

Magellan Financial Group Limited
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16 August 2013

ASX Market Announcements
Australian Securities Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

Magellan Financial Group Limited hereby lodges:

1. Appendix 4E for the year ended 30 June 2013; and
2. Annual Report and Financial Statements for the year ended 30 June 2013, incorporating the Chief Executive Officer's Annual Letter.

Yours faithfully,



Leo Quintana
Legal Counsel & Company Secretary

Magellan Financial Group Limited
Appendix 4E
Year Ended 30 June 2013

Details of reporting periods:

Current:	1 July 2012 to 30 June 2013
Comparative:	1 July 2011 to 30 June 2012

Results for announcement to the market:

		30 June 2013
		\$'000
Total revenue ("revenue from ordinary activities")	Up by 237% to	120,906
Net operating profit before significant items ("profit from ordinary activities after tax attributable to members")	Up by 388% to	66,600
Total comprehensive income ("net profit for the period attributable to members")	Up by 183% to	71,036

Commentary on results

Refer to the attached Annual Report and Financial Statements including the Chief Executive Officer's Annual Letter. Additional Appendix 4E disclosure requirements can be found in the notes to these financial statements.

Dividends (including in-specie distribution):

	Amount per security	Franked Amount per security
Interim Dividend (paid 10 April 2013)	5.0 cents	5.0 cents
Final Dividend (to be paid 11 October 2013)	16.5 cents	16.5 cents
Total Dividends	21.5 cents	21.5 cents
In-specie Distribution (paid 19 February 2013)	9.16 cents	9.16 cents
Final dividend dates:		
Ex-dividend Date	13 September 2013	
Record Date	19 September 2013	
Payment Date	11 October 2013	

The dividend reinvestment plan will not operate in respect of the final dividend.

Net tangible assets per share

30/6/2013	\$1.02 (diluted for the MFG 2016 Options and the conversion of the Class B Shares)
30/6/2012	\$0.91 (diluted for the conversion of the Class B Shares only as the MFG share price was below the MFG 2016 Options exercise price)

Earnings per share

	30 June 2013	30 June 2012
Basic earnings per share	43.6 cents	9.0 cents
Diluted earnings per share*	40.0 cents	8.5 cents

* in the year ended 30 June 2013, both the Class B Shares and MFG 2016 Options are considered to be potential ordinary shares for the purposes of the diluted earnings per share calculation and have been included in the determination of diluted earnings per share to the extent they are dilutive.

Financial Report

This report is based on the 30 June 2013 Annual Report (which includes the consolidated financial statements) and has been audited by Ernst & Young.



ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2013

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MAGELLAN FINANCIAL GROUP LIMITED

CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

Dear Shareholder,

I am delighted to write to you in the 2013 Annual Report for Magellan Financial Group Limited ("the Group").

OVERVIEW OF RESULTS

The Group had a successful year which was characterised by strong growth in assets under management and the solid investment performance of our Global Equities and Infrastructure Equities strategies. This is reflected in the Group's strong growth both in earnings and dividends.

For the year ended 30 June 2013, the Group recorded a net profit after tax of \$66.6 million (\$13.7 million for 2012). Fully diluted earnings per share was 40.0 cents per share (8.5 cents per share for 2012). The full year net profit included a realised after tax gain on the in-specie distribution of the Group's holding in Magellan Flagship Fund Limited (MFF) of approximately \$18.1 million. The Group's underlying net profit after tax, excluding the gain on the in-specie distribution, was \$48.5 million for the year ended 30 June 2013. Underlying fully diluted earnings per share was 29.2 cents per share.

The Group's underlying net profit includes:

- revenues, excluding realised and unrealised investment gains and foreign exchange gains/losses, of \$90.9 million compared with revenues of \$35.8 million for the prior year. These revenues included management and performance fee revenues of \$84.5 million, an increase of \$53.4 million or 172% over the prior year; and
- total operating expenses of \$25.9 million, compared with total operating expenses of \$16.7 million for the prior year.

The Group's total revenue of \$120.9 million for the year to 30 June 2013 (\$35.8 million for the year to 30 June 2012) included realised and unrealised investment gains on financial assets (including the effect of the in-specie distribution) of \$28.5 million.

Future revenue growth will depend upon the Group's average level of funds under management, and the investment performance of our funds and client mandates. Reported revenues will also include any realised gains or losses on investments.

MAGELLAN FINANCIAL GROUP LIMITED

CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

The Group is in a strong financial position with an extremely strong balance sheet. As at 30 June 2013:

- the Group had investment assets (including the cash and fixed and variable rate debt investments) of approximately \$153.3 million and shareholders' funds of \$153.0 million; and
- the Group's NTA per share (diluted for MFG 2016 Options and the conversion of the Class B Shares) was approximately \$1.02 (\$0.91 at 30 June 2012, diluted only for the conversion of the Class B Shares as the MFG share price was below the MFG 2016 Options exercise price).

The Group completed the in-specie distribution of its investment in Magellan Flagship Fund Limited (MFF) on 19 February 2013. The in-specie distribution of this holding of MFF shares and options reduced the Group's investment assets by approximately \$54.7 million and fully diluted NTA by \$0.28 per share.

On 31 July 2013, a controlled entity of the Company, and a member of the Group's tax consolidated group was declared an Offshore Banking Unit (OBU). Under the current legislation, assessable offshore banking (OB) income derived from defined OB funds management and advisory activities provided to clients outside of Australia and New Zealand, net of costs, will be subject to a concessional tax rate of 10%. Revenues earned from non-resident clients that are invested in the Group's global equities strategy meet the current definition of assessable OB income.

The Directors have proposed a final fully franked dividend of 16.5 cents per ordinary share in respect of the 2013 financial year, which represents a final dividend of approximately \$25.2 million. In accordance with accounting standards, the final dividend has not been provided for in the 30 June 2013 financial statements. A fully franked interim dividend of 5.0 cents per share was paid in April 2013 following the 31 December 2012 half year results. The Directors have affirmed the policy of paying a dividend of 75% to 80% of the net profit after tax (NPAT) of the Group's funds management business, with the NPAT calculation to include any crystallised performance fees, which may fluctuate materially from period to period. The payment of dividends by the Group will be subject to available franking credits and corporate, legal and regulatory considerations.

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CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

Funds Management Business

For the year ended 30 June 2013, the Group's funds management business generated revenues of approximately \$86.0 million (\$32.7 million for 2012) and had expenses of approximately \$25.2 million (\$16.4 million for 2012), which resulted in a profit before tax of \$60.8 million (\$16.3 million for 2012).

The following table summarises the profitability of the funds management business over the past two years:

	30 June 2013 \$'000	30 June 2012 \$'000	Change %
Revenue			
Management fees	56,007	21,976	155%
Performance fees	28,449	9,066	214%
Consulting fees	1,200	1,218	(2)%
Interest & other income	325	400	(19)%
	<hr/> 85,981	<hr/> 32,660	<hr/> 163%
Expenses			
Employee expense	17,428	11,378	53%
US marketing/consulting fees ¹	1,598	-	-
Other expense	6,182	4,983	24%
	<hr/> 25,208	<hr/> 16,361	<hr/> 54%
Profit before tax	<hr/> 60,773	<hr/> 16,299	<hr/> 273%
Key Statistics			
Net assets (\$'000)	35,547	12,803	178%
Average number of employees	51	38	34%
Employee expenses / Total expenses	69.1%	69.5%	
Cost / income	29.3%	50.1%	
Cost / income, excl. performance fees	43.8%	69.3%	

Management fee and performance fee revenues increased as a result of higher average funds under management over the period and strong investment performance.

Employee expense increased by 53% over the prior year, to \$17.4 million. This was due to a 34% increase in the average number of employees and an increase in remuneration levels. At 31 July 2013 there were 61 employees across the Investment, Distribution, and Business Support and Control functions. Based on our current plans we expect that in the 2013/14 financial year the number of employees will increase modestly above the current level.

¹ Pursuant to the agreement Frontier Partners Inc. is entitled to receive 20% of net management and performance fees from institutional mandates with clients in North America.

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Based on current plans, we expect total employee expenses to increase approximately 40% over the last year based on the increase in the average number of employees and increased remuneration levels.

The funds management business showed an improvement in the cost to income (excluding performance fees) ratio which decreased from 69.3% to 43.8% for the 2012/13 financial year. Employee expenses as a percentage of total expenses remained relatively flat.

The following table sets out the total employee numbers over the past 3 years, and as at 31 July 2013.

Employee Summary

	31 July 2013	30 June 2013	30 June 2012	30 June 2011
Investment				
- professional	22	22	14	12
- administration	2	2	2	1
	<hr/> 24	<hr/> 24	<hr/> 16	<hr/> 13
Distribution				
- professional	14	14	12	10
- administration	2	1	1	1
	<hr/> 16	<hr/> 15	<hr/> 13	<hr/> 11
Business Support & Control				
- professional	19	17	13	6
- administration	2	2	2	1
	<hr/> 21	<hr/> 19	<hr/> 15	<hr/> 7
Total	<hr/> 61	<hr/> 58	<hr/> 44	<hr/> 31

Average number of employees	51	38	28
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We have made a significant investment in people and capability in 2012/13. We added 14 people during the year with key hires including a Chief Financial Officer and Chief Risk Officer which further developed our financial risk and compliance teams and will provide greater experience and capability to support growth across the Group. Our Investment team has experienced the most growth with an additional seven people added to our research sector teams and a second person joining our trading function. We are extremely pleased with the quality of the people we have hired and the overall development of the team.

We have been busy adding capability, along with improving the controls and processes of our business. During the year we implemented a customised trading order management system and moved our key Australian managed funds to a new custodian. In August we expect to launch a UCITS fund based out of Ireland initially to service institutional investors interested in our Global Equity strategy.

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As at 31 July 2013, the Group had funds under management of approximately \$15,982 million, split between global equities (82%) and infrastructure equities (18%). This compares with funds under management of \$14,695 million at 30 June 2013 and \$4,006 million at 30 June 2012.

The following table sets out the composition of funds under management over the past three financial years:

Funds Under Management

A\$ million	31 July 2013	30 June 2013	30 June 2012	30 June 2011
Retail	4,962	4,542	1,750	1,082
Institutional				
- Australia/New Zealand	2,589	2,424	1,924	1,674
- North America	3,085	2,891	306	-
- Rest of World	5,346	4,838	26	-
	11,020	10,153	2,256	1,674
Total FUM	15,982	14,695	4,006	2,756
Percentage				
Retail	31%	31%	44%	39%
Institutional				
- Australia/ New Zealand	16%	16%	48%	61%
- North America	20%	20%	7%	-
- Rest of World	33%	33%	1%	-
	69%	69%	56%	61%
Total FUM	100%	100%	100%	100%
FUM subject to Performance Fees (%)	39%	39%	53%	39%
Institutional Funds Under management (%)				
- Active	79%	80%	35%	11%
- Enhanced beta	21%	20%	65%	89%
Breakdown of Funds under management (A\$ million)				
- Global Equities	13,094	12,088	2,357	1,046
- Infrastructure Equities	2,888	2,607	1,649	1,710
Average Base Management fee (bps), excluding Performance Fees ^(A)		66	71	61

(A) calculated using management fees (excluding performance fees) for the prior six month period divided by the average of month end funds under management over the same period

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CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

We note that our retail business has higher fees than our institutional business and our infrastructure enhanced beta product has lower fees than other institutional mandates.

We consider that the theoretical capacity of our global equities and infrastructure strategies is approximately US\$50 billion. We carefully take into account the investment universe, the market capitalisation established for the strategy and liquidity requirements in ascertaining the theoretical capacity of each of our strategies.

We further note that at 31 July 2013 we were managing around US\$14.3 billion (A\$16.0 billion) and the above capacity numbers are purely theoretical and should in no way be taken as a forecast or indication as to the level of funds under management that Magellan may manage in the future.

Retail Funds Under Management

At 30 June 2013 the Group had total retail funds under management of \$4,542 million. We experienced total net retail inflows of \$1,783 million for the 12 months to 30 June 2013.

The Magellan Global Fund and the Magellan Infrastructure Fund continue to enhance their reputations with research houses and major financial planning groups in Australia and New Zealand. We have an outstanding team of business development managers, led by Frank Casarotti, with offices in Sydney, Melbourne, Brisbane and Auckland. Both these funds have established strong performance records.

On 1 July 2013 we launched three new funds for Australian and New Zealand investors. Complementing our existing funds, we have launched the Magellan Global Fund (Hedged), a currency hedged offering of our Global Equities strategy, and Magellan Infrastructure Fund (Unhedged). We also launched a new investment product, the Magellan High Conviction Fund. This fund is a highly concentrated global equity strategy (8-12 stocks) and will be managed by myself, as Lead Portfolio Manager. It is available to financial advisers in Australia and New Zealand with a focus on higher net worth individual investors. The fee structure is a base management fee of 1.5% of funds under management plus a performance fee of 10% of returns above 10% per annum, subject to a high water mark. The estimated capacity of this product is approximately US\$3 billion. We view this new product as highly complementary to our current investment offerings and importantly leverages our existing investment research and processes.

The following sets out the investment performance of the Magellan Global Fund and Magellan Infrastructure Fund over the past 5 years.

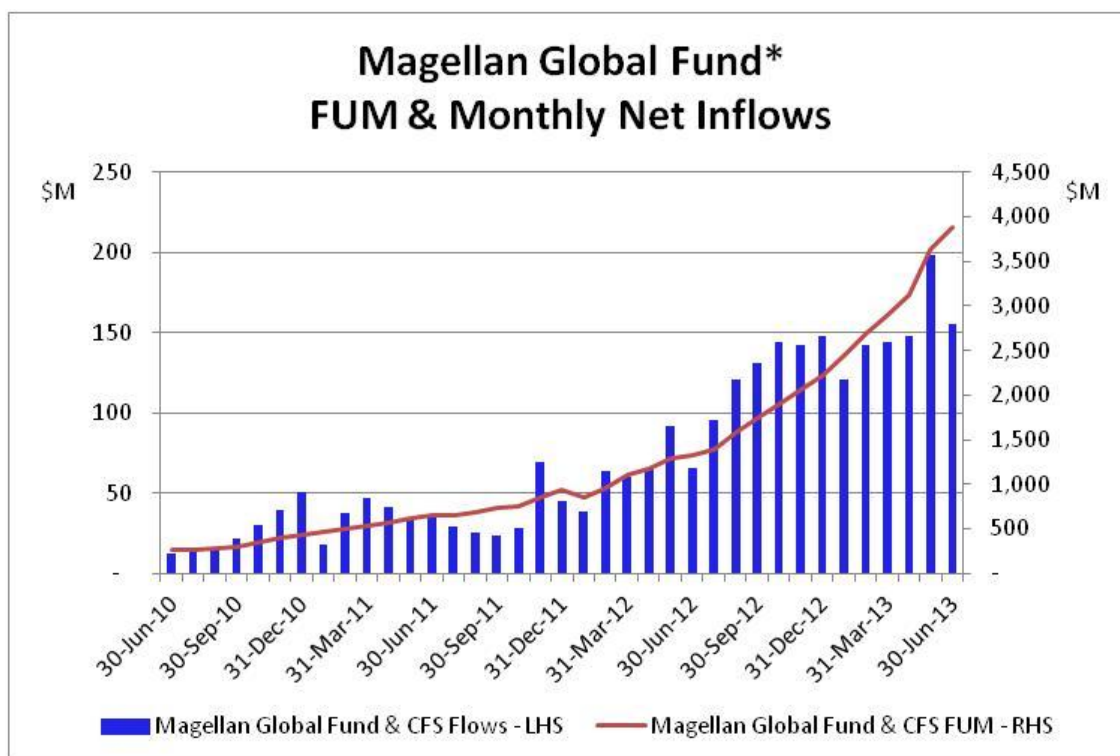
Investment Performance as at 30 June 2013*	1 Year	3 Years p.a.	5 Years p.a.	5 Years cumul.
Magellan Global Fund	39.7%	19.2%	15.6%	106.5%
MSCI World NTR Index (\$A)	32.8%	10.7%	3.7%	19.8%
Excess Return	6.9%	8.5%	11.9%	86.7%
Magellan Infrastructure Fund	17.7%	19.2%	9.3%	56.0%
UBS Dev Infra & Utilities NTR Index Hedged (\$A)	14.4%	12.0%	2.5%	13.1%
Excess Return	3.3%	7.2%	6.8%	42.9%

*Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Annualised 5 Year performance is denoted with "p.a.", cumulative 5 year performance is denoted with "cumul."

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CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

The retail component of the Magellan Global Fund / Colonial First State Magellan Global Option had funds under management of approximately \$3,889 million as at 30 June 2013 and experienced strong net inflows on a monthly basis. Pleasingly, we have experienced monthly retail net inflows of approximately \$167 million, on average, over the last 3 months (to 30 June 2013). The following chart sets out the monthly net inflows into the Magellan Global Fund/Colonial First State Magellan Global Option over the past 3 years.



* FUM & Flows includes Colonial First State Magellan Global Option from April 2011 – retail only

The following sets out some key information of the distribution penetration for the Magellan Global Fund.

Platforms:

- BT Wrap (including Lonsdale's AssetLink, Count's Wealth-e-Account, Genesys' Solar)
- Macquarie Wrap (including AMP's badge Wealth View and Hillross' Definitive Wrap)
- Colonial First State First Choice (including Investment Superannuation, Pension and Wholesale)
- Colonial First State First Wrap (including Count's Star Portfolio, PIS's Investment Exchange and Centric's Encircle)
- MLC Wrap (including the Navigator range)
- Westpac-owned Asgard (including the Hillross badge, Portfolio Care)
- NetWealth
- AMP North
- AMP Summit
- IOOF (Pursuit and The Portfolio Service)
- Perpetual Wealth Focus

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Retail researcher ratings:

- Morningstar
- Lonsec
- Zenith
- Van Eyk

The number of dealer groups using MGF is approximately 560.

The number of advisers that attended the August 2013 roadshows was 1,600 (approximately 1,200 in 2012 and 700 in 2011). The Auckland roadshow is scheduled for 3 September 2013 and approximately 150 advisers are planning to attend.

Institutional Funds Under Management

At 30 June 2013 the Group had total institutional funds under management of \$10,153 million. We experienced institutional net inflows of \$6,190 million for the 12 months to 30 June 2013. We are pleased with the development of our institutional funds management business.

In September 2011 we entered into an agreement with Frontier Partners Inc. to distribute our global equity and infrastructure capabilities to clients in the North America. Since this time we have established meaningful relationships with many potential clients and asset consultants in North America and this year won nine global equity mandates and one infrastructure mandate. We also act as sub-adviser to two institutional mutual funds in the United States (Frontegra MFG Global Equity Fund and Frontegra MFG Infrastructure Fund). These mutual funds are for US based investors that would not qualify for our separate account minimum. At 30 June 2013 we had total funds under management of approximately \$2,891 million from clients in North America. We are pleased with our relationship with Frontier Partners and the depth of the prospective client pipeline.

We have had considerable success in the United Kingdom in the past 12 months. In February 2013 we announced that we had won a mandate from St James's Place with an initial funding amount of approximately \$3.0 billion. At 30 June 2013 this account had grown to \$3.7 billion. In May 2012, a UK insurance company (in partnership with FTSE and the Group) launched an infrastructure fund that replicates the Magellan Core Infrastructure (enhanced beta) strategy. The fund has proven popular with small to medium sized pension funds in the UK and had approximately \$986 million in investments at 30 June 2013.

