,506,547	1,220,232	373,392	161,575
3,506,547	1,220,232	438,867	200,008
-	-	(25,014)	2,589
-	-	-	(52)
-	-	(25,014)	2,537
3,506,547	1,220,232	413,853	202,545

Fair Value Disclosures

The Funds classify the fair value measurements of financial assets and financial liabilities using the three fair value hierarchy set out below to reflect the source of valuation inputs used when determining the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange.

Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The Magellan Infrastructure Fund has forward contracts and equity swaps. The fair value of these derivatives are based on a discounted cashflow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit value adjustments based on the Funds or the derivative counterparties current credit worthiness.

Level 3: valuation techniques using non-market observable inputs.

All Australian and international equity securities held by the Funds are Level 1 assets. All foreign currency forward contracts held by the Funds are Level 2 assets. The Funds do not hold any Level 3 assets.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

5 Payables

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Distribution payable	76,314	22,664	9,867	6,863
Management fees payable	3,907	1,403	347	187
Performance fees payable	16,406	3,607	-	242
Due to brokers	15,444	3,036	53,875	4,463
Redemptions payable	3,351	840	386	60
	115,422	31,550	64,475	11,815

6 Net assets attributable to unitholders

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	No. of units	No. of units	No. of units	No. of units
(a) Units on issue				
Units on issue as at beginning of financial year	1,133,192,364	650,581,593	280,465,759	204,853,234
Units issued during the financial year	1,360,226,850	590,775,414	274,760,539	90,812,176
Units redeemed during the financial year	(148,892,803)	(108,164,643)	(35,927,853)	(15,199,651)
Units on issue at the end of the financial year	2,344,526,411	1,133,192,364	519,298,445	280,465,759

Terms and conditions of units

Each unit confers upon the unitholder an equal interest in that Fund, and is of equal value to other units in the same Fund. A unit does not confer upon the holder any interest in any particular asset or investment of the Funds. The rights of unitholders are contained in the Funds' Constitutions and include:

- the right to redeem units, subject to restrictions disclosed in the Funds' Product Disclosure Statements;
- the right to receive a share of any distribution determined by the Responsible Entity in proportion to the units held on the distribution date;
- the right to attend and vote at meetings of unitholders; and
- the right to participate in the termination and winding up of the Funds.

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(b) Changes in net assets attributable to unit holders				
Opening balance	1,011,282	622,617	197,021	149,386
Applications	1,725,831	621,628	226,309	55,311
Redemptions	(192,322)	(111,195)	(30,964)	(11,075)
Reinvestment of distributions and management fee rebates	4,965	1,747	5,598	11,386
Increase in net assets attributable to unitholders	(762,160)	(123,515)	(39,364)	(7,987)
Closing balance	1,787,596	1,011,282	358,599	197,021

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

7 Notes to the Statement of Cash Flows

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(a) Cash and cash equivalents				
Cash at bank – denominated in A\$	124,689	52,517	85,509	19,473
Cash at bank – denominated in foreign currency	23,432	10,975	4,288	76
	148,121	63,492	89,797	19,549
(b) Reconciliation of cash flows from operating activities				
Profit from operating activities	838,474	146,179	51,157	14,850
Adjusted for:				
Income entitlements reinvested	-	-	-	(921)
Net changes in fair value of investments:				
- held for trading	-	-	30,726	(4,048)
- designated at fair value through profit or loss	(839,997)	(148,625)	(69,928)	(4,984)
Net foreign exchange losses/(gains) on currency transactions	(2,022)	332	(393)	(104)
Proceeds from close out of equity swap positions	-	-	(3,533)	(222)
Fee rebates reinvested into units in the Funds	985	304	640	412
Changes in operating receivables and payables				
- Net increase in receivables and other assets	(7,985)	(2,284)	(1,431)	(953)
- Net increase in payables and other liabilities	15,303	4,331	(82)	288
Net cash inflow from operating activities	4,758	237	7,156	4,318
(c) Non-cash investing and financing activities				
Investments purchased via reinvestment of income entitlements	-	-	-	921
Fee rebates reinvested into units in the Funds	985	304	640	412
Distributions reinvested into units in the Funds	3,981	1,443	4,957	10,975

**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND**
Notes to the Financial Statements
For the Year Ended 30 June 2013

8 Related Parties

Responsible Entity

The Responsible Entity of the Funds is Magellan Asset Management Limited (MAM). MAM is a wholly owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity and are considered to be related parties of the Funds.