On 8 November 2012, Magellan Asset Management Limited (MAM), a controlled entity of the Company, received authorisation from the Central Bank of Ireland to act as a promoter and investment manager to Irish authorised collective investment schemes. In August 2013, MFG Investment Fund plc, a company incorporated in Ireland, sought approval by the Central Bank of Ireland to be authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities (UCITS)) Regulations, and appoint MAM as promoter and investment manager to a proposed initial sub-fund MFG Global Fund. MFG Global Fund will offer the Group's global equities strategy to global institutional clients. At the time of this report, MFGIF has not received confirmation of its authorisation from the Central Bank of Ireland. We are encouraged by the client interest for this fund when it is launched.

MAGELLAN FINANCIAL GROUP LIMITED

CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

We are very pleased with the progress we are making in Australia with asset consultants and prospective institutional clients. At 30 June 2013 we had 25 Australian institutional clients across our business with total funds under management of \$2,424 million.

Infrastructure

Our infrastructure team, led by Gerald Stack and Dennis Eagar, have established a strong institutional business in Australia, with a developing presence in the UK and North America. Investment performance has been strong and the infrastructure team had funds under management of \$2,607 million, compared with \$1,649 million at 30 June 2012. The infrastructure business' FUM is split approximately 92% institutional and 8% retail at 30 June 2013.

It is still early days in the life of our business and there are no grounds for any complacency or lack of focus. We will only succeed for the long-term through rigorous analytical processes and a disciplined focus upon managing risks as well as delivering returns for the investment funds entrusted to us, whilst maintaining the positive relationships we have with asset consultants, financial planners and investors in our funds.

INVESTMENTS IN MAGELLAN'S FUNDS AND PRINCIPAL INVESTMENTS

At 30 June 2013 the Group had total principal investments of \$127.9 million (net of tax and settlements payable), which compares with total investment assets of approximately \$131.1 million at 30 June 2012. The Group completed the in-specie distribution of its holding in MFF on 19 February 2013. The in-specie distribution reduced the Group's investment assets by approximately \$54.7 million.

Over time we hope to earn satisfactory returns for shareholders through the sensible deployment of the Group's capital, whilst maintaining capital strength to underpin the business. We intend for the Group to maintain a very strong balance sheet including a high level of liquidity to ensure our business will withstand almost any market condition or unforeseen event.

Our principal investments supplement our funds management business, including being used as seed capital for our funds.

On 1 July 2013, the Group seeded the Magellan High Conviction Fund with approximately \$13 million by way of an in-specie transfer of a portion of its principal investment portfolio.

This conservative balance sheet approach benefited the Group, particularly during the early stages of the funds management business, and we believe will benefit Magellan in the future.

MAGELLAN FINANCIAL GROUP LIMITED

CHIEF EXECUTIVE OFFICER'S ANNUAL LETTER

The following table sets out a summary of the Group's principal investments over the past 2 financial years:

MFG Group's Principal Investments

A\$ million	2013	2012
Cash ^(A)	24.3	0.5
Fixed Term Deposits	9.7	23.1
Magellan Flagship Fund	-	42.2
Magellan Unlisted Funds ^(B)	73.1	52.6
Listed shares	21.6	9.1
Listed subordinated bank notes	4.3	1.7
Other ^(C)	2.8	2.8
Total	<u>135.8</u>	<u>132.0</u>
Deferred tax liability ^(D)	<u>(7.9)</u>	<u>(0.9)</u>
Net principal investments	<u>127.9</u>	<u>131.1</u>
Net principal investments per share (cents) ^(E)	78.7	81.1

(A) Settlements payable at 30 June 2013 of \$8.8 million (refer to note 10 in the financial statements) has been deducted from cash.

(B) Magellan Unlisted Funds include Magellan Global Fund, Magellan Infrastructure Fund and the Frontegra MFG Funds, and for the year ended 30 June 2013, the Magellan Global Fund (Hedged), Magellan Infrastructure Fund (Unhedged) and the Magellan High Conviction Fund.

(C) Comprises distributions receivable and unlisted funds and shares.

(D) Deferred tax liability arising from changes in the fair value of financial assets and net capital losses carried forward.

(E) Based on the aggregate of 152,782,876 ordinary shares on issue at 30 June 2013 and 9,732,697 ordinary shares being the ordinary shares that the 10,200,000 Class B Shares would be entitled to convert into at 30 June 2013. At 30 June 2012, it is based on 152,558,341 ordinary shares and 9,153,500 ordinary shares that the 10,200,000 Class B Shares would have been entitled to convert into at 30 June 2012.

I would like to thank my colleagues on the management committee (Nerida Campbell, Gerald Stack and Frank Casarotti) who have done an outstanding job in leading the business and have provided invaluable support to me throughout the year.

Thank you for your ongoing interest in Magellan and we look forward to meeting you either at the Annual General Meeting or over the years ahead.

Yours faithfully,



Hamish M Douglass
Managing Director & Chief Executive Officer

16 August 2013

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The Directors of Magellan Financial Group Limited (the "Company") submit their financial report for the Company and its controlled entities which together form the consolidated entity (the "Group") in respect of the year ended 30 June 2013.

1. Operations and Activities

1.1 Company Overview

The Company is a listed public company and incorporated in Australia. The shares and options of the Company are publicly traded on the Australian Securities Exchange under ASX Codes: MFG and MFGOC respectively. The Company also has on issue unlisted Class B shares.

Its principal place of business is Level 7, 1 Castlereagh Street, Sydney, New South Wales, 2000.

1.2 Principal Activity

The principal activity of the Group is funds management with the objective to offer international investment funds to high net worth and retail investors in Australia and New Zealand, and institutional investors.

1.3 Dividends and Distributions

During the year, dividends amounting to \$12,218,787 were paid representing 8.0 cents per share (June 2012: \$4,566,996 representing 3.0 cents per share). The Company also paid an in-specie distribution of \$13,975,944 on 19 February 2013 which represented 9.16 cents per share.

Since the end of the year, the Directors have declared a final fully franked dividend of 16.5 cents per ordinary share in respect of the year ended 30 June 2013 (June 2012: 3.0 cents per share), which represents approximately \$25,209,000.

The Directors have affirmed the policy of paying a dividend of 75% to 80% of the net profit after tax (NPAT) of the Group's funds management business, with the NPAT calculation to include any crystallised performance fees, which may fluctuate materially from period to period. The payment of dividends by the Group will be subject to available franking credits and corporate, legal and regulatory considerations.

1.4 Review of Operations

• Financial Results for the year

The Group's net profit after tax for the year ended 30 June 2013 was \$66,600,000 (June 2012: \$13,660,000) compared with net profit after tax of \$13,660,000 for the prior year. In addition, total operating expenses of \$25,904,000, compared with total operating expenses of \$16,693,000 for the previous corresponding year.

The Group is in a strong financial position with an extremely strong balance sheet and at 30 June 2013 reported:

- investment assets (including cash and fixed and variable rate debt investments) of approximately \$153,269,000 and shareholders' funds of \$153,039,000; and
- NTA per share (diluted for MFG 2016 Options and the conversion of the Class B Shares) of \$1.02 (June 2012:\$0.91 at 30 June 2012, diluted only for the conversion of the Class B Shares as the MFG share price was below the MFG 2016 Options exercise price).

Refer to the Chief Executive Officer's Annual Letter for further information, including details on the Group's strategy and future outlook.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

1.5 Likely Developments and Expected Result of Operations

The Group will continue to pursue its financial objectives which are to increase the profitability of the Group over time by increasing the value and performance of funds under management and seeking to grow the value of the Group's investment portfolio. Additional comments on expected results of certain operations of the Group are included in this report under the review of operations at section 1.4. Refer also to the Chief Executive Officer's Annual Letter for further information.

1.6 Significant changes in the State of Affairs

There were no significant changes in the state of affairs of the Group that occurred during the year not otherwise disclosed in this report or the financial statements.

1.7 Events Subsequent to the end of the Financial Year

On 28 June 2013, the Group launched the following three new funds:

- Magellan Infrastructure Fund (Unhedged) (MIFU), a unit trust that invests in a focussed global portfolio of listed infrastructure investments;
- Magellan High Conviction Fund (MHCF), a unit trust that invests in a concentrated portfolio of global equities; and
- Magellan Global Fund (Hedged) (MGFH), a unit trust that invests in a focussed portfolio of global equities.

The Company initially seeded the new Funds by way of a small cash investment and an in-specie transfer for the Magellan High Conviction Fund, which is discussed further at note 8 d). These funds were open to external investors from 1 July 2013 and for the period to 13 August 2013 MIFU, MHCF and MGFH have received approximately \$1,360,000, \$42,241,000 and \$686,900 of new fund inflows from external investors respectively. On 27 July 2013, the Company invested a further \$4,250,000 into the Magellan High Conviction Fund.

On 26 July 2013, ASIC consented to the repayment of the \$1,150,000 loan the Company provided to its wholly owned entity, Magellan Asset Management Limited (MAM). MAM repaid the loan in full on 2 August 2013 (refer to note 14c)i) for further details).

On 31 July 2013, MAM, a member of the Group's tax consolidated group was declared an Offshore Banking Unit (OBU) by the Assistant Treasurer of Australia in the Commonwealth of Australia Government Notices Gazette. Under the current legislation, assessable offshore banking (OB) income derived from defined OB funds management and advisory activities provided to clients outside of Australia and New Zealand, net of costs, will be subject to a concessional tax rate of 10%. Revenues earned from non-resident clients that are invested in the Group's global equities strategy meet the current definition of assessable OB income.

On 8 November 2012, MAM received authorisation from the Central Bank of Ireland to act as a promoter and investment manager to Irish authorised collective investment schemes. In August 2013, MFG Investment Fund plc, a company incorporated in Ireland, sought approval by the Central Bank of Ireland to be authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities (UCITS)) Regulations, and appoint MAM as promoter and investment manager to a proposed initial sub-fund MFG Global Fund. MFG Global Fund will offer the Group's global equities strategy to global institutional clients. At the time of this report, MFGIF has not received confirmation of its authorisation from the Central Bank of Ireland.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

1.7 Events Subsequent to the end of the Financial Year (continued)

Other than the items on page 13, 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 operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods.

1.8 Environmental Regulation

The Group is not subject to any particular or significant environmental regulation under Commonwealth, State or Territory legislation.

1.9 Unissued Shares

MFG 2016 Options

As at 30 June 2013 there were 7,771,605 unexercised MFG 2016 Options to take up one new ordinary share each in the Company at an exercise price of \$2.6411 per share. The options expire on 30 June 2016. As at 12 August 2013, there were 7,771,605 unexercised MFG 2016 Options. A total of 110,395 ordinary shares have been issued from the exercise of the MFG 2016 Options. Refer to note 11 c)ii) for further details on the MFG 2016 Options, including the terms and conditions applying to their exercise, and note 14 d)iii) in the financial statements for the MFG 2016 Options held by the Directors and Key Management Personnel of the Company.

The options are not entitled to dividends or distributions and ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date the ordinary share is issued.

MFG Class B Shares

As at the date of this report, Mr Douglass held 10,200,000 MFG Class B Shares which have no entitlement to dividends and convert into the Company's ordinary shares on 21 November 2016 in accordance with a conversion formula. Refer to note 11c)iii) for further details. The service conditions attached to the conversion of the MFG Class B shares into MFG ordinary shares were satisfied on 1 July 2012.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

2.0 Directors and Officers

2.1 Directors

The following persons were Directors of the Company during the year and up to the date of this report:

Name	Directorship	Appointed
Chris Mackay	Chairman and Executive Director	21 November 2006
Hamish Douglass	Chief Executive Officer and Managing Director	21 November 2006
Brett Cairns	Non-executive Director	22 January 2007
Paul Lewis	Non-executive Director	20 December 2006
Naomi Milgrom	Non-executive Director	20 December 2006

2.2 Secretaries

The following persons were Company Secretaries of the Company during the year and up to the date of this report:

Nerida Campbell
Leo Quintana

There are no other officers of the Company.

2.3 Information on Directors and Officers

Chris Mackay

Chairman and Executive Director

Chris is a Director of Seven Group Holdings Limited (appointed June 2010) and was a Director of Consolidated Media Holdings Limited (formerly Publishing & Broadcasting Limited) from 2006 until its takeover by News Corporation in November 2012. He is also a Director of Magellan Flagship Fund Limited (appointed September 2006). Chris retired as Chairman of the investment bank UBS Australasia, in March 2006, having previously been its Chief Executive Officer. He is a member of the Federal Treasurer's Financial Sector Advisory Council, and is a former member of the Business Council of Australia and director of the International Banks & Securities Association.

Hamish Douglass

Managing Director and Chief Executive Officer, and member of the Audit and Risk Committee

Hamish is a member of the Australian Government's Foreign Investment Review Board (FIRB), a member of the Australian Government's Financial Literacy Board, Acting President of the Australian Government's Takeovers Panel, a member of the Forum of Young Global Leaders – World Economic Forum and former Co-Head of Global Banking at Deutsche Bank, Australasia. He was a Director of Magellan Flagship Fund Limited from September 2006 until 6 February 2013.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

2.3 Information on Directors and Officers (continued)

Naomi Milgrom AO

Non-executive Director

Naomi is the Executive Chair and CEO of Australia's largest specialty women's fashion retailer, the Sussan Group - comprising Sussan, Suzanne Grae and Sportsgirl. One of Australia's top business entrepreneurs, Naomi has combined business leadership with leadership in the arts, sciences and women's health, as a Member of the Board of Trustees of the National Gallery of Victoria, former Chair of the Australian Centre for Contemporary Art (ACCA), former Chair of the Melbourne Fashion Festival, and director of the Howard Florey Institute. Naomi was the first woman to deliver the Batman Oration on Australia Day 2006. She was awarded The Centenary of Federation Medal for her outstanding contribution to business and the fashion industry, and in 2011, Naomi received an Officer of the Order of Australia "for service to business as a leader and mentor in the fashion industry, and to the community" through advisory and management roles of a wide range of arts, health and philanthropic bodies. In further recognition of her accomplishments in business, in 2011, Naomi was the first woman to be awarded an Honorary Doctorate of Business by RMIT.

Paul Lewis

Non-executive Director and Chairman of the Audit and Risk Committee

Paul was Managing Partner and Chief Executive – Asia, based in Hong Kong from 1992 – 2004, for PA Consulting Group, at the conclusion of which PA had offices in Hong Kong, Beijing, Tokyo, Bangalore, Singapore, Kuala Lumpur and Jakarta. Paul led major assignments in financial services – retail banking, life insurance and stock exchanges, energy, manufacturing, telecommunications, rail, air, container shipping and government. Paul also served on senior advisory panels with ministerial representation in Hong Kong, Malaysia and Indonesia, and from 2003 to 2010 was a member of British Telecom's Global Advisory Board. Paul is currently Chair of NAB's Private Wealth Advisory Council, Chairman of PSP International, Deputy Chairman of the Australian British Chamber of Commerce, and a board member of St Vincent's Hospital Prostate Cancer Centre.

Brett Cairns

Non-executive Director and member of the Audit and Risk Committee

Brett was formerly co-head of the Capital Markets Group within Structured Finance at Babcock & Brown, which he joined in 2002. Brett was a former Managing Director and Head of Debt Capital Markets for Merrill Lynch in Australia where he worked from 1994 to 2002. Prior to joining Merrill Lynch, Brett spent 3 years with Credit Suisse Financial Products, the then derivatives bank of the Credit Suisse group.

Nerida Campbell

Company Secretary

Nerida Campbell has over 20 years experience in the investment banking and finance industry, previously holding various finance and management roles including that of Chief Financial Officer for UBS Australasia. Nerida is the Chief Operating Officer and Company Secretary of Magellan Asset Management Limited and Magellan Flagship Fund Limited. Nerida is a member of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia, and a graduate member of the Australian Institute of Company Directors.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

2.3 Information on Directors and Officers (continued)

Leo Quintana

Company Secretary

Leo has over 10 years experience as a corporate lawyer. He is the Legal Counsel and Company Secretary of Magellan Asset Management Limited and Magellan Flagship Fund Limited. Leo is admitted as a solicitor of the Supreme Court of New South Wales and holds a Bachelor of Laws and a Bachelor of Business. Leo is a member of the Law Society of New South Wales and a member of the Australian Corporate Lawyers Association.

2.4 Directors' Meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2013 and the number of those meetings attended by each Director is set out below:

	Board		Audit & Risk Committee	
	Held while a Director	Attended	Held while a member	Attended
Chris Mackay	6	6	-	-
Brett Cairns	6	6	7	7
Hamish Douglass	6	6	7	7
Paul Lewis	6	6	7	7
Naomi Milgrom	6	4	-	-

2.5 Directors' Interests

No Director has or has had any interest in a contract entered into up to the date of this Directors' Report with the Company or any related entity other than as disclosed in this report.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

This report outlines the Key Management Personnel remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons and corporate entities having "authority and responsibility for planning, directing and controlling activities of the entity". Key Management Personnel of the Group are the Non-executive Directors, Executive Directors and the Group's senior executives with authority for the planning, directing and controlling the activities of the Group, as set out below:

Chris Mackay	Chairman and Executive Director
Hamish Douglass	Chief Executive Officer and Managing Director
Brett Cairns	Non-executive Director
Paul Lewis	Non-executive Director
Naomi Milgrom	Non-executive Director
Nerida Campbell	Chief Operating Officer and Company Secretary
Gerald Stack	Head of Research
Frank Casarotti	Head of Distribution

The Board does not grant options to Key Management Personnel or the Group's employees under its remuneration policy.

3.1 Remuneration of Non-executive Directors

The Board reviews and determines the remuneration of the Non-executive Directors and may utilise the services of external advisors. The Board's remuneration policy is designed to attract and retain appropriately experienced, skilled and qualified personnel in order to achieve the Group's objectives. The remuneration of the Non-executive Directors is not linked to the performance or earnings of the Group.

The Non-executive Directors are eligible to participate in the Company's Share Purchase Plan (SPP) which is described later in this report. Remuneration for two of the Non-executive Directors' remuneration includes share based payment amounts that represent the non cash expense to the Group of providing interest free loans under the SPP.

The Company has reimbursed or borne expenses incurred by the non-executive directors in the discharge of their duties of \$13,344 (June 2012: \$776).

3.2 Remuneration of Executive Directors and Other Key Management Personnel

The Board's remuneration policy is designed to attract and retain appropriately experienced, skilled and qualified personnel in order to achieve the Group's objectives.

Executive Directors

The Executive Directors' remuneration is determined by the Board, which may utilise the services of external advisors. In respect of the year ended 30 June 2013 it comprised fixed compensation and in respect of Mr Douglass only, a variable compensation amount in the form of a short term incentive payment.

Fixed compensation is structured as a total employment cost package, which may be received as a combination of cash, non-cash benefits and superannuation contributions.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.2 Remuneration of Executive Directors and Other Key Management Personnel (continued)

The amount of fixed compensation was not dependent on the satisfaction of a performance condition, or the performance of the Group, the Company's share price, or dividends paid by the Company. The amount of variable compensation paid to Mr Douglass in respect of the year ended 30 June 2013 was determined with reference to Mr Douglass' achievement of agreed criteria and performance metrics. Mr Mackay was not entitled to receive a short term or long term incentive in respect of the year ended 30 June 2013.

Details of the employment agreements of the Executive Directors are described later in this report.

Other Key Management Personnel

The Other Key Management Personnel's remuneration comprises fixed and variable remuneration that takes into account the individual's experience, abilities, achievements, contribution to the Group, and in one case is determined to be at least an agreed fixed percentage of the net revenues earned by the Group in respect to the investment strategy for which that individual has responsibility.