Key Management Personnel

Key management personnel ('KMP') are those persons or corporate entities who have authority and responsibility for planning, directing and controlling the activities of the Funds. The Responsible Entity is responsible for managing the activities of the Funds and considered to be the KMP. The Funds do not employ personnel in their own right.

The Directors of MAM, the Responsible Entity of the Funds, are considered to be KMP. The following persons were Directors of the Funds during the year and up to the date of this report:

Hamish Douglass
Paul Lewis
Brett Cairns

In addition to the Directors noted above, the following persons are KMPs with the authority for strategic direction and management of the Funds:

Name	Position	Employer
Nerida Campbell	Chief Operating Officer	MAM
Frank Casarotti	Head of Distribution	MAM
Gerald Stack	Head of Research	MAM

Remuneration of Key Management Personnel

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below. No other amounts are paid by the Funds directly or indirectly to the KMP for services provided to the Funds.

The Directors of the Responsible Entity receive remuneration in their capacity as Directors of the Responsible Entity. Remuneration of the non-executive Directors is paid directly by the ultimate parent entity, MFG. Executive Directors and other KMP are employed and paid by MAM. Consequently, no compensation as defined in AASB 124 Related Parties is paid by the Funds to its KMP, other than that to the Responsible Entity.

Responsible Entity Fees

The Responsible Entity is entitled to receive a management fee of 1.25% per annum from the Magellan Global Fund and 0.95% per annum from the Magellan Infrastructure Fund. The Responsible Entity also charges an administration fee of 0.10% from each of the funds from which the operating expenses of the Funds, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs, are paid. Management and administration fees are calculated and payable monthly, based on the gross asset value of the Funds at the end of that month.

The management and administration fees paid / payable by Magellan Global Fund during the year was:

	Magellan Global Fund			
	2013 % pa	\$	2012 % pa	\$
Management fee	1.25	28,490,512	1.25	11,472,352
Administration fee	0.10	2,281,783	0.10	917,362
	1.35	30,772,295	1.35	12,389,714

The management and administration fees paid / payable by the Magellan Infrastructure Fund during the year are net of any applicable reduced input tax credits (which equates to 0.01% of management fees - refer to note 2(g)) and are set out below:

	Magellan Infrastructure Fund			
	2013 % pa	\$	2012 % pa	\$
Management fee	0.96	3,127,952	0.96	1,786,776
Administration fee	0.10	329,099	0.10	188,037
	1.06	3,457,051	1.06	1,974,813

Performance fees are calculated on six monthly calculation periods ending on 30 June and 31 December of each calendar year. The Responsible Entity's entitlement to a performance fee is dependent on a Fund exceeding both index relative and absolute return hurdles over a given calculation period, as well as exceeding the applicable high watermark. Performance fees crystallise at the end of a calculation period, or when units are redeemed, subject to a performance fee entitlement existing at the date of redemption. Further details of the performance fees can be found in the Funds' Product Disclosure Statements.

The performance fees paid / payable by the Funds during the year was as follows:

	2013 \$	2012 \$
Magellan Global Fund	16,803,310	8,011,984
Magellan Infrastructure Fund	1,178,746	242,421

At the end of the year, Magellan Global Fund and Magellan Infrastructure Funds had balances payable to the Responsible Entity in respect of management, performance and administration fees of \$20,313,486 (June 2012: \$5,009,668) and \$346,460 (June 2012: \$428,951) respectively.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

8 Related Parties (continued)

Related Party transactions

The number of units and related transactions in Magellan Global Fund during the year by related parties (including each KMP, including their personally - related parties) is set out below:

	Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable ^(B)
	Number	Number	Number	%	\$
2013					
Magellan Financial Group Ltd	664,882	-	37,582,448	1.6	1,223,304
Directors					
Hamish Douglass ^(C)	15,221	-	860,385	β	28,005
Chris Mackay	7,624	-	430,897	β	14,026
Paul Lewis	6,086	-	344,061	β	11,199
Other Key Management Personnel					
Nerida Campbell	373	-	21,070	β	686
Frank Casarotti ^(C)	-	-	-	-	-
Gerald Stack	953	-	53,867	β	1,754
2012					
Magellan Financial Group Ltd	662,623	-	36,917,566	3.3	738,351
Directors					
Hamish Douglass ^(C)	15,169	-	845,164	β	16,903
Chris Mackay	7,597	-	423,273	β	8,465
Paul Lewis	6,067	-	337,975	β	6,760
Other Key Management Personnel					
Nerida Campbell	371	-	20,697	β	414
Frank Casarotti ^(C)	-	-	-	-	-
Gerald Stack	950	-	52,914	β	1,058

^(A) Includes the re-investment of 30 June 2011 and 30 June 2012 distributions in the years ended 30 June 2012 and 30 June 2013 respectively.