Other Key Management Personnel's fixed compensation is structured as a total employment cost package, which may be received as a combination of cash, non-cash benefits and superannuation contributions. Fixed compensation is reviewed annually to ensure that it is competitive and reasonable, however there are no guaranteed increases to the fixed compensation amount. The variable compensation paid to one member of Other Key Management Personnel, is based on a fixed percentage of the net revenues earned by the Group in respect to the investment strategy for which that employee has responsibility.

The Board considers that a focus on short term indicators for the determination of short term variable compensation, such as movements in the Company's share price, may encourage performance that is not in the best interests of the Group and its shareholders. The Board is more concerned that Other Key Management Personnel are motivated to build investment returns for investors in the funds managed by the Group and to build shareholder wealth over the long term. The Board believes that the participation in the Group's SPP by Other Key Management Personnel closely aligns their interests with the long term interests of shareholders.

The Chief Executive Officer determines the amount of variable compensation to be paid to Other Key Management Personnel, taking into consideration the individual's performance, contribution during the year, and where applicable the agreed fixed percentage of the net revenues earned by the Group in respect of the investment strategy for which that individual has responsibility. The variable component of the Other Key Management Personnel is not dependent on the satisfaction of performance conditions (except as noted), the Company's share price, or dividends paid by the Company.

Other Key Management Personnel are eligible to participate in the Group's SPP which is described later in this report. Other Key Management Personnel remuneration includes share based payment amounts that represent the non-cash expense to the Group of providing interest free loans under the SPP.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.2 Remuneration of Executive Directors and Other Key Management Personnel (continued)

Share Purchase Plan (SPP)

The Group has put in place a SPP that provides financial assistance to Non-executive Directors and employees ('Participants'), by way of an interest free loan, to invest in shares in the Company. The issue price of shares under the SPP is the weighted average sale price of the shares on the ASX over the five trading days immediately preceding the day the offer is made.

Details of the closing price of the Company's shares since inception of the Company are provided below together with the issue price of shares under the SPP:

	MFG shares closing price	SPP offer date	SPP offer issue price of MFG shares
30 June 2007	\$2.20	10 September 2007	\$1.66
30 June 2008	\$0.53	20 October 2008	\$0.52
30 June 2009	\$0.55	8 September 2009	\$0.78
30 June 2010	\$1.13	10 November 2010	\$1.35
		2 March 2011	\$1.75
30 June 2011	\$1.32	30 September 2011	\$1.20
30 June 2012	\$2.15	12 March 2013	\$7.33
30 June 2013	\$9.64		

The Directors believe that the Key Management Personnel and employee participation in the SPP closely aligns their interests with the interests of the shareholders of the Group.

Further details of the SPP are provided in note 12 to the financial statements.

Directors' fees

The Non-executive and Executive Directors' base remuneration is reviewed annually.

Retirement benefits for Directors

No retirement benefits (other than superannuation) are provided to Directors.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.3 Details of Remuneration

The Key Management Personnel of the Group received the following amounts during the year:

	Short term Benefits		Post-employment Benefits	Long-term Benefits	Share based Payment	Total
	Salary	Cash Bonus ^(D)	Super-annuation	Other ^(F)	Under SPP ^(A)	
2013	\$	\$	\$	\$	\$	\$
Non-executive Directors						
Brett Cairns	18,349	-	1,651	-	14,331	34,331
Paul Lewis	20,000	-	-	-	14,331	34,331
Naomi Milgrom	9,174	-	826	-	-	10,000
Executive Directors						
Chris Mackay ^(E)	583,530	100,000	16,470	51,884	-	751,884
Hamish Douglass	383,530	725,000	16,470	34,101	-	1,159,101
Other Key Management Personnel						
Nerida Campbell	333,530	325,000	16,470	38,839	18,290	732,129
Frank Casarotti ^{(B) (C)}	333,530	325,000	16,470	35,049	167,580	877,629
Gerald Stack ^(B)	333,530	524,207	16,470	35,993	34,651	944,851
Total Key Management Personnel	2,015,173	1,999,207	84,827	195,866	249,183	4,544,256
2012						
Non-executive Directors						
Brett Cairns	18,349	-	1,651	-	14,331	34,331
Paul Lewis	20,000	-	-	-	14,331	34,331
Naomi Milgrom	9,174	-	826	-	-	10,000
Executive Directors						
Chris Mackay	234,225	150,000	15,775	-	-	400,000
Hamish Douglass	234,225	150,000	15,775	-	-	400,000
Other Key Management Personnel						
Nerida Campbell	252,975	250,000	15,775	30,856	11,535	561,141
Frank Casarotti ^(B)	271,725	250,000	15,775	27,343	29,168	594,011
Gerald Stack ^(B)	252,975	408,335	15,775	28,218	13,656	718,959
Total Key Management Personnel	1,293,648	1,208,335	81,352	86,417	83,021	2,752,773

(A) Share based payments represent the expense of providing interest free loans to Participants in the Share Purchase Plan (see section 3.2 of the Remuneration Report in the Directors' Report). These are non cash items. Refer note 15b).

(B) Mr Casarotti and Mr Stack have been determined as KMPs in the year ended 30 June 2013.

(C) Mr Casarotti disposed of 150,000 MFG shares held under the SPP and fully discharged the loan made to him by MFG under the SPP during the year ended 30 June 2013.

(D) The cash bonus amount includes the current year cash bonus and deferred components of the prior year bonus which have been paid over the course of the current year.

(E) Mr Mackay was not entitled to receive a short-term or long-term incentive in respect of the year 30 June 2013. Mr Mackay's 2013 cash bonus of \$100,000 comprises the deferred component of a bonus awarded in respect to the year ended 30 June 2012.

(F) Includes long service entitlements accrued during the year. Mr Mackay and Mr Douglass were employed under employment agreements that commenced on 27 June 2008 and were not eligible to accrue long service entitlements in 2012. Mr Mackay may become entitled to an amount of \$100,000, which has been accrued, in respect of the investment restriction described in section 3.5 of the Remuneration Report.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.4 Service Agreements

Remuneration and other terms of employment for the Non-executive Directors are formalised in service agreements with the Company.

Naomi Milgrom AO, Non-executive Director

- Commenced on 20 December 2006
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2013 of \$10,000 paid by the Group

Paul Lewis, Non-executive Director and Chairman of the Audit and Risk Committee

- Commenced on 20 December 2006
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2013 of \$20,000 paid by the Group

Brett Cairns, Non-executive Director and member of the Audit and Risk Committee

- Commenced on 22 January 2007
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the period ended 30 June 2013 of \$20,000 paid by the Group

During the year, the Board approved an increase to non-executive Director fees with effect from 1 July 2013 as follows:

- MFG Board fee - \$20,000 per annum (inclusive of superannuation)
- MFG Audit Risk & Committee Member - \$10,000 per annum (inclusive of superannuation)
- MAM Board fee - \$25,000 per annum (inclusive of superannuation)

3.5 Employment Agreements

The Executive Directors and Other Key Management Personnel are engaged under employment agreements with Magellan Asset Management Limited (MAM), a controlled entity of the Company.

Chris Mackay, Chairman and Executive Director

The Director is employed under a contract with MAM, with effect from 1 March 2008 and which will continue indefinitely until terminated.

Under the terms of the contract, which applied for the year to 30 June 2013, the Director:

- receives fixed compensation structured as a total employment cost package of \$600,000 per annum, inclusive of superannuation, which may be received as a combination of cash, non-cash benefits and superannuation contributions;
- is not entitled to receive short term or long term incentive payments;

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.5 Employment Agreements (continued)

- has undertaken to MAM that for the period up to and including 1 July 2017 neither he nor his associates will, within Australia and New Zealand, invest in any outside business which in the reasonable opinion of MAM is primarily engaged in the business of funds management, other than an investment in MFG, the Magellan Flagship Fund Limited, MAM and related entities, and any managed investment scheme in which MAM acts as trustee or responsible entity. The restrictions will cease to apply prior to 1 July 2017, if a third party acquires control of MAM or MFG, or the employment contract is terminated for any reason. The restrictions do not apply in respect of any investment in:

- (a) shares in a company; or
- (b) interests in a managed investment scheme; or
- (c) other interests in an entity,

which represent less than 10% of the issued shares in that company, interests in that managed investment scheme or other interests in that other entity respectively.

In consideration for complying with the above investment restriction, the Director will receive an amount of \$500,000 paid on or before 15 July 2017. If prior to 1 July 2017, employment ceases by reason of termination of the contract by MAM; or due to the death, total and permanent disability, ill health or genuine redundancy of the Director, and MAM reasonably considers that the investment restrictions had been complied with, the amount will be paid on a pro rated basis.

- may terminate the contract at any time by giving not less than 3 months written notice to MAM. MAM may terminate the contract by providing 3 months written notice or providing payment in lieu of that notice;
- may have his contract terminated by MAM at any time without notice if serious misconduct has occurred. Where the contract is terminated for cause, MAM must pay any accrued but unpaid amounts to which the Director is entitled after setting off for misfeasance for any loss suffered by MAM from the acts which caused the termination;
- is restrained from soliciting employees and clients of MAM for a period of 3 months after termination of employment.

On 2 July 2013, Mr Mackay's fixed base salary was subject to annual review and increased to \$1,250,000 per annum (inclusive of superannuation) effective from 1 July 2013. In all other respects Mr Mackay's employment contract remained unchanged, including that he will not receive any short or long term incentives.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.5 Employment Agreements (continued)

Hamish Douglass, Chief Executive Officer and Managing Director, and Executive Director

The Director is employed under a contract with MAM, with effect from 1 March 2008 and which will continue indefinitely until terminated.

Under the terms of the contract, which applied for the year to 30 June 2013, the Director:

- receives fixed compensation structured as a total employment cost package of \$400,000 per annum, inclusive of superannuation, which may be received as a combination of cash, non-cash benefits and superannuation contributions.
- receives variable compensation comprising an annual short term incentive amount up to but not exceeding 200% of his fixed compensation. Where MFG and its controlled entities' (MFG Group) diluted earnings per share (EPS) is less than ten (10) cents per share the maximum amount of annual short incentive will be 125% of the Director's fixed compensation. If MFG Group's diluted EPS is equal to or exceeds twenty (20) cents per share, the MFG Board and the Director will review the maximum short term incentive amount and negotiate any changes to the maximum short term incentive amount.

The Director's annual short term incentive amount is based on the following three key criteria and relative weight distributions:

- MFG Group performance and profitability (50% weighting)
- Investment Performance of the Global Equity Strategy (40% weighting)
- Other Criteria as determined by the MFG Board in its absolute discretion (10% weighting)

Specific performance metrics for the above have been set by the MFG Board.

- has undertaken to MAM that for the period up to and including 1 July 2017, neither he nor his associates will, within Australia and New Zealand, invest in a business which in the reasonable opinion of MAM is primarily engaged in the business of funds management, other than an investment in MFG, the Magellan Flagship Fund Limited, MAM and related entities, and any managed investment scheme in which MAM acts as trustee or responsible entity. These restrictions will cease to apply prior to 1 July 2017, if a third party acquires control of MAM or MFG, or if the employment contract is terminated for any reason. The restrictions do not apply in respect of any investment in:
 - (a) shares in a company; or
 - (b) interests in a managed investment scheme; or
 - (c) other interests in an entity,

which represent less than 10% of the issued shares in that company, interests in that managed investment scheme or other interests in that other entity respectively.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.5 Employment Agreements (continued)

Hamish Douglass, Chief Executive Officer and Managing Director, and Executive Director

In consideration for complying with this investment restriction MAM shall pay the Director an amount of \$500,000 on or before 15 July 2017 and:

- may terminate the contract at any time by giving not less than 3 months written notice to the Investment Manager and the Investment Manager may terminate the contract by providing 12 months written notice or providing payment in lieu of that notice.
- may have his contract terminated by the Investment Manager at any time without notice if serious misconduct has occurred.
- is restrained from soliciting employees and clients of the Investment Manager for a period of 3 months after termination of employment

Under the terms of a replacement agreement with MAM which was executed on 31 May 2013, from 1 July 2013, the Director:

- receives fixed compensation structured as a total employment cost package of \$1,250,000 per annum, inclusive of statutory superannuation contributions, which may be received as a combination of cash, non-cash benefits and superannuation contributions. Fixed compensation is subject to review on 1 July 2016.
- is eligible to receive in respect of each of the three (3) financial years ended 30 June 2014, 30 June 2015 and 30 June 2016, a maximum short term incentive amount of up to but not exceeding 100% of his fixed compensation for that financial year. The amount of the short term incentive received is wholly based on the investment performance of the Group's "Global Equity Strategy" applying the following performance metrics and relative weighting:

STI Payment Criteria	Performance Metrics	Weighting
Investment Performance of the Global Equity Strategy	Ranking in Peer Group (rolling 3 years)	33.3%
	Absolute Performance – Gross Return (rolling 3 years)	33.3%
	Relative gross investment performance against Benchmark Index (rolling 3 years)	33.3%

The Board, in consultation with the Director have determined the underlying quantitative measures for each of the performance metrics that apply, which are subject to review at 1 July 2016.

Should the Director's employment cease by reason of the retirement, death, total and permanent disability, ill health or the genuine redundancy, the Board may at its sole discretion allow a short term incentive amount to be paid in whole or in part.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

3. 2013 Remuneration Report (Audited)

3.5 Employment Agreements (continued)

Hamish Douglass, Chief Executive Officer and Managing Director, and Executive Director

The investment restrictions and the terms applying to the payment of \$500,000 to the Director in consideration for compliance with the investment restrictions are unchanged, except the period of restraint from soliciting employees and clients has been increased to 12 months after termination of employment.

Mr Douglass also holds MFG Class B shares which have no entitlement to receive a dividend and which convert into MFG ordinary shares on the first business day after 21 November 2016 in accordance with a conversion formula. The service conditions attached to the conversion of the MFG Class B shares to MFG ordinary shares were satisfied on 1 July 2012.

Other Key Management Personnel

Other Key Management Personnel have rolling employment contracts with MAM and these may be terminated by providing three months written notice. On termination, the Other Key Management Personnel are required to repay any loan amounts outstanding in respect to shares acquired under the Company's Share Purchase Plan in accordance with the SPP terms and conditions. There are no provisions for any termination payments other than for unpaid remuneration and accrued annual leave to be paid to Other Key Management Personnel.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

4. Other

4.1 Indemnification and Insurance of Directors and Officers

The Company insures the Directors and Officers of the Group in office to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group.

During the year, the Group paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

4.2 Auditor

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

4.3 Non-audit Services

During the year, Ernst & Young, the Group's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in note 17 to the financial report.

The Directors, in accordance with advice received from the Audit Committee, are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied, considering the nature and quantum of the non-audit services that the provision of non-audit services by the Auditor, as set out below, did not compromise the Auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

4.4 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

4.5 Rounding of Amounts

The Group is 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 M Douglass
Director

Sydney, 16 August 2013

MAGELLAN FINANCIAL GROUP LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

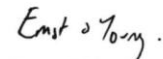


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**Auditor's Independence Declaration to the Directors of Magellan
Financial Group Limited**

In relation to our audit of the financial report of Magellan Financial Group Limited 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


Graeme McKenzie
Partner
Sydney
16 August 2013

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated		Company	
		2013	2012	2013	2012
		\$ '000	\$ '000	\$ '000	\$ '000
Revenue					
Management fees	6 a)	56,007	21,976	-	-
Performance fees	6 b)	28,449	9,066	-	-
Consulting fees	6 d)	1,200	1,218	-	-
Dividend and distribution income		2,308	1,145	33,582	3,545
Interest income		2,965	2,412	2,178	1,462
Net changes in fair value of held for trading financial assets	8 c)	3,698	34	3,698	34
Net gain/(loss) on sale of available-for-sale financial assets	6 e)	24,805	(7)	24,805	(7)
Net foreign exchange gains/(losses)		1,459	(2)	776	(2)
Other revenue		15	4	15	-
Total revenue		120,906	35,846	65,054	5,032
Expenses					
Employee expense		17,509	11,457	751	335
Fund administration and operational costs		1,861	2,006	-	-
Travel and entertainment expense		908	700	-	-
Marketing expense		1,122	681	-	-
US marketing/consulting fee expense		1,598	-	-	-
Occupancy expense		587	474	-	-
Auditor's remuneration	17	273	184	104	72
Depreciation and amortisation expense	9	104	117	-	-
Legal and professional fees		467	172	153	10
Other		1,475	902	358	170
Total expenses		25,904	16,693	1,366	587
Operating profit before income tax expense		95,002	19,153	63,688	4,445
Income tax expense	5 a)	(28,402)	(5,493)	(9,603)	(351)
Net profit for the year		66,600	13,660	54,085	4,094

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated		Company	
		2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Other comprehensive income					
<i>Items that may be reclassified to profit and loss in future years</i>					
Changes in the fair value of available-for-sale financial assets	8 c)	31,093	16,313	31,093	16,313
Net gain/(loss) on sale of available-for-sale financial assets recycled through profit or loss	6 e)	(24,805)	7	(24,805)	7
Income tax benefit/(expense) on the above item	5 b)	(1,852)	(4,899)	(1,852)	(4,899)
Other comprehensive income for the year, net of tax		4,436	11,421	4,436	11,421
Total comprehensive income for the year		71,036	25,081	58,521	15,515
Basic earnings per share (cents per share)	3	43.6	9.0		
Diluted earnings per share (cents per share)	3	40.0	8.5		

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

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013

		Consolidated		Company	
	Note	2013	2012	2013	2012
		\$ '000	\$ '000	\$ '000	\$ '000
Assets					
Current assets					
Cash and cash equivalents	15	38,096	1,052	27,300	454
Financial assets	8 a)	14,685	30,565	8,719	12,197
Receivables	7	35,181	9,638	10,490	2,822
Loans - share purchase plan	12	1,489	1,658	1,489	1,658
Loan to controlled entity	14 c)i)	-	-	1,150	-
Prepayments		326	164	44	68
Total current assets		89,777	43,077	49,192	17,199
Non-current assets					
Investments in controlled entities		-	-	12,539	12,539
Financial assets	8 b)	100,488	107,595	100,488	107,595
Deferred tax assets	5 d)	-	200	-	-
Loans - share purchase plan	12	2,835	4,661	2,835	4,661
Loan to controlled entity	14 c)i)	-	-	-	1,150
Property, plant and equipment	9	341	272	-	-
Total non-current assets		103,664	112,728	115,862	125,945
Total assets		193,441	155,805	165,054	143,144
Liabilities					
Current liabilities					
Payables	10	17,842	4,465	8,913	47
Income tax payable		16,839	4,124	16,839	4,124
Total current liabilities		34,681	8,589	25,752	4,171
Non-current liabilities					
Deferred tax liability	5 d)	5,721	-	7,910	889
Total non-current liabilities		5,721	-	7,910	889
Total liabilities		40,402	8,589	33,662	5,060
Net assets		153,039	147,216	131,392	138,084
Equity					
Contributed equity	11	76,378	115,395	76,753	115,770
Available-for-sale reserve		21,420	16,984	20,510	16,074
Retained profits		55,241	14,837	34,129	6,240
Total attributable to members of the Group		153,039	147,216	131,392	138,084
Total Equity		153,039	147,216	131,392	138,084

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

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Attributable to Equity Holders of the Consolidated entity