^(B) Distributions paid were re-invested as units in the Fund

^(C) In addition to the above holdings, Mr Douglass and Mr Casarotti selected the Magellan Global Fund product via their superannuation funds and currently have holdings of 385,356 and 155,739 units at a value of \$387,206 and \$239,837 respectively as at 30 June 2013 (June 2012: nil).

^β Less than 0.1%

Details of unit holdings and related transactions in Magellan Infrastructure Fund by related parties were as follows:

	Units acquired during the year ^(A)	Units redeemed during the year ^(C)	Units held at end of year		Distribution paid or payable ^(B)
	Number	Number	Number	%	\$
2013					
Magellan Financial Group Ltd	146,462	(1,739,130)	2,216,731	0.4	42,118
Directors					
Paul Lewis	1,422	-	38,405	β	730
Other Key Management Personnel					
Gerald Stack	2,586	-	69,854	β	1,327
2012					
Magellan Financial Group Ltd	355,727	-	3,809,400	1.4	93,217
Directors					
Paul Lewis	3,453	-	36,983	β	905
Other Key Management Personnel					
Gerald Stack	67,268	-	67,268	β	1,646

^(A) Includes the re-investment of 30 June 2011 and 30 June 2012 distributions in the years ended 30 June 2012 and 30 June 2013 respectively.

^(B) Distributions paid were re-invested as units in the Fund

^(C) During the year ended 30 June 2013, units in Magellan Infrastructure Fund were disposed and the proceeds from disposal were invested in Magellan Infrastructure Fund (Unhedged), a new registered managed investment scheme launched on 28 June 2013.

^β Less than 0.1%

Unless specified above, no other KMP held units in the Magellan Infrastructure Fund.

Transactions between the Funds and related parties are subject to the same terms and conditions as those entered into by other unitholders in the Funds.

9 Capital and Financial Risk Management

(a) Financial Risk Management

The Funds' investment portfolio primarily comprises listed equity investments. It is the Funds' investment objective to seek long term capital growth through investing in undervalued securities globally. The Funds' investing activities expose them to various types of risks: market risk, credit risk and liquidity risk.

Financial risk management is carried out under policies approved by the Responsible Entity. The risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Funds are exposed.

The following disclosures in relation to the various risks of the Funds' portfolio have been based on the Funds' direct holdings.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, foreign exchange rates, and interest rates.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. The Funds each aim to hold 20 to 40 stocks. The size and diversification of the portfolios is sufficient to ensure the Funds' returns are not overly correlated to a single company, industry specific or macroeconomic risk but the returns of the portfolios are not expected to be perfectly correlated to any market or sector index. If equity markets as a whole rise or fall by 5%, the returns of the Funds may increase or decrease by different amounts.

Over the past 10 years, the annual movement in the major global equity indices has varied between -23% and +35% (in AUD terms). The annual movement in the major infrastructure indices has varied between -18% and +22%. Past performance of markets is not always a reliable guide to future performance, and the Funds' investment portfolios do not attempt to mirror the indices, but this very wide range of historical movements in the index provides an indication of the magnitude of equity price movements that might reasonably be expected within the Funds over the next twelve months. The impact of equity price movements, expressed in percentage terms, on the change in net assets attributable to unitholders and the profit or loss from operating activities is linear.

An increase of 5% in the market prices of each of the Funds' investments held at the end of the year would have increased the net assets attributable to unitholders and the profit or loss from operating activities of Magellan Global Fund by \$175,394,000 (June 2012: \$61,012,000) and increased the net assets attributable to unitholders and the profit or loss from operating activities of Magellan Infrastructure Fund by \$21,986,000 (June 2012: \$10,372,000). A decrease of 5% in the market prices of each of the Funds' investments would have had an equal but opposite effect on the net loss of the Funds' attributable to unitholders.