2013	Note	Contributed Equity \$'000	Retained Profits \$'000	Available for Sale Reserve \$'000	Total \$'000
Equity - 1 July 2012					
		115,395	14,837	16,984	147,216
Net profit for the year		-	66,600	-	66,600
Other comprehensive income		-	-	4,436	4,436
Total comprehensive income for the year					
		-	66,600	4,436	71,036
Transactions with owners in their capacity as owners:					
Issue of securities:					
- on employee share purchase plan	11 a)	765	-	-	765
- on exercise of MFG 2016 Options	11 a)	292	-	-	292
Dividends paid	4	-	(12,219)	-	(12,219)
In-specie distribution	4,11 a)	(40,772)	(13,977)	-	(54,749)
SPP expense for the year	11 a)	698	-	-	698
Total transactions with equity holders in their capacity as equity owners					
		(39,017)	(26,196)	-	(65,213)
Equity - 30 June 2013					
		76,378	55,241	21,420	153,039
2012					
Equity - 1 July 2011					
		114,529	5,743	5,563	125,835
Net profit for the year		-	13,660	-	13,660
Other comprehensive income		-	-	11,421	11,421
Total comprehensive income for the year					
		-	13,660	11,421	25,081
Transactions with owners in their capacity as owners:					
Issue of securities - employee SPP					
	11 a)	578	-	-	578
Dividends paid	4	-	(4,566)	-	(4,566)
SPP expense for the year	11 a)	288	-	-	288
Total transactions with equity holders in their capacity as equity owners					
		866	(4,566)	-	(3,700)
Equity - 30 June 2012					
		115,395	14,837	16,984	147,216

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

2013	Note	Attributable to Equity Holders of the Company			
		Contributed Equity	Retained Profits	Available for Sale Reserve	Total
		\$'000	\$'000	\$'000	\$'000
Equity - 30 June 2012		115,770	6,240	16,074	138,084
Net profit for the year		-	54,085	-	54,085
Other comprehensive income		-	-	4,436	4,436
Total comprehensive income for the year		-	54,085	4,436	58,521
Transactions with owners in their capacity as owners:					
Issue of securities:					
- on employee share purchase plan	11 a)	765	-	-	765
- on exercise of MFG 2016 Options	11 a)	292	-	-	292
Dividends paid	4	-	(12,219)	-	(12,219)
In-specie distribution	4,11 a)	(40,772)	(13,977)	-	(54,749)
SPP expense for the year	11 a)	698	-	-	698
Total transactions with equity holders in their capacity as equity owners		(39,017)	(26,196)	-	(65,213)
Equity - 30 June 2013		76,753	34,129	20,510	131,392
2012					
Equity - 30 June 2011		114,904	6,712	4,653	126,269
Net profit for the year		-	4,094	-	4,094
Other comprehensive income		-	-	11,421	11,421
Total comprehensive income for the year		-	4,094	11,421	15,515
Transactions with owners in their capacity as owners:					
Issue of securities - employee SPP	11 a)	578	-	-	578
Dividends paid	4	-	(4,566)	-	(4,566)
SPP expense for the year	11 a)	288	-	-	288
Total transactions with equity holders in their capacity as equity owners		866	(4,566)	-	(3,700)
Equity - 30 June 2012		115,770	6,240	16,074	138,084

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

MAGELLAN FINANCIAL GROUP LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated		Company	
		2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Cash flows from operating activities					
Management and consulting fees received		49,616	21,922	-	-
Performance fees received		10,999	4,964	-	-
Interest received		1,947	2,191	1,161	1,268
Proceeds from sale of held for trading financial assets		23	209	23	209
Other income received		-	-	15	-
Dividends and distributions received		952	1,195	952	1,195
Tax paid		(11,583)	(3,125)	(11,583)	(3,125)
Payments to suppliers and employees (inclusive of GST)		(20,701)	(13,945)	(592)	(272)
Net cash inflows/(outflows) from operating activities	15 a)	31,253	13,411	(10,024)	(725)
Cash flows from investing activities					
Proceeds from sale of available-for-sale financial assets		11,312	34	11,312	34
Payments for available-for-sale financial assets		(14,541)	(11,336)	(14,541)	(11,335)
Net matured term deposits classified as loans and receivables		15,754	(3,469)	3,352	4,364
Proceeds from sale of held to maturity financial assets		-	352	-	352
Net cash flows from foreign exchange transactions		(11)	(2)	(11)	(2)
Payments for property, plant and equipment	9 i)	(173)	(144)	-	-
Dividend received from controlled entities	14 c)iii)	-	-	31,274	2,400
Net cash inflows/(outflows) from investing activities		12,341	(14,565)	31,386	(4,187)
Cash flows from financing activities					
Proceeds from issue of securities		501	4,137	501	4,137
Payments received from controlled entities	14 c)ii)	-	-	12,716	4,090
Proceeds from repayment of SPP loan		3,698	1,010	3,698	1,010
Dividends paid	4	(12,219)	(4,566)	(12,219)	(4,566)
Net cash inflows/(outflows) from financing activities		(8,020)	581	4,696	4,671
Net increase/(decrease) in cash and cash equivalents					
		35,574	(573)	26,058	(241)
Effects of exchange rates on cash and cash equivalents		1,470	-	788	-
Cash and cash equivalents at the beginning of year		1,052	1,625	454	695
Cash and cash equivalents at the end of year	15	38,096	1,052	27,300	454

The Consolidated 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 YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies

This financial report is for Magellan Financial Group Limited (the "Company") and its controlled entities (the "Group") for the year ended 30 June 2013. The report was authorised for issue in accordance with a resolution of the directors on 16 August 2013.

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

(a) Basis of Preparation

This 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 Company is a for-profit entity for the purpose of preparing this financial report.

Compliance with IFRS

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

Historical cost convention

This financial report has been prepared on a going concern basis and under the historical cost convention except for assets and liabilities which are measured at fair value.

New accounting standards

During the year, the Group and Company applied AASB 2011-9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. This amended AASB 101 *Presentation of Financial Statements* and required items in other comprehensive income to be presented in two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the statement of comprehensive income. None of the other new standards or amendments to standards that are mandatory for the first time in this financial report affected any of the amounts recognised or the disclosures in the 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 Company in the preparation of this financial report. The impact of these standards, along with the effective date, is set out below:

- **AASB 119: *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119*** (effective 1 July 2013)
AASB 119 *Employee Benefits* revised the definition of short-term and long-term employee benefits and now requires all employee benefits to be calculated and classified based on when the employee benefit is expected to be taken rather than when it vests. Discounting will apply to all benefits classified as long-term. During the year the Group assessed this standard and determined it will have no material impact on the Group or Company's financial performance or financial position as at 30 June 2013.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(a) Basis of Preparation (continued)

- **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 Group or Company's financial performance or financial position is expected once these amendments are applied.
- **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, neither the Group nor the Company has any offsetting arrangements and as a result no additional disclosures or material impact on the financial performance or financial position is expected on adoption of the 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 Group and Company currently classify its 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 Group continues 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 Group or Company 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 Company has 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 Company's 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.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. 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 Company has undertaken an assessment of its investments and does not anticipate AASB 10 or AASB 11 will have a significant impact on its composition.

In addition to the above, an amendment to IFRS 10 was issued on October 2012 which provides an exemption from consolidating controlled investments where the Company meets the definition of an Investment Entity. This permits the Investment Entity to measure its controlled investments in funds at fair value through the profit and loss rather than consolidating investments on a line-by-line basis. An 'investment entity' is defined as an entity whose business purpose is to invest funds solely for returns from capital appreciation and/or investment income. This amendment was released on 14 August 2013 and the Company will shortly assess whether it qualifies as an Investment Entity.

AASB 12 requires disclosures relating to the Group and Company's 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 a significant impact on the type of information disclosed in relation to the Group and Company's investments.

(b) Principles of consolidation

The consolidated financial report comprises the assets and liabilities of all controlled entities and the results of all controlled entities for the year. The Company and its controlled entities are collectively referred to in this financial report as the Group or the consolidated entity.

i) Controlled entities

Controlled entities (which are listed at note 14 b)) are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding or more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Controlled entities are fully consolidated from the date control commenced and de-consolidated from the date that control ceased.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(b) Principles of consolidation (continued)

i) Controlled entities (continued)

All inter-entity balances and transactions between entities in the Group, including unrealised profits or losses, have been eliminated in full on consolidation.

ii) Investments in Associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity over which the Group is determined to have significant influence and that is neither a subsidiary nor a joint venture. The Group generally deems it has significant influence if it has greater than a 20% share in the entity.

Under the equity method, the investment in an associate is carried in the consolidated Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Where an associate was previously a controlled entity of the Group, the deemed cost for the purpose of applying the equity method is the fair value on the date that the Group ceased to have a controlling interest. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with the respect to the Group's net investment in associates.

The Group's share of an associate's post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in reserves, including its available-for-sale reserve, is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from an associate are recognised in the Company's Statement of Comprehensive Income as income, while in the consolidated financial statements they reduce the carrying value of the investment.

(c) Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where listed equity instruments are issued in a business combination, the fair value of the instruments is the published closing market bid price as at the date of the exchange. Where unlisted equity instruments are issued in a business combination, the fair value of the instruments will be determined by the Directors using an appropriate valuation methodology. Acquisition costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the controlled entity, the difference is recognised as a gain in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired. Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(d) Segment Reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which the Group earns revenues and incurs expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision maker has been determined as the Chief Executive Officer, Mr Hamish Douglass.

(e) Foreign Currency Translation

The functional and presentation currency of the Company and its controlled entities 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 dollars 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 Reuters London 4pm exchange rates at balance date. The fair values of financial assets are determined using the Reuters London 4pm exchange rates at balance date. Foreign currency exchange differences relating to financial assets are included in net changes in fair value in the Statement of Comprehensive Income. All other foreign currency exchange differences are presented separately in the Statement of Comprehensive Income as net gains/losses on foreign exchange.

(f) Revenue Recognition

Management, Administration and Performance Fees

Management and administration fees arise from providing:

- investment management services as investment manager and sub-advisor to the funds and external wholesale client mandates set out at note 6; and
- Trustee and Responsible Entity services where the Company acts as Trustee and Responsible Entity to the funds as set out in note 6.

Management fee revenue, which is based on a percentage of the portfolio value, is recognised in the Statement of Comprehensive Income as it is earned and calculated in accordance with the Investment Management Agreements and Constitutions of the funds as set out in note 6.

The Group may earn performance fees from its retail funds and from some institutional mandates. Where a performance fee is applicable to an institutional client mandate, the base management fee will generally be lower than earned from mandates where no performance fee applies. The Group's entitlement to performance fees for any given performance period is dependent on it outperforming certain hurdles, which may be index relative hurdles, return hurdles or a combination of both. Performance fees are generally subject to either a high water mark arrangement or a deficit clause, which ensures that fees are not earned more than once on the same performance.

Performance fees are recognised in the Statement of Comprehensive Income only when the Group's entitlement to the fee becomes certain, which is at the end of the relevant performance period. Performance periods for the Group's performance fee arrangements range from three months to three years.

Refer to note 6 for further details on the management, administration fees and performance fees.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(f) Revenue Recognition (continued)

Consulting Fees

Consulting fee income is recognised when the Group is entitled to it, which is determined by the terms and conditions of the contractual arrangement.

Interest Income

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

Dividend/Distribution Income

Dividend/distribution income is recognised on the applicable ex-dividend date.

Net gain/loss on sale

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Statement of Comprehensive Income in the year of disposal.

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.

(g) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

Directors' fees (including superannuation) and related employment taxes are included as an expense in the Statement of Comprehensive Income as incurred. Information regarding the Directors' remuneration is included in note 14 d)v).

(h) Income Tax

The income tax expense/benefit is the tax payable/receivable on the current year's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as items of income or expense are taxable or deductible in years other than the current year and in addition some items are never taxable or deductible.

Deferred tax assets and liabilities are recognised for all deductible temporary differences and unused tax losses carried forward to the extent that it is probable that future taxable amounts will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised only to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Current tax and deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of balance date.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(h) Income Tax (continued)

Tax Consolidation - Australia

Magellan Financial Group Limited (MFG) and its wholly owned Australian controlled entities formed a tax consolidated group for the purpose the tax consolidation legislation, which it formed on 1 July 2007. MFG is the head entity of the tax consolidated group.

Under the tax consolidation legislation, the head entity and each controlled entity continues to account for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition, MFG also recognised the current tax assets or liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

On forming a the tax consolidation group, each entity in the tax consolidated group entered into a tax sharing agreement, which limits the joint and several liability of the wholly owned entities in the case of a default of the head entity, MFG. The Company has also entered into a tax funding agreement under which the wholly owned entities fully compensate MFG for any current tax payable assumed and are compensated by MFG for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to MFG under the tax consolidation legislation. The funding amount is determined by reference to the amounts recognised in the financial report. Assets and liabilities arising under the tax funding agreement with the tax consolidated entities are recognised as related party receivables or payables and these amounts are due upon demand from MFG.

MFG may also require payment of interim funding amounts to assist with its obligations to pay tax instalments and the funding amounts are also recognised as related party receivables or payables. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Goods and Services Tax (GST)

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, except when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of that purchase or as an expense. 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 Cashflows on a gross basis. The GST component of cash flows arising from financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(j) Financial Assets and Liabilities

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which financial assets were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. Financial liabilities are classified as financial liabilities at amortised cost. Classification of financial assets and liabilities depends on the purpose for which the assets and liabilities were acquired. The Group's classifications are set out below:

Financial asset/liability	Classification	Valuation basis	
Cash	Fair value through profit or loss	Fair value	Refer to note 1(k)
Receivables	Loans and receivables	Amortised cost	Refer to note 1(l)
Financial assets	Loans and receivables	Amortised cost	Refer to note 1(n)
	Available-for-sale	Fair value	Refer to note 1(n)
	Held for trading	Fair value	Refer to note 1(n)
Loans to controlled entity	Available-for-sale	Fair value	Refer to note 1(n)(i)
Payables	Financial liability at amortised cost	Amortised cost	Refer to note 1(q)

Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are derecognised when the Group no longer controls the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold.

(k) Cash and Cash Equivalents

Cash includes cash at bank and 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. Term deposits with a term of 90 days or less from the date of inception are classified as cash equivalents. Refer also to note 1(n)(iii).

(l) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less any allowance for uncollectible amounts. In the case of the Group this is the original invoice amount rendered for management, administration and performance fees, 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.

Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when there is evidence the amount will not be collected. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(m) Derivatives

Derivatives are categorised as held-for-trading financial assets and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

(n) Financial Assets

The Company's financial assets comprise and are classified as follows:

Type of Financial asset	Classification	Valuation basis	
Listed shares	Available-for-sale	Fair value	Refer to note 1(n)(i)
Subordinated bank notes	Available-for-sale	Fair value	Refer to note 1(n)(i)
Unlisted funds	Available-for-sale	Fair value	Refer to note 1(n)(i)
Unlisted shares	Available-for-sale	Fair value	Refer to note 1(n)(i)
Term deposits	Loans and receivable	Amortised cost	Refer to note 1(n)(iii)

Held-for-Trading Financial Assets are short-term trading securities which are carried at fair value. Changes in fair value are recognised in the Statement of Comprehensive Income.

i) Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designed in the financial asset category or not classified in any other financial asset category. Investments are designated as available-for-sale financial assets if they do not have fixed maturities, fixed or determinable payments and management intends to hold them for the medium-to-long term. These investments are carried at fair value. Loans to/from controlled entities and investments in controlled entities are also classified as available-for-sale financial assets. Changes in the fair value of available-for-sale financial assets are recognised in the available-for-sale reserve in the Statement of the Financial Position and included in other comprehensive income until the investment is disposed or impaired. When available-for-sale financial assets are sold or impaired, cumulative gains recognised in the available-for-sale reserve are recognised in the statement of comprehensive income. Cumulative losses are recognised in the available-for-sale reserve to the extent that they reverse previously recorded gains, and when previously recorded gains have been reversed in full, any impairment loss below original cost (when significant and prolonged) is recognised in the Statement of Comprehensive Income.

In assessing whether an available-for-sale asset is impaired, the Board will consider a number of quantitative and qualitative factors, including the current market price of the asset, research performed internally by experienced equity analysts, and, where appropriate, external research that provides guidance on the long-term underlying value of the asset.

Available-for-sale financial assets are classified as non-current assets unless management intends to dispose of the investments within 12 months of balance date.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(n) Financial Assets (continued)

ii) Purchases and Sales of Financial Assets

All purchases and sales of financial assets are recognised on the trade date, being the date that the Group or Company commits to purchase or sell the asset. Purchases or sales of financial assets are purchases or sales under contracts that require delivery of the assets or settlement within the period generally established by regulation or convention in the market place. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Company's main income generating activity.

(iii) Loans and Receivable

Term deposits with a term greater than 90 days from the date of inception are classified as loans and receivables. The deposits are initially recognised at fair value and then carried at amortised cost using the effective interest rate method. They are classified as current assets where the term to maturity from balance date is less than 12 months and non-current assets where the term to maturity is greater than 12 months. Changes in the fair value of investments are recognised in the Statement of Comprehensive Income. When investments are disposed, the net gain and loss on sale is recognised in the Statement of Comprehensive Income on the date of sale.

(o) Impairment of Assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator or objective evidence of impairment exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(p) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to its acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset.

Depreciation and Amortisation

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Furniture, fittings and leasehold improvements	- over three to five years
Computer equipment	- over three to five years

The assets' residual values and useful lives are reviewed at each balance date. An asset's carrying amount is written down to recoverable amount where an indicator of impairment or objective evidence exists. An impairment loss is recognised in the Statement of Comprehensive Income where the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(q) Payables

Payables comprise trade creditors and accrued expenses owing by the Group at balance date which are unpaid. Trade creditors represent liabilities for goods and services received by the Group prior to the end of the year end that remain unpaid at balance date. They are unsecured and usually paid within 30 days of recognition. Payables are recognised at amortised cost at the point where the Group becomes obliged to make payments in respect of the purchase of these goods and services.

A dividend payable to shareholders of the Group is recognised for the amount of any dividend declared, determined or publicly recommended by the Directors on or before balance date but not paid at balance date.

(r) Employee Expenses and Entitlements

Wages, Salaries, Annual Leave and Long Service Leave

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are recognised in payables within accrued employee entitlements and are measured at the amounts to be expected to be paid when the liabilities are settled.

The employee entitlement liability expected to be settled within 12 months from balance date is recognised in current liabilities. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefit on-costs are included in accrued employee entitlements in the Statement of Financial Position and employee costs in the Statement of Comprehensive Income when the employee entitlements to which they relate are recognised in liabilities.

Long Service Leave

Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service and are measured at the amount expected to be settled within 12 months from balance date. Any amount which is expected to be payable after 12 months from balance date is classified as a non-current liability and measured as the present value of expected future payments. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and discounted using market yields at balance date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Bonus Plan

A liability and an expense for bonuses are recognised where the Group is contractually obliged or where there is past practice that has created a constructive obligation.

(s) Share Purchase Plan

The Company has in place a Share Purchase Plan (SPP) for employees and Non-executive Directors ('Participants') to purchase shares in the Company (see Directors Report – Remuneration Report – Share Purchase Plan). The Company provides financial assistance to Participants, by way of an interest free loan. Loans to Participants are initially recognised at fair value, which is determined by discounting loans to their net present value using the risk-free interest rate at the time the loan is granted and an estimated repayment schedule. Following initial recognition, they are carried at amortised cost using the effective interest rate method, adjusted for changes in the projected repayment schedule. Changes in the carrying value of these are recognised in 'interest

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Summary of Significant Accounting Policies (continued)

(s) Share Purchase Plan (continued)

income' in profit or loss. The cost of providing the benefit to Participants is recognised as an employee benefits expense in profit or loss on a straight line basis over the expected life of the loan, in accordance with AASB 2: *Share Based Payments*.

Details of the loans outstanding at balance date, and of the changes in carrying value of the loans and employee benefits expense recognised in profit or loss are provided in note 12.