Currency Risk

Currency risk is the risk that the fair value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates. Assets and liabilities that the Funds may typically own and that can be affected by foreign exchange rate fluctuations include equities listed on foreign exchanges, cash, foreign exchange forward contracts, outstanding broker settlements with foreign exchanges, and outstanding receipts of income from foreign companies.

Magellan Global Fund is managed on an unhedged basis and therefore the returns of the Fund are exposed to changes in exchange rates relative to the Australian Dollar. In exceptional circumstances the manager may elect to hedge currency exposure to a major currency. No such hedging activities were undertaken during the year.

Magellan Infrastructure Fund is managed on a hedged basis using forward foreign currency contracts. Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. The appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the fund to any individual foreign currency is greater than 5% of the net assets of the fund.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

9 Risk Management (continued)

(b) Market Risk (continued)

Currency Risk (continued)

The Australian Dollar (A\$) net exposures of the Funds as at 30 June to assets and liabilities denominated in foreign currencies, with all other variables held constant were as follows:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
US Dollars	2,829,547	937,019	1,075	1,958
Euro	258,319	105,486	1,257	1,324
Swiss Francs	272,449	129,922	637	144
British Pounds	175,775	58,941	8,816	1,794
New Zealand Dollars	-	-	(607)	106
Chilean Pesos	-	-	(894)	1,903

The changes in net assets attributable to unitholders and profit or loss from operating activities that would arise from a 5% increase or decrease in the Australian Dollar relative to each currency to which the Funds are exposed, based on monetary financial assets and liabilities held by the Funds at 30 June 2013, are as follows:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013		2013	
	5% increase in	5% decrease in	5% increase	5% decrease
	A\$'000	A\$'000	in A\$'000	in A\$'000
US Dollars	(134,740)	148,924	(51)	57
Euro	(12,301)	13,596	(60)	66
Swiss Francs	(12,974)	14,339	(30)	34
British Pounds	(8,370)	9,251	(420)	464
New Zealand Dollars	-	-	29	(32)
Chilean Pesos	-	-	43	(47)

	Magellan Global Fund		Magellan Infrastructure Fund	
	2012		2012	
	5% increase in	5% decrease in	5% increase	5% decrease
	A\$'000	A\$'000	in A\$'000	in A\$'000
US Dollars	(44,620)	49,317	(93)	103
Euro	(5,023)	5,552	(63)	70
Swiss Francs	(6,187)	6,838	(7)	8
British Pounds	(2,807)	3,102	(85)	94
New Zealand Dollars	-	-	(5)	6
Chilean Pesos	-	-	(91)	100

9 Risk Management (continued)

(b) Market Risk (continued)

Interest Rate Risk

The primary exposure to interest rates arises on cash balances held by the Funds, which are all held in floating interest rate accounts. Based on the cash balances held by the Funds at 30 June 2013, an increase in Australian interest rates of 10 basis points would increase the annual interest earned by Magellan Global Fund by \$53,000 (June 2012: \$32,000) and for Magellan Infrastructure Fund by \$86,000 (June 2012: \$13,000). A decrease of 10 basis points in Australian Dollar interest rates would reduce the annual interest earned by the Funds by equivalent amounts. The level of cash held by the Funds may vary from time to time, depending on the level in recent capital flows into and out of the Funds, and on the manager's judgement. The cash balances held by the Funds as at 30 June 2013 may therefore not be typical of the amounts of cash generally held by the Funds.

Magellan Global Fund held US dollar cash balances at times during the year. At 30 June 2013, the Australian dollar equivalent of the US dollar cash balance was \$19,353,000 (June 2012: \$7,494,000). If the Fund were to maintain this level of US dollar cash, a 10 basis points increase in US dollar interest rates would increase the annual interest earned by the Fund by \$19,000 (June 2012: \$7,000). A 10 basis points decrease in US dollar interest rates would have an opposite impact. Neither of the Funds hold other significant cash balances exposed to interest rates in other currencies.

The Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

(c) Liquidity Risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities on the due date or will be forced to sell financial assets at a value which is less than they are worth. This risk is managed by the Funds maintaining sufficient cash and cash equivalents to meet their normal operating requirements. In addition, the Funds' Constitutions and Product Disclosure Statements allow the Investment Manager, Magellan Asset Management Limited, to suspend capital withdrawals from the Funds for up to 28 days, at its discretion, if withdrawal requests exceed 5% of the net assets of the Funds, the payment of withdrawals would disadvantage remaining unitholders by imposing a disproportionate share of capital gains tax liabilities, or if the manager reasonably considers it to be in the interests of remaining unitholders of the Funds.