(t) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Net rental payments for operating leases are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(u) Contributed Equity

The Group's ordinary shares, MFG 2016 Options and Class B Shares are classified as equity and recognised at the value of consideration received by the Group. Incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of tax.

(v) Earnings Per Share

Basic earnings per share is calculated as net profit/(loss) after income tax expense for the year divided by the weighted average number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Refer to note 3 for further details.

(w) Rounding of Amounts

The Group is 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.

(x) 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. The

The main area where a higher degree of judgement or complexity arises or areas where assumptions and estimates are significant to the Group and Company's financial statements is the valuation of unlisted investments. The valuation techniques used, which involves estimates, are discussed in detail at note 8. Apart from the above, none of the other Group and Company's assets and liabilities are subject to significant judgment or complexity primarily due to the timing of when revenues or expenses are accrued and recognised.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Segment Information

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

Funds Management

The funds management activities of the Company, which are undertaken by the controlled entity, Magellan Asset Management Limited (MAM), comprise acting as:

- Trustee, Responsible Entity and Investment Manager for the following managed investment schemes offered primarily to Australian and New Zealand investors:
 - Magellan Global Fund
 - Magellan Global Fund (Hedged)
 - Magellan Infrastructure Fund
 - Magellan Infrastructure Fund (Unhedged); and
 - Magellan High Conviction Fund (the Unlisted Funds)
- Trustee and Investment Manager for the Magellan Core Infrastructure Fund (MCIF), which is an unregistered managed investment scheme offered to Australian wholesale investors;
- Investment Manager for the Magellan Flagship Fund Limited (the Flagship Fund), a listed investment company;
- Subadviser to the Frontegra MFG Global Equity Fund and the Frontegra MFG Core Infrastructure Fund, which are offered to US wholesale investors; and
- Investment Manager or Subadviser to other external wholesale client mandates.

Principal Investments

The principal investment portfolio is comprised of investments in the Unlisted Funds, the Frontegra MFG Funds and in a select portfolio of Australian and international listed companies, cash and fixed interest securities, other investments, and any net deferred tax assets/liabilities arising from changes in fair value of financial assets and net capital losses carried forward.

Unallocated - Corporate

This includes interest income on employees and Non-executive Directors' Share Purchase Plan (SPP) loans, costs associated with the Board, ASX listing, audit and regulatory compliance activities of the Group and tax payable at the corporate level. All current tax liabilities and deferred tax assets/liabilities excluding those arising from changes in the fair value of financial assets and net capital losses carried forward.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Segment Information (continued)

(i) Segment financial results

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

2013	Funds Management \$ '000	Principal Investments \$ '000	Unallocated - Corporate \$ '000	Consolidated \$ '000
Revenue				
Management fees	56,007	-	-	56,007
Performance fees	28,449	-	-	28,449
Consulting fees	1,200	-	-	1,200
Dividend income	-	2,308	-	2,308
Other revenue	-	15	-	15
Interest income	325	1,492	1,148	2,965
Net changes in fair value of financial assets	-	3,698	-	3,698
Net gain/(loss) on disposal of financial assets	-	24,805	-	24,805
Net foreign exchange gain/(loss)	-	1,459	-	1,459
	85,981	33,777	1,148	120,906
Expense				
Employee benefits expense	16,759	-	52	16,811
Employee benefits expense - SPP	669	-	29	698
Other expenses	7,780	-	615	8,395
	25,208	-	696	25,904
Operating profit before income tax	60,773	33,777	452	95,002
2012				
Revenue				
Management fees	21,976	-	-	21,976
Performance fees	9,066	-	-	9,066
Consulting fees	1,218	-	-	1,218
Dividend income	-	1,145	-	1,145
Other revenue	4	-	-	4
Interest income	396	1,539	477	2,412
Net changes in fair value of financial assets	-	34	-	34
Net gain/(loss) on disposal of financial assets	-	(7)	-	(7)
Net foreign exchange gain/(loss)	-	(2)	-	(2)
	32,660	2,709	477	35,846
Expense				
Employee benefits expense	11,119	-	50	11,169
Employee benefits expense - SPP	259	-	29	288
Other expenses	4,983	-	253	5,236
	16,361	-	332	16,693
Operating profit before income tax	16,299	2,709	145	19,153

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Segment Information (continued)

i) Segment financial results (continued)

Other comprehensive income before tax expense of the Group's segments are as follows:

	Funds Management	Principal Investments	Unallocated - Corporate	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000
30 June 2013				
Net loss on sale of available-for-sale financial assets recycled through profit or loss	-	(24,805)	-	(24,805)
Changes in the fair value of available-for-sale financial assets	-	31,093	-	31,093
30 June 2012				
Net gain on sale of available-for-sale financial assets recycled through profit or loss	-	7	-	7
Changes in the fair value of available for sale financial assets	-	16,313	-	16,313

The Group's net investment into its funds management business activities as at 30 June 2013:

	Consolidated	
	2013 \$ '000	2012 \$ '000
Capital invested in controlled entity	12,500	12,500
Subordinated loan to controlled entity ^(A)	1,150	1,150
	13,650	13,650

^(A) On 26 July 2013, ASIC consented to the repayment of the \$1,150,000 subordinated loan. The Company has since repaid this amount on 2 August 2013 (refer note 14c)i) for details).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2. Segment Information (continued)

ii) Segment Assets and Liabilities

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

	Funds Management (B)	Principal Investments	Unallocated – Corporate	Elimination (A)	Consolidated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2013					
Cash and cash equivalents	5,000	33,096	-	-	38,096
Financial assets	5,000	110,173	-	-	115,173
Loans – SPP	-	-	4,324	-	4,324
Other assets	34,475	1,328	10,357	(10,312)	35,848
Total assets	44,475	144,597	14,681	(10,312)	193,441
Other liabilities	8,928	16,727	25,059	(10,312)	40,402
Total liabilities	8,928	16,727	25,059	(10,312)	40,402
Net assets	35,547	127,870	(10,378)	-	153,039
2012					
Cash and cash equivalents	557	495	-	-	1,052
Financial assets	7,500	130,660	-	-	138,160
Loans – SPP	-	-	6,319	-	6,319
Other assets	9,164	909	3,331	(3,130)	10,274
Total assets	17,221	132,064	9,648	(3,130)	155,805
Other liabilities	4,418	935	6,366	(3,130)	8,589
Total liabilities	4,418	935	6,366	(3,130)	8,589
Net assets	12,803	131,129	3,284	-	147,216

(A) Eliminations include adjustments and eliminations for inter-segment transactions and netting of items on the Statement of Financial Position.

(B) Funds management maintain a minimum of \$5,000,000 in cash and cash equivalents, and a minimum of \$10,000,000 in liquid assets (including cash and cash equivalents) to meet regulatory and operating requirements.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. Earnings per Share (EPS)

	Consolidated	
	2013	2012
Basic earnings per share		
Net profit attributable to shareholders (\$'000)	66,600	13,660
Weighted average number of securities for basic EPS ('000)	152,624	152,393
Basic earnings per share (cents)	43.6	9.0
Diluted earnings per share		
Net profit attributable to shareholders (\$'000)	66,600	13,660
Weighted average number of shares for diluted EPS ('000)	166,409	161,537
Diluted earnings per share (cents)	40.0	8.5
Weighted average number of securities		
The reconciliation of the weighted average number of securities on a fully diluted basis used to calculate diluted EPS is below:		
Weighted average number of securities on issue used in calculating basic EPS ('000)	152,624	152,393
Add adjustments:		
- equivalent number of unexercised MFG 2016 Options ^(A)	3,943	-
- equivalent number of Class B shares ^(B)	9,842	9,144
Weighted average number of securities used in calculating diluted EPS ('000)	<u>166,409</u>	<u>161,537</u>

(A) The MFG 2016 Options (refer to note 11 b)) are considered to be potential ordinary shares for the purposes of the diluted earnings per share calculation and have been included in the determination of diluted earnings per share to the extent they are dilutive. For the year ended 30 June 2013, the MFG share price was below the MFG 2016 Options exercise price.

(B) The Class B Shares (refer to note 11 c)) are considered to be potential ordinary shares for the purposes of the diluted earnings per share calculation and have been included in the determination of diluted earnings per share to the extent they are dilutive. The equivalent number of Class B Shares for the purposes of calculating the diluted earnings per share has been determined as the weighted average number of ordinary shares that the Class B Shares would convert to assuming the 7,882,483 MFG 2016 Options had been exercised at 1 July 2012, and applying a conversion factor of 0.06 up to 19 February 2013, the date of the in-specie distribution to shareholders, and a conversion factor of 0.0637028 after that date.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4. Dividends/Distributions paid and payable

	Note	Consolidated	
		2013 \$'000	2012 \$'000
i) Declared and paid during the year			
Fully franked interim dividend - 5.0 cents per ordinary share: paid 10 April 2013		7,635	-
Fully franked final dividend - 3.0 cents per ordinary share: paid 19 October 2012		4,584	-
Fully franked interim dividend - 1.5 cents per ordinary share: paid 18 April 2012		-	2,288
Fully franked final dividend - 1.5 cents per ordinary share: paid 18 October 2011		-	2,278
Total dividends paid during the year		12,219	4,566
In-specie distribution			
Fully franked dividend component of in-specie distribution - 9.16 cents per ordinary share: paid 19 February 2013	4 iii),15 b)	13,977	-
Total dividends and in specie distributions		26,196	4,566

ii) Dividend proposed

Since the end of the year, the Directors have declared a final fully franked dividend of 16.5 cents per ordinary share in respect of the year ended 30 June 2013 (June 2012: 3.0 cents per share), which represents approximately \$25,209,000.

iii) In-specie distribution

On 14 December 2012, the Company announced an in-specie distribution to MFG shareholders which involved distributing MFG's holdings of shares and options in Magellan Flagship Fund Limited (MFF). This distribution, which was approved by shareholders at an extraordinary general meeting on 5 February 2013, involved distributing 50,109,307 MFF shares and 16,627,507 MFF options, approximately 3.29 MFF shares and 1.09 MFF options for every 10 MFG ordinary shares held by shareholders on the record date of 13 February 2013. The distribution was completed on 19 February 2013. The capital reduction amount was approximately \$54,749,000 equating to \$0.3589 per MFG ordinary share, which was determined using the average of the volume weighted average price (VWAP) for MFF shares of \$1.0176 and MFF options of \$0.2210 for the five trading days immediately preceding the distribution date. The in-specie distribution of the MFF shares and MFF options to MFG shareholders resulted in a realised gain of approximately \$25,778,000 before income tax.

iv) Imputation credits

The balance of the imputation credit account at the end of the year adjusted for imputation credits that will arise from the payment of the amount of the provision for income tax and from the receipt of dividends recognised as receivables at balance date.

	2013 \$'000	2012 \$'000
Imputation credits available for subsequent reporting periods based on a tax rate of 30% (2012 – 30%)	19,578	6,611

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. Income Tax

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
a) Income tax expense recognised during the year through profit or loss:				
Current income tax expense	(29,447)	(6,299)	(9,547)	(530)
Over/(under) provision of prior year tax	(73)	99	(73)	99
Deferred income tax expense from:				
- origination and reversal of temporary differences	1,118	707	17	80
	<u>(28,402)</u>	<u>(5,493)</u>	<u>(9,603)</u>	<u>(351)</u>
b) Income tax expense on items recognised in other comprehensive income:				
- changes in fair value of available-for-sale financial assets	(9,352)	(4,897)	(9,352)	(4,897)
- sale of available-for-sale financial assets	7,500	(2)	7,500	(2)
	<u>(1,852)</u>	<u>(4,899)</u>	<u>(1,852)</u>	<u>(4,899)</u>
c) Income tax attributable to the financial year differs from the prima facie amount payable on operating profit. The difference is reconciled as follows				
Operating profit before income tax expense	95,002	19,153	63,688	4,445
Prima facie income tax (expense) on net profit - 30%	(28,501)	(5,746)	(19,106)	(1,333)
Over/(under) provision of prior year tax	(73)	99	(73)	99
Share purchase plan	135	56	135	56
Tax effect of franked dividends/distributions received	15	-	15	-
Non-assessable income and non-deductible expenses	22	98	9,426	827
	<u>(28,402)</u>	<u>(5,493)</u>	<u>(9,603)</u>	<u>(351)</u>
d) Deferred tax at 30 June as it relates to the following:				
Net capital losses carried forward	-	1,286	-	1,286
Changes in the fair value of financial assets	(7,921)	(2,128)	(7,921)	(2,129)
Other temporary differences	2,200	1,042	11	(46)
	<u>(5,721)</u>	<u>200</u>	<u>(7,910)</u>	<u>(889)</u>
e) Tax consolidation				

During the year, income tax liabilities of \$19,900,000 (June 2012: \$5,770,000) were assumed by MFG, the head entity of the tax consolidated group. Payments totalling \$12,716,000 (June 2012: \$4,090,000) were made to MFG from the other entities in the tax consolidated group under the tax funding agreement during the year. At 30 June 2013, \$9,165,000 remains receivable from other entities in the tax consolidated group. Refer to notes 1(h) and 14 c)ii) for further details on the tax consolidated group and transactions.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6. Revenue

a) Management fees

The Company receives management and administration fees from acting as:

- Trustee, Responsible Entity and Investment Manager for the following managed investment schemes offered primarily to Australian and New Zealand investors:
 - Magellan Global Fund
 - Magellan Infrastructure Fund
 - Magellan High Conviction Fund
 - Magellan Global Fund (Hedged); and
 - Magellan Infrastructure Fund (Unhedged) (the Unlisted Funds);
- Trustee and Investment Manager for the Magellan Core Infrastructure Fund (MCIF), an unregistered managed investment scheme offered to Australian wholesale investors;
- Investment Manager for the Magellan Flagship Fund Limited (the Flagship Fund), a listed investment company; and
- Investment Manager for other external wholesale client mandates.

It also received sub-advisory fees from acting as Subadviser to the Frontegra MFG Global Equity Fund and the Frontegra MFG Core Infrastructure Fund.

The management fees received/receivable during the year were:

	2013	2012
	\$ '000	\$ '000
Magellan Global Fund	29,902	11,969
Magellan Infrastructure Fund	2,812	1,530
Magellan Flagship Fund	4,656	3,809
Magellan Core Infrastructure Fund	936	772
Other mandates	17,701	3,896
Total management fees during the year	56,007	21,976

b) Performance fees

During the year ended 30 June 2013, performance fees were also earned on the following funds and mandates as the market index and relative hurdles were met:

	2013	2012
	\$ '000	\$ '000
Magellan Global Fund	16,613	7,519
Magellan Infrastructure Fund	706	148
Other mandates	11,130	1,399
Total performance fees during the year	28,449	9,066

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6. Revenue (continued)

c) Management and performance fees by geographic location

The Group derives management and performance fees from Australian investment vehicles and its international investment mandates. The geographical breakdown of the management, administration and performance fees is as follows:

	2013 \$ '000	2012 \$ '000
Australia	71,678	31,042
United States of America	7,438	-
United Kingdom	5,191	-
Canada	149	-
Total	84,456	31,042

d) Consulting fees

Consulting fees of \$1,200,000 (June 2012: \$1,200,000) were earned under a contract that expired on 30 June 2013.

e) Net gain/loss on sale on available-for-sale financial assets

	2013 \$ '000	2012 \$ '000
Net gain/(loss) from:		
- in-specie distribution of listed shares – Magellan Flagship Fund	22,080	-
- disposal of units in unlisted investments ^(A)	381	-
- disposal of other listed investments	2,344	(7)
Total net gain/loss on sale	24,805	(7)

^(A) units in Magellan Infrastructure Fund were disposed and the proceeds from disposal were invested in Magellan Infrastructure Fund (Hedged).

For further details refer to note 1(f).

7. Receivables

Fees receivable	33,856	8,796	-	-
Distributions receivable	1,286	832	1,286	832
Other	39	10	39	10
	<u>35,181</u>	<u>9,638</u>	<u>1,325</u>	<u>932</u>
Related party receivables				
- Controlled entity	-	-	9,165	1,980
Total receivables	<u>35,181</u>	<u>9,638</u>	<u>10,490</u>	<u>2,822</u>

Distributions receivable are due from Magellan Global Fund and Magellan Infrastructure Fund. Further details on related party receivables are set out in note 14 c).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Financial Assets

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
a) Current				
Financial assets classified as loans and receivables				
Term deposits	14,685	30,565	8,719	12,197
Total current financial assets	14,685	30,565	8,719	12,197
b) Non-Current				
Available-for-sale financial assets				
Investments in listed shares				
(by domicile of primary stock exchange)				
- Australia ^(A)	-	42,167	-	42,167
- United States	18,575	7,522	18,575	7,522
- Switzerland	733	1,445	733	1,445
- France	436	-	436	-
- Netherlands	131	133	131	133
- United Kingdom	1,660	-	1,660	-
- Hong Kong	-	62	-	62
Investments in listed subordinated bank notes				
- Australia	4,262	1,708	4,262	1,708
Total listed investments	25,797	53,037	25,797	53,037
Investments in unlisted funds				
- Magellan Global Fund	58,230	41,695	58,230	41,695
- Magellan Global Fund (Hedged) ^(B)	500	-	500	-
- Magellan Infrastructure Fund	1,970	2,988	1,970	2,988
- Magellan Infrastructure Fund (Unhedged) ^(B)	1,498	-	1,498	-
- Magellan High Conviction Fund ^(B)	200	-	200	-
- Frontegra MFG Global Equity Fund	7,459	5,273	7,459	5,273
- Frontegra MFG Core Infrastructure Fund	3,259	2,597	3,259	2,597
- Other	1,400	1,830	1,400	1,830
Investments in unlisted shares				
- Other	175	175	175	175
Total unlisted investments	74,691	54,558	74,691	54,558
Total non-current financial assets	100,488	107,595	100,488	107,595

^(A) this investment comprised entirely of the Group's investment in Magellan Flagship Fund Limited, which was fully disposed of during the year, as part of an In-specie Distribution to the Company's shareholders.

^(B) these new funds, which were launched on 28 June 2013, were initially seeded by the Company (refer to further details at note 18).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Financial Assets (continued)

c) Reconciliations

The movement in the carrying value of the Group's financial assets can be analysed as follows:

	2013 \$ '000	2012 \$ '000
Current		
Balance at 1 July	30,565	27,879
Disposals	-	(199)
In-specie Distribution ^(A)	(3,698)	-
Cash placed on term deposit	14,685	30,368
Matured term deposits	(30,565)	(27,155)
Matured fixed and floating rate securities	-	(362)
Net changes in fair value of investments ^(A)	3,698	34
Balance at 30 June	14,685	30,565
Non-Current		
Balance at 1 July	107,595	79,980
Acquisitions ^(B)	24,343	11,336
Disposals	(62,543)	(34)
Net changes in fair value of investments	31,093	16,313
Balance at 30 June	100,488	107,595

^(A) On 17 October 2012, the Company received 16,627,507 listed options in Magellan Flagship Fund for nil consideration. The options were classified as held for trading, and fully disposed of during the year as part of an in-specie distribution to the Company's shareholders.

^(B) The Group seeded the new funds launched on 28 June 2013. Refer to note 18 for further details.

d) In-specie transfer to Magellan High Conviction Fund

At 30 June 2013, the Group and Company held an investment in Magellan High Conviction Fund (MHCF) of \$200,000. On 1 July 2013, the Company seeded a further investment in MHCF by way of an in-specie transfer of a portion of its investment in listed shares (set out in note 8 b)) and associated dividend receivables, and cash into MHCF. Had the in-specie transfer occurred on 30 June 2013, the in-specie seed investment would have resulted in a decrease in investments in listed shares by approximately \$12,915,000 and an equal increase in investments in unlisted funds – MHCF.

e) Fair Value Disclosures

The Group classifies the fair value measurements of financial assets and financial liabilities using the three level 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 investments is based on the closing bid price for the security as quoted on the relevant exchange;
- Level 2: valuation techniques using market observable inputs either directly or indirectly. The Group invests in unlisted trusts which in turn invest in liquid securities quoted on major stock exchanges. The fair value is estimated using the redemption price provided by the Investment Manager of the unlisted fund.
- Level 3: valuation techniques using non-market observable inputs. The Group invests in unlisted trusts which typically invest in unlisted entities. The Group has an investment in an unlisted company. The fair value is based on a Director's valuation.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Financial Assets (continued)

d) Fair Value Disclosures (continued)

The table below presents the financial assets and liabilities measured and recognised at fair value:

	Note	Consolidated		Company	
		2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Available-for-sale financial assets					
- Level 1: Listed shares and subordinated bank notes		25,797	53,037	25,797	53,037
- Level 2: Unlisted funds – Magellan and Frontegra MFG	(i)	73,116	52,553	73,116	52,553
- Level 3: Unlisted funds - Other	(ii)	1,400	1,830	1,400	1,830
- Level 3: Unlisted shares - Other	(iii)	175	175	175	175
Total financial assets		100,488	107,595	100,488	107,595

(i) Unlisted funds – Magellan and Frontegra MFG

The fair value of investments in the unlisted funds operated by the Group and the Frontegra MFG funds is determined with reference to the redemption price at balance date. They are categorised as Level 2 in the fair value hierarchy on the basis that the inputs into the redemption unit price are directly observable from published price quotations.

(ii) Unlisted funds – Other

Investments in unlisted funds – other comprise investments in private equity funds. As there is no active market for these units, the fair value is a Directors' valuation that is determined with reference to the unit price of the fund. A discount is applied to the unit price, as determined by the fund's investment manager, to reflect the illiquidity of the units and estimated impact of the investee companies periodic re-financing requirements. The Directors believe the estimated fair value, based on other unlisted funds' valuations undertaken by the investment manager and the discount assumptions applied, are reasonable and appropriate.

iii) Unlisted shares - Other

Investments in unlisted shares – other comprises a shareholding in a unlisted funds management business. As there is no active market for the shares, the Directors' have valued this investment at cost after giving consideration to the most current unaudited net asset position of the Company.

There were no transfers in or out of level 3 during the year and a reconciliation of the fair value movements within level 3 for the year is shown below:

Level 3	Consolidated		Company	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Opening balance – 1 July	2,005	1,806	2,005	1,806
Capital calls	-	24	-	24
Acquisitions – unlisted shares	-	175	-	175
Return of capital	(146)	-	(146)	-
Net change in fair value	(284)	-	(284)	-
Closing Balance – 30 June	1,575	2,005	1,575	2,005

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Financial Assets (continued)

The fair value of all other financial assets and liabilities approximate their carrying values in the Statements of Financial Position.

9. Property, Plant and Equipment

	Consolidated 30 June 2013			Consolidated 30 June 2012		
	Leasehold Improve- ments	Office Equipment, Fixture & Fittings	Total	Leasehold Improve- ments	Office Equipment, Fixtures & Fittings	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
At cost	118	929	1,047	117	757	874
Less: accumulated depreciation & impairment losses	113	593	706	112	490	602
Total property, plant & equipment	5	336	341	5	267	272

(i) Reconciliation

Reconciliations of the carrying amount for each class of property, plant and equipment at the beginning and end of the financial year are set out below:

Carrying amount at beginning of year	5	267	272	26	219	245
Additions	1	172	173	-	144	144
Depreciation expense	(1)	(103)	(104)	(21)	(96)	(117)
Carrying amount at end of year	5	336	341	5	267	272

Property, plant and equipment is held by a controlled entity, MAM. The carrying value of property, plant and equipment of the Company at 30 June 2013 is nil (30 June 2012: nil).

10. Payables

	Consolidated		Company	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Trade payables and accruals	1,160	394	97	47
Settlements payable – shares purchased	8,816	-	8,816	-
Accrued employee entitlements	5,714	3,435	-	-
US marketing/consulting costs payable	1,217	-	-	-
GST payable	918	621	-	-
Fringe benefits tax payable	17	15	-	-
	17,842	4,465	8,913	47

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

11. Contributed Equity

	Consolidated		Company	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Ordinary shares	76,378	115,395	76,753	115,770
MFG 2016 options	-	-	-	-
Class B shares	-	-	-	-
Total contributed equity	76,378	115,395	76,753	115,770
	30 June 2013 Number of shares '000	30 June 2012 Number of shares '000	30 June 2013 \$'000	30 June 2012 \$'000

(a) Ordinary Shares

Consolidated

Opening balance	152,558	151,893	115,395	114,529
Shares issued from exercise of MFG 2016 options	111	-	292	-
Shares issued under SPP	114	665	765	578
Recognition of SPP expense for year	-	-	698	288
Less: capital component of in-specie distribution	-	-	(40,772)	-
Total ordinary shares	152,783	152,558	76,378	115,395

Company

Opening balance	115,569	114,904	115,770	114,904
Shares issued from exercise of MFG 2016 options	111	-	292	-
Shares issued under SPP	114	665	765	578
Recognition of SPP expense for year	-	-	698	288
Less: capital component of in-specie distribution	-	-	(40,772)	-
Total ordinary shares	115,794	115,569	76,753	115,770

(b) MFG 2016 Options

Opening balance	7,882	7,882	-	-
Shares issued from exercise of options	(111)	-	-	-
Closing balance – MFG 2016 Options	7,771	7,882	-	-

The number of MFG 2016 Options on issue, and movement of those options, for the Company during the year is the same as the consolidated entity.

(c) Class B Shares

Opening balance	10,200	10,200	-	-
Closing balance – Class B Shares	10,200	10,200	-	-

The number of Class B shares on issue, and movement of those shares, for the Company during the year is the same as the consolidated entity.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. Contributed Equity (continued)

c) Terms and conditions

i) Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends declared and proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

ii) MFG 2016 Options

MFG 2016 Options ('options') expire on 30 June 2016 but can be exercised during any two month period commencing two business days following the announcement of the Group's full and half year results in each year prior to the expiry date, except for the final exercise period which commences on the date that is two business days after the release of the results for the half year to 31 December 2015 and ends on 30 June 2016. Upon exercise of the Option, the option holder is issued one new ordinary share in the Company.

The in-specie distribution on 19 February 2013 (refer to note 4 iii) for further details) had the effect of reducing the exercise price of the MFG 2016 Options by \$0.3589 per MFG Option. Accordingly, the adjusted exercise price of each option at 30 June 2013 is \$2.6411 (June 2012: \$3.00).

Options are not entitled to dividends or distributions. Ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of issue. An ordinary share issued on exercise of an option is only entitled to receive a dividend or distribution where the option was exercised and the ordinary share is issued on or before the record date for that distribution. Ordinary shares issued pursuant to the exercise of an option will not be issued until after the record date for any dividend or distribution payable in respect of the half year period immediately prior to the exercise period during which that option was exercised. The holder of an option may only participate in new issues of the Company if the holder exercises that option and becomes the holder of ordinary shares on or prior to the record date for the new issue of ordinary shares.

iii) Class B shares

The Class B Shares were issued to Mr Hamish Douglass with certain service conditions which were satisfied on 1 July 2012. Incorporating the effect of the in-specie distribution made to the Company's shareholders on 19 February 2013, the Class B Shares will convert into the number of ordinary shares equal to 0.0637028 times the number of ordinary shares of the Company on issue on 21 November 2016 (up to a maximum of 170,000,000 ordinary shares). The conversion of the Class B Shares will occur on the first business day 21 November 2016. The maximum number of ordinary shares that will be issued on conversion of all Class B Shares is 10,829,476. Prior to the in-specie distribution, the conversion factor was 0.06 times and the maximum number of ordinary shares that would have been issued on conversion was 10,200,000.

Mr Douglass holds 10,200,000 Class B Shares which at 30 June 2013 were entitled to convert into 9,732,697 ordinary shares of the Company on 21 November 2016.

Based on the Company's ordinary shares on issue and assuming all options are fully exercised as at 30 June 2013, the 10,200,000 Class B Shares would be entitled to convert to 10,227,770 ordinary shares being equal to 0.0637028 times 160,554,481 securities at 30 June 2013 (comprising 152,782,876 ordinary shares on issue and 7,771,605 unexercised options).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

11. Contributed Equity (continued)

c) Terms and conditions (continued)

iii) Class B shares (continued)

At 30 June 2012, the 10,200,000 Class B Shares would be entitled to convert to 9,153,500 ordinary shares being equal to 0.06 times 152,558,341 ordinary shares on issue. The Class B shares have no entitlement to receive dividends and until the Class B Shares are converted into ordinary shares they confer no rights to participate in any bonus issue or subscribe for new securities in the Company unless the Directors determine otherwise in accordance with the Terms of Issue of the Class B Shares.

12. Share Purchase Plan (SPP)

The Group has put in place a Share Purchase Plan (the 'Plan' or 'SPP') for its employees and Non-executive Directors ('Participants'). The Plan provides assistance to Participants to invest in shares in the Company in order to more closely align the interests of Participants with the interests of the shareholders of the Group. At 30 June 2013, 4,767,558 ordinary shares were held by the Participants under the SPP (June 2012: 6,714,210).

Employees are invited to apply for a specified number of fully paid ordinary shares in the Company. Subject to the Listing Rules, the Directors have overall discretion in relation to the Plan and may vary the rules. The Directors have currently determined that the number of Company shares that may be offered is limited to:

- i) shares with a market value equal to a multiple of one times the employee's after-tax bonus for the financial year (ending 30 June) prior to the financial year in which the offer is made; and
- ii) such further number of shares as requested and approved by the Board, subject to:
 - where the total amount of the financial assistance being provided to an employee participant will exceed \$750,000 or will exceed three times the amount of an employee participant's annual base salary inclusive of superannuation, the prior approval of the Board is required; and
 - the maximum amount of financial assistance that may be provided by the Company to an individual employee is \$1,000,000.

and, in each case:

- iii) subject to a maximum of \$750,000 worth of shares per employee in each financial year, other than in the case of a new employee where the Board may resolve, in its absolute discretion, to initially offer additional shares to the new employee; and
- iv) the aggregate maximum number of shares issued under each offer under the Plan will not exceed 5% of the total number of shares on issue at the time of the offer provided that the Company may issue additional Company shares in any subsequent offer up to, but not exceeding, the number of shares that it has bought back in the period since the last offer of shares under the Plan.

No performance hurdles attach to the invitation to participate in, or the issue of shares under, the Plan. The Directors can resolve to vary the timing of these invitations. The issue price for the shares is the fair market value of the shares at the offer date. This is calculated using the volume weighted average price of traded shares in the 5 business days prior to the offer date. Participants may be required to make an upfront contribution of up to 25% of the issue price at the time of issue. The remaining amount of the issue price is funded by way of a full recourse interest free loan from the Company.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. Share Purchase Plan (SPP) (continued)

Participants are required to apply an amount equal to 25% of their after tax annual bonus each year to repay the loan until the loan has been fully repaid. The maximum term of the loan for employee participants is 10 years. Any outstanding balance at the end of 10 years must be repaid by the employee. Although employees are not entitled to repay their loan early, the Board may from time to time permit an early repayment under certain circumstances.

Loans to Participants under the Plan are secured on the shares issued to that Participant. The shares are not transferable until the loan is fully paid. Once the loan has been fully repaid, the shares issued under the Plan are freely transferable.

Dividends are payable on the shares issued under the Plan on the same basis as all other issued fully paid ordinary shares, and the amount of the dividends are applied to repay the loan until the loan has been fully repaid. The shares issued under the Plan have the same rights to participate in any entitlements or bonus issues and otherwise rank equally with all other issued ordinary shares.

Upon request from the Company, the outstanding loan amount must be repaid in full immediately without further demand or notice upon the earliest of:

- i) any breach by the Participant of the Share Purchase Plan Rules (the 'Plan Rules') where the breach is not remedied within 7 days of the Company's notice to the Participant to do so; or
- ii) an application being made to a court for an order, or an order being made, that the Participant be made bankrupt (or any similar event in any jurisdiction as determined by the Board in its discretion).

If a Participant ceases to be an employee whilst a loan to that Participant is outstanding, the Participant must:

- i) repay the total amount owing under the loan within 3 months (or, in the event that a Participant has died, within 6 months), or such longer period determined by the Board in its discretion, of the participant ceasing to be an employee and, upon payment of such amount the holding lock and any security over the shares issued under the Plan will be released and the Participant shall be entitled to retain his or her shares issued under the Plan; or
- ii) require the shares issued under the Plan to be bought back or sold by the Company and must pay to the Company the balance (if any) of the total amount owing outstanding under the loan after the application of the proceeds of sale.

The carrying value of loans outstanding at balance date was:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Current: due within 1 year	1,489	1,658	1,489	1,658
Non-current: due later than 1 year and within 10 years	2,835	4,661	2,835	4,661
	4,324	6,319	4,324	6,319

During the year, participants disposed of 284,893 ordinary shares under the SPP, and from these disposals, proceeds of \$1,708,000 were applied directly to participants loans. Total SPP loan cash repayments during the year were \$3,698,000.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. Share Purchase Plan (SPP) (continued)

Shares are issued to Participants at an issue price equal to the fair market value of the shares at offer date calculated using the volume weighted average price of traded shares in the five business days prior to the offer date.

<u>Offer date</u>	<u>5-day weighted average share price</u>
10 September 2007	\$1.66
20 October 2008	\$0.52
8 September 2009	\$0.78
10 November 2010	\$1.35
2 March 2011	\$1.75
21 September 2011	\$1.20
12 March 2013	\$7.33

The value of shares securing the loans to Participants at balance date applying the Company's 30 June 2013 closing market price of \$9.64 was \$46,000,000 (June 2012: \$14,400,000). No amounts are past due or considered impaired as the SPP provides that any shortfall between the loan amount and the value of the shares is recoverable from the Participants.

The following information has been used to determine the carrying value of the loans as at:

	<u>30 June 2013</u>	<u>30 June 2012</u>
September 2007 tranche		
Face value of loans	\$2.6m	\$4.7m
Estimated weighted average duration of loans	2.3 years	2.6 years
Imputed interest rate	7.0%	7.0%
October 2008 tranche		
Face value of loans	\$0.1m	\$0.1m
Estimated weighted average duration of loans	1.2 years	1.9 years
Imputed interest rate	5.0%	5.0%
September 2009 tranche		
Face value of loans	\$0.5m	\$0.9m
Estimated weighted average duration of loans	1.1 years	3.3 years
Imputed interest rate	5.3%	5.3%
November 2010 tranche		
Face value of loans	\$0.7m	\$1.4m
Estimated weighted average duration of loans	1.9 years	4.4 years
Imputed interest rate	5.5%	5.5%
March 2011 tranche – fully repaid		
Face value of loans	-	\$0.2m
Estimated weighted average duration of loans	-	4.4 years
Imputed interest rate	-	5.5%
September 2011 tranche		
Face value of loans	\$0.3m	\$0.7m
Estimated weighted average duration of loans	2.5 years	6.8 years
Imputed interest rate	4.0%	4.0%
March 2013 tranche		
Face value of loans	\$0.6m	-
Estimated weighted average duration of loans	3.5 years	-
Imputed interest rate	3.4%	-

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. Share Purchase Plan (SPP) (continued)

Amounts recognised in the Statement of Comprehensive Income in respect of the SPP loans are:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Interest income	1,148	477	1,148	477
Employee benefits expense	(698)	(288)	(698)	(288)
Net credit in Statement of Comprehensive Income	450	189	450	189

Both the change in the carrying value of the loans recorded in interest income and the cost of providing the benefit to Participants recorded in employee benefits expense are not cash items and therefore are not reflected within the Group's cash flow statement. Over the life of the loans the amounts credited to interest income and the amounts recognised as employee benefits expense will exactly offset each other. Refer to note 1(s) for further details.

13. Capital and Financial Risk Management

a) Financial Risk Management

The activities of the Group and the Company expose it to various types of risks, both direct and indirectly: price risk, credit risk, currency risk and liquidity risk.

Exposure to risk occurs through the impact on the Group's and the Company's net profit and total equity arising from:

- changes in the value of the Group's and the Company's investment portfolios and changes in other financial assets and liabilities; and
- the effect of market foreign exchange rate movements on the Group's funds under management and the consequent impact on the management and performance fees earned.

The Group's investment assets comprise strategic investments in:

- unlisted funds of which MAM, a wholly owned entity of the Group, is the Responsible Entity and Investment Manager;
- a direct portfolio of investments; and
- two unlisted United States institutional mutual funds, being the Frontegra MFG funds, of which MAM is the Investment Manager.

The investment portfolios of the unlisted funds and the Frontegra MFG funds are managed on a daily basis by the Investment Manager in accordance with the investment objectives and mandates of those funds. Further details of the risk management objectives and policies of those entities can be found in the annual report of the Product Disclosure Statement (PDS) of the Magellan unlisted funds, and the prospectuses of the Frontegra MFG funds.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management

b) Capital Management

The Group and the Company's approach to capital management remained unchanged during the year, which was to ensure that it continues as a going concern, it has sufficient cash flow to meet its operating requirements, it is able to support the payment of dividends to shareholders in accordance with the Group's dividend policy, and it retains the flexibility to retain capital if required for future business expansion. The Group and the Company's capital consists entirely of shareholder equity. The Group and the Company has no external net borrowings at 30 June 2013.

The Directors believe that the Group's core business, funds management, is scalable over time and the funds under management should continue to grow without the need to make material additional capital investment into the business.

A controlled entity of the Company, Magellan Asset Management Limited (MAM) is subject to regulatory financial requirements by virtue of it holding an Australian Financial Services License (AFSL). These regulatory requirements, which are set out by the Australian Securities and Investment Commission (ASIC), were amended for Responsible Entities of Registered Managed Investment Schemes from 1 November 2012. From this date to the period ended 30 June 2013, MAM maintained required net tangible assets of \$5,000,000 and satisfied the liquidity requirements of cash and cash equivalents of at least \$2,500,000 (equal to 50% of required net tangible assets) and liquid assets of at least \$5,000,000 (equal to the amount of required net tangible assets). The Directors of MAM determined on 2 November 2012 that notwithstanding the liquidity requirements of the AFSL, MAM would hold both a greater amount of cash and cash equivalents, being at least \$5,000,000 and a greater amount of liquid assets, being at least \$10,000,000. From 1 July 2013, the required net tangible assets, will be determined as 10% of MAM's average revenues in accordance with ASIC Regulatory Guide 166.

c) Liquidity Risk

Liquidity risk is the risk that the Group and the Company 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.

The Group and the Company manage liquidity risk by maintaining sufficient cash reserves to cover its liabilities. On 20 February 2013, the Board of the Company determined that the Company would maintain a minimum amount of \$10,000,000 in cash and equivalents and a minimum amount of liquid assets equal to 0.5% of the Group's funds under management subject to a maximum amount of \$100 million. The amounts held by the Company are in addition to the cash and cash equivalent and liquid asset amounts maintained by its controlled entity, MAM.