At 30 June 2013, the Funds had an obligation to settle payables of \$115,422,000 and \$64,475,000 (June 2012: \$31,550,000 and \$11,815,000) ranging between 0 to 30 days (refer note 5). The Funds had cash and cash equivalents of \$148,121,000 and \$89,797,000 (June 2012: \$63,492,000 and \$19,549,000) to cover these liabilities.

Maturities of financial liabilities

At 30 June 2013, the Funds' financial liabilities comprised payables which mature in 1 year or less (June 2012: 1 year or less) and derivative contracts which mature within the year (refer to note 4(b)) (June 2012: mature within the year).

(d) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities when valued at fair value. The maximum exposure to credit risk at balance date is the carrying amount of financial assets recognised in the Statement of Financial Position.

Magellan Global Fund does not have credit risk arising from derivative positions. Magellan Infrastructure Fund may have credit risk arising from its forward foreign exchange positions if the market value of those positions is positive. At 30 June 2013 the market value of its open positions was \$25,014,000. (June 2012: \$2,589,000). Potential credit risk arising from its foreign currency hedging activities is managed by using only top-tier financial institutions as counterparties. In addition, contracts are usually of relatively short duration, typically maturing within six months of inception date.

MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Notes to the Financial Statements
For the Year Ended 30 June 2013

9 Risk Management (continued)

(d) Credit Risk (continued)

On 29 November 2012, the Responsible Entity appointed The Northern Trust Company (NT) as the custodian on behalf of the Funds. In acting as custodian, NT is required to comply with the relevant provisions of the Corporations Act, applicable ASIC regulatory guides and class orders relating to registered managed investment scheme property arrangements with custodians. The former custodian and prime broker of the Funds was Merrill Lynch International (MLI).

The credit quality of NT's senior debt is rated, as at 30 June 2013, by Standard and Poors as AA- and by Moody's as Aa3. Given the change in custodian during the year, the credit quality of MLI's senior debt was rated by Standard and Poors as A- and by Moody's as Baa2 at 30 June 2012).

At 30 June 2013, the Funds receivables were due within 0 to 30 days (June 2012: 0 to 30 days). No amounts are impaired or past due at 30 June 2013 or 30 June 2012.

10 Contingent Assets, Liabilities and Commitments for Expenditure

The Funds have no contingent assets or liabilities, or commitments as at 30 June 2013 (June 2012: nil).

11 Events Subsequent to the End of the Year

On 29 August 2013, Magellan Financial Group Limited made a further \$5,000,000 investment in MGF. Apart from this matter, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

12 Auditor's Remuneration

Amounts received or due and receivable by the auditor of the Funds, Ernst & Young:

	Magellan Global Fund		Magellan Infrastructure Fund	
	2013	2012	2013	2012
	\$	\$	\$	\$
Audit Services				
Audit of the financial reports	10,000	10,000	10,000	10,000
Regulatory require audits	5,500	5,000	5,500	5,000
	<u>15,500</u>	<u>15,000</u>	<u>15,500</u>	<u>15,000</u>
Non-audit Services				
Other	9,000	7,000	9,000	7,000
Total auditor's remuneration	<u>24,500</u>	<u>22,000</u>	<u>24,500</u>	<u>22,000</u>

All audit remuneration costs are borne by the Responsible Entity out of the administration fee charged to the Funds.

**MAGELLAN GLOBAL FUND
MAGELLAN INFRASTRUCTURE FUND
Directors' Declaration
For the Year Ended 30 June 2013**

Directors' Declaration

In the opinion of the Directors of Magellan Asset Management Limited, the Responsible Entity for the Magellan Global Fund and the Magellan Infrastructure Fund ("the Funds"):

- (a) the financial statements and notes set out on pages 5 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Funds as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), International Financial Reporting Standards (IFRS) as disclosed in Note 2, and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of Magellan Asset Management Limited:



Hamish Douglass
Chairman
Magellan Asset Management Limited
Sydney

19 September 2013



Building a better
working world

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Independent auditor's report to the unitholders of Magellan Global Fund and Magellan Infrastructure Fund

Report on the financial report

We have audited the accompanying financial report of Magellan Global Fund and Magellan Infrastructure Fund ("the Schemes"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Opinion

In our opinion:

- a. the financial report of the Schemes is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Schemes' financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (b).

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Sydney
19 September 2013