As at 30 June 2013, the Group had an obligation to settle trade creditors and other payables of \$17,842,000 (June 2012: \$4,465,000) within 30 days. The Group had cash (including term deposits maturing within 30 days) of \$38,096,000 (June 2012: \$1,052,000) and a further \$35,181,000 (June 2012: \$9,638,000) of receivables and \$14,685,000 of term deposits which mature greater than 90 days (June 2012: \$30,565,000) to cover these liabilities. In addition, the Group reported current assets of \$89,743,000 and current liabilities of \$34,681,000 resulting in a net current asset surplus of \$55,062,000. Accordingly the Group has sufficient liquid funds and current assets to meet its current liabilities.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management (continued)

c) Liquidity Risk (continued)

Maturities of financial liabilities

At 30 June 2013, the Group's financial liabilities comprise trade creditors and payables which mature in 1 year or less (June 2012: 1 year or less).

d) Price Risk

Price risk is the risk that the value of the Group and Company's direct and indirect investments in equities will increase or decrease as a result of changes in market prices, caused by factors specific to the individual stock or the market as a whole. Price risk exposure arises from the Group's and the Company's investments in listed equities, unlisted Magellan funds and the Frontegra MFG funds, and from the Group's entitlement to investment management and performance fees on its funds under management.

All of the Group and Company's investments are carried at fair value with changes arising from held-for-trading investments reflected in profit or loss, and changes arising from available-for-sale investments reflected in other comprehensive income. Over the past 10 years, the annual movement in the MSCI Total Return Net World Index varied between +40% and -21% (in AUD) and +31% and -29% (in USD). The past performance of markets is not always a reliable guide to future performance, and the Company's investment portfolio does not attempt to mirror the global indices, but this very wide range of historic movements in the indices provides an indication of the magnitude of equity price movements that might reasonably occur within the portfolio over a 12 month period. The impact of equity price movements, expressed in percentage terms, on the net profit reported by the Company, is linear.

Impact arising from the Group's and Company's own investments

Each incremental increase of 5% in the market prices of the Group's and the Company's investments held at balance date would have had the following impact on net profit and equity:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Impact on net profit for the year	-	-	-	-
Impact on available-for-sale reserve, net of tax	3,517	3,766	3,517	3,766
Total impact on net profit and equity	3,517	3,766	3,517	3,766

Assumptions and explanatory notes

- the Group and the Company hold an investment in an unlisted fund that invests in unlisted equities. The fair value of this fund is determined by a Director's valuation. The underlying values of the unlisted equities are determined by the fund's investment manager with reference to the projected cash flows of those businesses, which may or may not be correlated with changes in market prices of listed equities. No assessment has been made of the impact of changes in market prices on the fair value of that fund.
- a decrease of 5% in the market prices of the Group's and the Company's investments held at balance date would have an equal and opposite effect to the changes disclosed above.
- the Group and the Company recognises impairment losses on available-for-sale investments in accordance with the accounting policy disclosed in note 1(n). For the purposes of the

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management (continued)

d) Price Risk (continued)

- iv) sensitivity disclosed above, it has been assumed that a 5% change in market prices would have no impact on the assessment of whether individual assets are impaired.

Impact arising on entitlements to management and performance fees

Management fees

The Group earns management fees on funds under management, which are based on a percentage of the value of the clients' and the funds' portfolios. Management fees earned from funds under management will be impacted by movements in the underlying prices in local currency, exchange rate movements, or a combination of both. Each incremental increase of 5% in the average value of funds under management of the Group during the years ended 30 June 2013 and 30 June 2012 would have increased the base management fees recognised in net profit and equity as follows:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Impact on net profit for the year	1,959	769	-	-
Total impact on net profit and equity	1,959	769	-	-

Assumptions and explanatory notes

- i) a decrease of 5% in the average value of funds under management of the Group would have an equal and opposite effect to the changes disclosed above.
- ii) changes in market prices may impact the inflows to, and outflows from, the Group's funds under management. This impact has not been estimated.

Performance fees

The Group may earn performance fees from its funds and from some institutional client mandates to which it provides investment management services. Where a performance fee is applicable to an institutional client mandate, the base management fee will generally be lower than that earned from mandates where no performance fee applies. The Company's entitlement to performance fees for any given performance period is dependent on it outperforming certain hurdles, which may be index relative hurdles, return hurdles or a combination of both. Performance fees are generally subject to either a high water mark arrangement or a deficit clause, which ensures that fees are not earned more than once on the same performance. These fees also accrue over different calculation periods, ranging from three months to three years. The fees recognised in the Statement of Comprehensive Income are characterised as follows:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Based on performance relative to a market index	5,702	1,233	-	-
Based on performance relative to a return hurdle	4,569	154	-	-
Based on performance relative to both a market index and a return hurdle	18,178	7,679	-	-
Total performance fees	28,449	9,066	-	-

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management (continued)

e) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and the Company has direct exposure to currency risk on foreign currency denominated:

- investments designated as available for sale (refer note 8);
- cash balances and term deposits (refer note 15 c) and 8 a); and
- payables and receivables, such as income receivable from foreign investments, outstanding settlements on purchase or sale of foreign investments and management and performance fees invoiced in foreign currency (refer note 7 and 10).

At 30 June 2013 had the Australian dollar strengthened by 10% relative to each currency to which the Group and Company had significant exposure, with all other variables held constant, the impact on the Group and Company's equity and net profit would have been:

	Increase / (decrease) in net profit		Increase / (decrease) in equity	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Consolidated				
Assets denominated in:				
US dollars	(1,251)	(8)	(2,663)	(1,399)
Euro	(10)	-	(52)	(12)
Swiss francs	(2)	-	(67)	(131)
Hong Kong dollars	-	-	-	(6)
Company				
US dollars	(1,110)	(8)	(2,663)	(1,399)
Euro	(10)	-	(52)	(12)
Swiss francs	(2)	-	(67)	(131)
British pounds	-	-	(151)	(131)
Hong Kong dollars	-	-	-	(6)

A decrease of 10% in the Australian dollar relative to each currency would have an opposite impact.

The Group and Company also has indirect exposure to foreign currency via its investments in unlisted funds. The unlisted funds are denominated in Australian dollars and the Frontegra MFG funds are US dollar denominated. The underlying investment portfolios of these funds comprise entities predominantly denominated in foreign currencies, and with extensive operating exposure to global currency fluctuations which will drive portfolio values. Changes in their fair value are therefore influenced by movements in currencies. The sensitivity analysis disclosed above disregards the impact on the foreign currency movement on the underlying portfolios.

The Group's management and performance fees are also indirectly exposed to fluctuations in foreign currency where the management and performance fees earned from funds under management are subject to adverse movements in the exchange rate of the Australian dollar relative to foreign currencies. For the year ended 30 June 2013, approximately 93% of the Group's management, administration and performance fee revenues were indirectly exposed to movements in the Australian dollar relative to other currencies (June 2012: 82%).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management (continued)

f) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group and Company's exposure to interest rate risk relates primarily to cash and cash equivalents and also term deposits. Substantially all of the Group and Company's holdings of cash and cash equivalents are held with major Australian banks. Term deposits are of short duration and their fair value would not be materially affected by changes in interest rates.

Sensitivity analysis

Based on the cash and cash equivalents held by the Group and the Company at balance date, the sensitivity on the Group and the Company's net profit and equity of a decrease of 50 basis points in floating interest rates, assuming all other variables remain constant is:

	Consolidated		Company	
	2013 \$ '000	2012 \$ '000	2013 \$ '000	2012 \$ '000
Increase in net profit and equity	184	109	126	44

An increase of 50 basis points in floating rate interest rates would have an equal but opposite effect on interest income and net profit.

g) 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 therefore the carrying amount of financial assets recognised in the Statement of Financial Position.

The Group and Company minimises concentrations of credit risk by ensuring cash balances, term deposits and the listed subordinated notes are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition, credit limits are reviewed by management and may be updated throughout the year. During the year ended 30 June 2013, the Group and Company held cash and term deposits with Australian banks and the credit quality of these counterparties at 30 June 2013 are rated by Standard & Poor's as being AA-, and by Moody's as being Aa2 (AA and Aa2 respectively at 30 June 2012).

The Group and Company also manages credit risk by regularly monitoring loans and receivable balances throughout the year. A provision for doubtful debts is made where collection is deemed uncertain. At 30 June 2013, the provision for doubtful debts was nil (June 2012: nil).

At 30 June 2013 the Group and the Company also had credit exposure to the participants with loans under the share purchase plan. At 30 June 2013, the outstanding balance on the loans totalled \$4,324,000 (June 2012: \$6,319,000). MFG shares valued at \$46,000,000 (June 2012: \$14,400,000) were held as security for these loans. The loans were made to the Group's employees and certain Non-executive Directors of the Company on a full recourse basis. Further information is provided in note 12.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. Capital and Financial Risk Management (continued)

g) Credit Risk (continued)

The Company in its capacity as Trustee and Responsible Entity of the following registered managed investment schemes has appointed The Northern Trust Company (NT) as the custodian:

	Appointment Date
Magellan Global Fund ^(A)	29 November 2012
Magellan Infrastructure Fund ^(A)	29 November 2012
Magellan High Conviction Fund ^(B)	28 June 2013
Magellan Global Fund (Hedged) ^(B)	28 June 2013
Magellan Infrastructure Fund (Unhedged) ^(B)	28 June 2013

^(A) The former custodian and prime broker of the funds was Merrill Lynch International (MLI).

^(B) The funds were established on 28 June 2013

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 (AA- and Aa3 respectively at 30 June 2012).

The Company in its capacity as Trustee of the Magellan Core Infrastructure Fund (MCIF) has appointed J.P. Morgan Chase N.A (JPM) as MCIF's custodian. The credit quality of JPM's senior debt is rated, as at 30 June 2013, by Standard and Poors as AA- and by Moody's as Aa3 (AA- and Aa3 respectively at 30 June 2012).

In acting as custodians, NT and JPM are 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.

At 30 June 2013 and 30 June 2012, the Group and Company's maximum exposure to credit risk is the carrying amount of the financial assets recognised in the Statements of Financial Position.

Ageing analysis of receivables

At 30 June 2013, all of the Group's and Company's receivables are 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.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. Related Party Transactions

a) Ultimate Parent entity

Magellan Financial Group Limited (MFG) is the ultimate parent entity.

b) Controlled entities

The consolidated financial statements incorporate the assets, liabilities and result of the following controlled entities in accordance with the accounting policy described in note 1(b)(i):

	Country of Incorporation	Class of Shares	2013 %	2012 %
Magellan Asset Management Limited (MAM)	Australia	Ordinary	100	100
Magellan Capital Partners Pty Limited (MCP)	Australia	Ordinary	100	100
Magellan Infrastructure Fund (Unhedged)	Australia	Ordinary	100	-
Magellan High Conviction Fund	Australia	Ordinary	100	-
Magellan Global Fund (Hedged)	Australia	Ordinary	100	-

c) Transactions with Related Parties

The following transactions occurred with related parties:

	Note	Company 2013 \$'000	2012 \$'000
Subordinated loan to MAM	(i)	1,150	1,150
Amounts received/(paid) under the tax funding agreement from controlled entities	(ii)	9,165	1,980
Amounts receivable from MAM pursuant to tax funding agreement	(ii)	12,716	4,090
Dividends received from MAM	(iii)	31,274	2,400

i) The Company provided an interest-free subordinated loan of \$1,150,000 to its wholly owned subsidiary, MAM, on 29 November 2006. Under the terms of MAM's Australian Financial Services Licence (AFSL), the loan cannot be repaid without the prior consent of the Australian Securities and Investments Commission (ASIC). At 30 June 2013, the loan amount drawn down was \$1,150,000 (June 2012: \$1,150,000). On 26 July 2013, ASIC consented to the repayment of the subordinated loan and MAM has since repaid the loan in full to the Company on 2 August 2013.

ii) During the year, MAM's income tax liabilities of \$19,900,000 (June 2012: \$5,770,000) were assumed by MFG, the head entity of the tax consolidated group. Payments totalling \$12,716,000 (June 2012: \$4,090,000) were received by MFG and MCP from MAM under the tax funding agreement during the year and \$9,165,000 was receivable by the Company from MAM in respect of amounts arising from the transfer of MAM's tax liability to the Company (June 2012: \$1,980,000 payable). Refer to note 1(h) for further details on the tax consolidated group.

iii) Dividends amounting to \$31,274,000 representing \$2.502 per share were paid by MAM to MFG during the year ended 30 June 2013 (June 2012: \$0.192 per share representing \$2,400,000). Since the end of the year, the Directors declared a final dividend of \$20,900,000 representing \$1.672 per share, which was paid on 2 August 2013.

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. Related Party Transactions (continued)

d) Key Management Personnel Disclosures

i) Directors

The Directors of Magellan Financial Group Limited during the financial year and up to the date of this report were:

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

ii) Other key management personnel (KMP)

In addition to the Directors, the following persons also had authority for the strategic direction and management of the Group, directly or indirectly, during the financial year:

Nerida Campbell	Chief Operating Officer and Company Secretary
Gerald Stack	Head of Research
Frank Casarotti	Head of Distribution

iii) Shareholdings relating to key management personnel

The number of ordinary shares, Class B shares and MFG 2016 Options held during the year by each key management personnel, including their personally-related parties, is set out below. All additions, disposals/cancellations are shown gross:

Ordinary Shares

	Balance 1 July 2011	Additions/ (Disposals or cancellations)	Balance 1 July 2012	Additions/ (Disposals or cancellations)	Balance at 30 June 2013
Directors					
Naomi Milgrom	6,182,360	-	6,182,360	-	6,182,360
Paul Lewis	1,900,747	100,000	2,000,747	-	2,000,747
Brett Cairns	1,095,481	-	1,095,481	-	1,095,481
Hamish Douglass	10,436,508	83,409	10,519,917	-	10,519,917
Chris Mackay	18,077,777	-	18,077,777	-	18,077,777
Other Key Management Personnel					
Nerida Campbell	660,019	-	660,019	-	660,019
Frank Casarotti	806,927	-	806,927	(150,000)	656,927
Gerald Stack ⁽¹⁾	340,963	50,000	390,963	-	390,963

⁽¹⁾ Acquisitions during the year under the Company's Share Purchase Plan

Class B shares

Hamish Douglass	10,200,000	-	10,200,000	-	10,200,000
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There were no additions or disposals of Class B shares during the year (June 2012: nil). The key terms and conditions of the MFG Class B Shares are at note 11 c)iii).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. Related Party Transactions (continued)

d) Key Management Personnel Disclosures (continued)

iii) Shareholdings relating to key management personnel (continued)

The number of MFG 2016 Options held during the year by each key management personnel, including their personally-related parties, is set out below:

MFG 2016 Options

	Balance 1 July 2011	Additions/ (Disposals) (A)	Balance 1 July 2012	Additions/ (Disposals) (A)	Balance 30 June 2013
Directors					
Naomi Milgrom	16,532	-	16,532	-	16,532
Paul Lewis	5,790	-	5,790	-	5,790
Brett Cairns	11,467	-	11,467	-	11,467
Hamish Douglass	297,792	-	297,792	-	297,792
Chris Mackay	2,644,354	-	2,644,354	-	2,644,354
Other Key Management Personnel					
Nerida Campbell	39,600	-	39,600	-	39,600
Frank Casarotti	-	-	-	-	-
Gerald Stack	-	-	-	-	-

The key terms attaching to the MFG 2016 Options are at note 11 c)ii).

Unit Holdings in Unlisted Funds

The number of units held during the year by each key management personnel, including their personally-related parties, in funds managed by the Group are:

Magellan Global Fund

Directors					
Paul Lewis	331,908	6,067	337,975	6,086	344,061
Hamish Douglass ^(B)	829,995	15,169	845,164	15,221	860,385
Chris Mackay	415,676	7,597	423,273	7,624	430,897
Other Key Management Personnel					
Nerida Campbell	20,326	371	20,697	373	21,070
Gerald Stack	51,964	950	52,914	953	53,867
Frank Casarotti ^(B)	-	-	-	-	-

Magellan Infrastructure Fund

Directors					
Paul Lewis	33,530	3,453	36,983	1,422	38,405
Other Key Management Personnel					
Gerald Stack	-	67,268	67,268	2,586	69,854

^(A) includes the reinvestment of 30 June 2011 and 30 June 2012 distributions in the years ended 30 June 2012 and 30 June 2013 respectively.

^(B) 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).

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

MAGELLAN FINANCIAL GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

14. Related Party Transactions (continued)

d) Key Management Personnel Disclosures (continued)

iv) Loans to key management personnel

The Company has made full recourse interest free loans to Non-executive Directors and Key Management Personnel in connection with shares acquired under the Company's Share Purchase Plan (SPP). The terms and conditions of the loans, including repayment terms, are disclosed in section 3.2 of the Remuneration Report in the Director's Report.

	SPP Shares acquired during year	Loan Balance 1 July 12	Loans made	Repayments	Loan Balance at 30 June 2013	
					Face value	Carrying Value
					Number	\$
Directors						
Paul Lewis	-	1,215,000	-	(80,000)	1,135,000	970,354
Brett Cairns	-	1,215,000	-	(80,000)	1,135,000	970,354
Other Key Management Personnel						
Nerida Campbell	-	223,238	-	(41,407)	181,831	166,705
Gerald Stack	-	385,901	-	(65,929)	319,972	250,051
Frank Casarotti	-	720,327	-	(720,327)	-	-

	SPP Shares acquired during year	Loan Balance 1 July 11	Loans made	Repayments	Loan Balance at 30 June 2012	
					Face value	Carrying Value
					Number	\$
Directors						
Paul Lewis	-	1,245,000	-	(30,000)	1,215,000	970,343
Brett Cairns	-	1,245,000	-	(30,000)	1,215,000	970,343
Other Key Management Personnel						
Nerida Campbell	-	242,139	-	(18,901)	223,238	176,452
Gerald Stack	50,000	371,468	45,000	(30,567)	385,901	296,904
Frank Casarotti	-	751,378	-	(31,051)	720,327	676,314

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. Related Party Transactions (continued)

d) Key Management Personnel Disclosures (continued)

v) Remuneration to key management personnel

Key Management Personnel of the Group received the following amounts during the year:

	Consolidated		Company	
	2013	2012	2013	2012
	\$	\$	\$	\$
Short term Benefits				
- Salary	2,015,173	1,293,648	47,523	47,523
- Cash Bonus	1,999,207	1,208,335	-	-
Post-employment Benefits				
- Superannuation	84,827	81,352	2,477	2,477
Long-term Benefits				
- Other	195,866	86,417	-	-
Share based Payment				
- Under SPP ^(A)	249,183	83,021	249,183	83,021
Total remuneration	4,544,256	2,752,773	299,183	133,021

^(A) Share based payments represent the expense of providing interest free loans to Participants in the Share Purchase Plan (refer to section 3.2 in the Directors Report – Remuneration Report – Share Purchase Plan).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

15. Statement of Cash Flows Reconciliation

a) Reconciliation of Net Profit after Tax to Net Cash Flows from Operating Activities:

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Net profit after income tax expense	66,600	13,660	54,085	4,094
Adjusted for:				
Net losses/(gains) on disposal of held for trading financial assets	(3,675)	-	(3,675)	-
Net losses/(gains) on disposal of available-for sale financial assets	(24,805)	7	(24,805)	7
Dividends and distributions reinvested	(831)	(894)	(831)	(894)
Depreciation	104	117	-	-
Income tax paid	(11,583)	(3,124)	(11,583)	(3,124)
Dividends received from controlled entity	-	-	(31,274)	(2,400)
Net foreign exchange (gains)/losses	11	2	11	2
Unrealised net foreign exchange (gains)/losses	(1,470)	-	(787)	-
Imputed interest on loans under the SPP	(1,148)	(476)	(1,148)	(476)
Employee expense on loans under SPP	698	288	698	288
(Increase)/decrease in receivables	(25,416)	(4,182)	(360)	1,226
(Increase)/decrease in prepayments	(162)	(25)	23	23
Decrease in deferred tax liabilities	(4,248)	(3,011)	(3,146)	(2,385)
Decrease in held for trading financial assets	-	175	-	175
Increase in payables	24,463	8,139	53	4
Increase in current tax liabilities	12,715	2,735	12,715	2,735
Net cash inflows/(outflows) from operating activities	31,253	13,411	(10,024)	(725)

b) Non-cash financing and investing activities:

In-specie distribution (refer to note 4)iii)	13,977	-	13,977	-
Issue of ordinary shares under SPP	765	578	765	578
Imputed interest on loans under SPP	(1,148)	(476)	(1,148)	(476)
Share based payments under SPP	698	288	698	288
Acquisition of available-for-sale financial assets via dividend/distribution reinvestment plan	-	894	-	894

c) Reconciliation of cash

Reconciliation of cash at the end of the year (as shown in the Statement of Cashflows) to the related item in the financial report

Cash at bank	38,096	1,052	27,300	454
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Term deposits with maturity dates greater than 90 days from inception date are included in financial assets (refer note 8 a)).

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. Contingent Assets, Liabilities and Commitments

Lease Commitments

A controlled entity, Magellan Asset Management Limited ('MAM'), has entered into non-cancellable operating leases for its office premises in Sydney, Melbourne and Brisbane as well as for office equipment.

	Consolidated		Company	
	2013	2012	2013	2012
	\$ '000	\$ '000	\$ '000	\$ '000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Due within one year	676	413	-	-
Due between one year and five years	1,787	1,707	-	-
	2,463	2,120	-	-

Contingent Assets and Contingent Liabilities

The Group has contingent liabilities of \$1,024,000 (June 2012: \$400,000) comprising:

- \$524,000 for uncalled capital amounts on an investment in an unlisted fund held by the Company (June 2012: \$400,000). Of this amount, \$124,000 may be called up until October 2013 as a capital distribution of \$124,000 was received from the unlisted fund during the year; and
- \$500,000 which is payable under the investment restriction contract entered into with Mr Hamish Douglass on 1 July 2012 providing Mr Douglass remains in employment until 1 July 2017. Assuming the conditions of the contract are complied with, MAM is required to pay Mr Douglass \$500,000 on or before 15 July 2017 (refer to further details of the contract in section 3.5 in the 2013 Remuneration Report in the Directors' Report) (June 2012: \$nil).

The Directors are not aware of any other contingent assets or contingent liabilities at balance date.

Guarantees

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

17. Auditor's Remuneration

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

	\$	\$	\$	\$
Audit services				
Statutory audit and review of the financial reports				
- the Company	134,261	79,900	94,820	64,900
- the Unlisted Funds	27,000	26,000	-	-
Regulatory required audits	16,000	15,000	-	-
Other	20,000	19,000	-	-
	197,261	139,900	94,820	64,900
Non-audit services				
Taxation services	75,964	44,198	9,000	7,150
Total auditor's remuneration	273,225	184,098	103,820	72,050

MAGELLAN FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18. Events Subsequent to Balance Date

On 28 June 2013, the Group launched the following three new funds:

- Magellan Infrastructure Fund (Unhedged) (MIFU), a unit trust that invests in a focussed global portfolio of listed infrastructure investments;
- Magellan High Conviction Fund (MHCF), a unit trust that invests in a concentrated portfolio of global equities; and
- Magellan Global Fund (Hedged) (MGFH), a unit trust that invests in a focussed portfolio of global equities.

The Company initially seeded the new Funds by way of a small cash investment and an in-specie transfer for the Magellan High Conviction Fund, which is discussed further at note 8 d). These funds were open to external investors from 1 July 2013 and for the period to 13 August 2013 MIFU, MHCF and MGFH have received approximately \$1,360,000, \$42,241,000 and \$686,900 of new fund inflows from external investors respectively. On 27 July 2013, the Company invested a further \$4,250,000 into the Magellan High Conviction Fund.

On 26 July 2013, ASIC consented to the repayment of the \$1,150,000 loan the Company provided to its wholly owned entity, Magellan Asset Management Limited (MAM). MAM repaid the loan in full on 2 August 2013 (refer to note 14c)i) for further details).

On 31 July 2013, MAM, a member of the Group's tax consolidated group was declared an Offshore Banking Unit (OBU) by the Assistant Treasurer of Australia in the Commonwealth of Australia Government Notices Gazette. Under the current legislation, assessable offshore banking (OB) income derived from defined OB funds management and advisory activities provided to clients outside of Australia and New Zealand, net of costs, will be subject to a concessional tax rate of 10%. Revenues earned from non-resident clients that are invested in the Group's global equities strategy meet the current definition of assessable OB income.

On 8 November 2012, MAM received authorisation from the Central Bank of Ireland to act as a promoter and investment manager to Irish authorised collective investment schemes. In August 2013, MFG Investment Fund plc, a company incorporated in Ireland, sought approval by the Central Bank of Ireland to be authorised under the European Communities (Undertakings for Collective Investment in Transferable Securities (UCITS)) Regulations, and appoint MAM as promoter and investment manager to a proposed initial sub-fund MFG Global Fund. MFG Global Fund will offer the Group's global equities strategy to global institutional clients. At the time of this report, MFGIF has not received confirmation of its authorisation from the Central Bank of Ireland.

Other than the above, 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 operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial years.

MAGELLAN FINANCIAL GROUP LIMITED

DIRECTORS DECLARATION FOR THE YEAR ENDED 30 JUNE 2013

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, notes and the additional disclosures included in the Directors Report designated as audited, of the Company and of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting , International Financial Reporting Standards (IFRS) as disclosed in Note 1 and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay their debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

On behalf of the Board



Hamish M Douglass
Director

Sydney, 16 August 2013



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Independent auditor's report to the members of Magellan Financial Group Limited

Report on the financial report

We have audited the accompanying financial report of Magellan Financial Group Limited, which comprises the consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company 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 1(a), 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 and fair presentation of the financial report 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 company 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 Magellan Financial Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its 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 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 18 to 26 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Magellan Financial Group Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Graeme McKenzie'.

Graeme McKenzie
Partner
Sydney
16 August 2013

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Overview

Magellan Financial Group Limited (MFG or Group) (ASX:MFG) is listed on the Australian Securities Exchange (ASX). The Group, as a listed entity, must comply with the Corporations Act 2001(Cth) (the Act), the ASX Listing Rules and other Australian and international laws. ASX Listing Rules require the Group to report against the current version of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). Where, after due deliberation, the Group's corporate governance practices differs from an ASX Corporate Governance Council's Corporate Governance Principles and Recommendation, the Group will set out the reasons for the difference. The website contains copies of charters and policies mentioned in this document.

Where one of MFG's controlled entities have adopted their own policies and practices to deal with specific matters relevant to their business, they align to this Statement.

1. Governance Structures and Processes

1.1 Role and Responsibilities of the Board

The Board is responsible for the overall operation and stewardship of the Group and is responsible for its overall success and long-term growth and corporate governance. The Board has approved a formal Charter which contains the Board's role, powers, duties and functions. The Charter is reviewed regularly, or whenever significant change occurs, to remain relevant to the Group and its activities. The Board has retained all authority required by law and has specifically reserved the following powers:

- Appointment and removal of the Chairman, Chief Executive Officer and the Company Secretary;
- Establishing Committees of the Board and, in relation to each Committee, appointing the members and the Chairman, setting Committee charters and delegating authority to relevant Committees;
- Assessing the performance of the Board and individual Directors and determining the remuneration of Directors and Committee members;
- Assessing the Group's overall performance and approving the reports provided to shareholders;
- Providing strategic advice and direction to the Group's senior management; and
- Approval and oversight of the risk management and compliance framework and the effective design and operation of its relevant controls, policies and processes.

1.2 Board Composition

The Group's Constitution provides that there must be a minimum of three and a maximum of ten Directors. The Board currently comprises five (5) Directors, three (3) of whom are independent non-executive Directors. The Board actively seeks to maintain a balance of skills, knowledge and experience to direct and oversee the activities of the Group. Details of each Director's background date of appointment and attendance at Board meetings are set out in the Directors' Report. Director remuneration is set out in the Remuneration Report. The Board considers that collectively the Directors have an appropriate range of skills, experience and expertise to understand and competently deal with current and emerging business issues and effectively monitor and review the performance of the Group and exercise independent judgment.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

1.3 Chairman

The Chairman of the Board, Mr Chris Mackay, is an executive Director and a resident Australian citizen. The Board has a different view to ASX Recommendation 2.4 of the need for the Chair to be independent and considers that the Chairman's experience and proven leadership is beneficial as the primary link between management and the Board. More information about the Chairman's responsibilities is contained in the Group's Board Charter.

1.4 Director Independence

The Board comprises a majority of independent non-executive Directors. An independent non-executive Director is a non-executive Director who is independent of the Group and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. In making this determination, the Board has reviewed and assessed previous and current relationships. The Board believes that Directors have sufficient time to discharge their responsibilities and individual Director's other commitments are shown in the Directors' Report.

1.5 Board Audit and Risk Committee

The Board has established a Board Audit and Risk Committee. The Committee has been established under a separate Charter which is available on the Group's website. The Charter contains the delegated role, responsibilities, functions and powers of the Committee and is reviewed regularly, or whenever significant change occurs. The Committee allows the Board to devote and focus time and effort that may not be possible at a wider Board meeting. The Board appointed a majority of non-executive Directors to the Committee with due regard to the collective and individual skills, experience and expertise of the Directors. The Board is aware that ASX Recommendation 4.2 requests all members of the Committee be non-executive but is of the opinion that the appointment of one executive director facilitates transparent and direct accountability to the Committee and the Board.

The Chairman of the Committee is an independent, non-executive Director who is a resident of Australia and not the Chairman of the Board. The role of the Committee is to oversee the Group's responsibilities relating to financial reporting, relevant statutory requirements, internal controls, risk management functions and audit. Full details are in the Committee Charter which is available on the Group's website. The Committee will meet at minimum, four times each year. The Chairman of the Committee will report to the Board in respect of each Committee meeting. During the year, in accordance with the Committee's Charter, the Committee conducts an appraisal of the performance of the Committee's members and the achievement of the Committee's objectives.

1.6 Access to Information

Directors have access to any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions. Directors may obtain independent professional advice at the Group's expense, subject to making a request to, and obtaining the prior authorisation of, the Chairman of the Board. Where the Chairman of the Board wishes to obtain independent professional advice, he or she is required to make a request to, and obtain the prior authorisation of, the Chairman of the Board Audit and Risk Committee.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

1.7 Board Meetings

The Chairman, in conjunction with the Company Secretary, sets the agenda for the meeting. Any Director may request an item to be raised in addition to the standing items which typically include minutes and matters arising, periodic reviews, standing reports and specific proposals. Board papers are sent in combinations of hard and electronic copy. At each meeting there is an opportunity for the Board to meet and discuss matters without the executive directors and members of management present. Directors are free to request and access any information they feel is necessary to take fully-informed, risk-aware decisions.

1.8 Appointment, Induction, Succession Planning and Retirement of Directors and Executives

The Board regularly reviews its skills, expertise and composition. The Board recognises ASX Recommendation 2.4 on creating a Nominations Committee. After due consideration the Board has retained both the responsibility for succession planning and renewal as well as any related decisions. The Board is aware of the importance of Board renewal and takes each Director's tenure into account when reviewing its mix of skills, previous and current relationships, competencies, time commitments, expertise and experience. The Board has decided that a Director must retire from office no later than the later of the third annual general meeting of the Group or three years following the Director's last election or appointment.

Upon appointment to the Board, Directors are required to sign a letter which sets out the terms of and conditions of their appointment. Directors are provided with induction training similar to that provided to senior executives. Directors are expected to maintain the skills and knowledge required to discharge their obligations. The Group has an induction program in place for all of its new employees, including senior executives. As part of this induction program, new senior executives will receive briefings on the Group's business and its policies and procedures. These briefings will focus on the core governance and corporate structures as well as key operational, regulatory, risk and compliance issues that are of relevance to the Group.

1.9 Performance Evaluation of Directors and Senior Executives

Under the Board's Charter, the Board will conduct a review of its collective performance and the performance of its Directors every two years. This review will consider the Board's role, the processes of the Board and its Committees as well as the collective and individual performance of the Board and each Director. The review is conducted through a combination of written and verbal communications and is discussed by the whole Board. An individual Director's performance is considered when the Board determines whether or not to support the Director for re-election. The Chief Executive Officer undertakes annual performance reviews of each member of the senior executive team.

2. Fair and Responsible Decision-Making

2.1 Conflicts of Interest

The Board has adopted procedures to recognise, manage and monitor actual or perceived conflicts of interest. Directors are required to disclose events or circumstances that may affect, or may be perceived to affect, their ability to exercise independent judgement. Where a Director has an actual or perceived conflict of interest, they must leave the meeting and take no part in any discussion or decision-making regarding that matter.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

2.2 Code of Conduct

The Group has a Corporate Code of Conduct that applies to all Directors and employees of the Group. The Board expects all Directors and employees to comply with the Code and failure to comply with the Code is a serious matter and will be investigated. The purpose of this Code is to:

- Articulate the high standards of honest, ethical and law-abiding behaviour that is expected of Directors and employees of the Group;
- Encourage the observance of those standards so as to protect and promote the interests of shareholders and other stakeholders;
- Guide Directors and employees of the Group as to the practices thought necessary to maintain confidence in the Group's integrity; and
- Explain the responsibilities and accountabilities of Directors and employees of the Group to report and investigate reports of unethical practices.

A copy of the Corporate Code of Conduct is available on the website.

2.3 Trading Policy

The Group has a Trading Policy that sets out the circumstances in which the Group's Directors and employees may trade in the Group's securities. The Policy states the Board's expected behaviours for Directors and employees who wish to trade in the Group's securities. The Trading Policy prohibits Directors from dealing when they are in possession of price-sensitive information that is not generally available to the market and also places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval. The Trading Policy aligns to the ASX Listing Rules and relevant guidelines. A copy of the Group's Trading Policy has been lodged with the Australian Securities Exchange(ASX) and is available on the Group's website.

2.4 Diversity

The Group recognises the value of attracting and retaining employees with different backgrounds, knowledge, experience and abilities. The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, race, gender, nationality, beliefs, sexuality, physical ability or cultural background. The Board annually reviews the measurable objectives it has set for to achieve improvement in the diversity of employees. The measurable objectives are consistent with those identified last year to allow for accurate and cumulative measurement.

Position	Objective	Goal	As at 30 June 2013	Comparison	Performance
Board of Directors	At least one-third of independent directors to be female ^(A)	33.33%	33.33%	12.70% ^(B)	Achieved
Senior Management	Increase the representation of women in senior management roles	40.00%	46.67%	10.10% ^(B)	Achieved
Group	Increase the overall percentage of women employed	40.00%	36.84%	36.20% ^(C)	In Progress

(A) This acknowledges that the two founders and executive directors are male and it is not envisaged their Board positions will change in the foreseeable future

(B) Benchmark averages have been taken from the 2012 Australian Census of Women in Leadership and relate to the ASX200

(C) Workplace Gender Equality Agency: ABS (2013) Labour Force, Australia, Detailed, Quarterly, cat no 6291.0.55.003

The Group has adopted a Diversity Policy, a copy of which is available on the Group's website.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

2.5 Remuneration Committee

ASX Recommendation 8.1 provides that the Board should establish a Remuneration Committee. The Board has determined that remuneration is a decision reserved for the entire Board. Remuneration for the independent non-executive Directors is set at market rates commensurate with their responsibilities. Remuneration for employees is approved by the Board. Further information is provided in the Remuneration Report.

3. Financial Reporting

3.1 Independent external audit and assurance

The Group's independent external auditor is Ernst & Young. The Audit and Risk Committee is responsible for recommending to the Board the appointment and removal of the external auditor. The independence and effectiveness of the external auditor is reviewed regularly. The Committee is also responsible for ensuring that the external audit engagement partners are rotated in accordance with relevant statutory requirements.

The external auditors regularly attend the Committee's meetings and when the Group's Financial Statements are being considered or where relevant items are on the Committee's agenda. The Group's external auditors attend the Group's Annual General Meeting and are available to answer questions from shareholders in relation to the conduct of the audit, the Audit Report, the accounting policies adopted by the Group's in preparing the Financial Statements and the independence of the auditors.

In respect of the year ending 30 June 2013 the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have made the following certifications to the Board:

- The Group's Financial Statements and notes applicable thereto represent a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations; and
- The risk management and internal compliance and control systems are sound, appropriate, operating efficiently and effectively managing the Group's material business risks.

4. Shareholders

4.1 Communication to Shareholders

The Board recognises that shareholders, as the ultimate owners of the Group, are entitled to accurate, timely and relevant information and should be fully informed of material matters that affect the Group's position and prospects. Any prospective investors should be able to make informed investment decisions regarding the Group. It seeks to accomplish this through:

- The release of the Group's Half Year Results in February each year;
- The release of the Group's Full Year Results and Annual Report in August each year;
- The release of the Chief Executive Officer's Annual Letter to Shareholders each year;
- The release of the Chairman's and Chief Executive Officer's addresses to the Annual General Meeting; and
- The posting of significant information on the Group's website promptly after it is disclosed to the market.

All information is available on the Group's website after it has been disclosed to the ASX.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

4.2 Continuous Disclosure Policy

The Board has adopted a Continuous Disclosure Policy that assists with clear and effective communication with shareholders by ensuring:

- The Group as a minimum complies with its continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules;
- The Group provides shareholders and the market with timely, direct and equal access to information issued by it; and
- That information which is not generally available and which may have a material effect on the price or value of the Group's securities be identified and appropriately considered by the Directors for disclosure to the market.

The Continuous Disclosure Policy is available on the website.

4.3 Shareholder Meetings

The Group recognises the importance of shareholder interaction and supports the principle of participation. The Group holds its Annual General Meeting in October and a copy of the notice of Annual General Meeting is posted on the Group's website and mailed to shareholders. The Board encourages shareholders to attend the Annual General Meeting or to appoint a proxy to vote on their behalf if they are unable to attend. The formal addresses by the Chairman and Chief Executive Officer at the Annual General Meeting are disclosed to the market.

The Group's external auditor will attend any Annual General Meeting and will be available to answer questions about the conduct of the audit and the preparation and contents of the Auditor's Report.

5. Risk Management and Compliance

5.1 Risk Management Responsibility

The Board is responsible for reviewing and approving the risk management framework and associated policies and practices provided of the Group. The Board, through the Audit and Risk Committee, is responsible for ensuring that:

- The risk profile of the Group is accurate;
- An effective system of risk management and internal controls has been adopted and implemented;
- There are adequate policies for the oversight and management risks to the Group;
- Incidents have been identified, reported, escalated and resolved;
- There are effective systems in place to identify, assess, monitor and manage the risks of the Group and to identify material changes to the Group's risk profile; and
- Arrangements are adequate for monitoring compliance with laws and regulations applicable to the Group.

5.2 Risk Management System

The Group understands that risk is inherent in its operations and that risk affects the Group's ability to meet its business objectives. The Group manages risk in an active manner to benefit from opportunities and minimise negative impacts.

The Group recognises that risk management and compliance functions are only effective when a robust and transparent corporate governance framework exists and is actively supported at all levels of the organisation.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

5.2 Risk Management System (continued)

The Board has a strong, documented commitment to corporate governance that goes beyond the absolute legal requirements to always act in the best interests of investors. The Board has a proven and clearly communicated commitment to a risk aware and compliant culture. The Board expects all staff to actively identify and report risks.

The Board reviews and approves the Risk Management Statement annually or whenever significant change occurs. The Risk Management Statement is a clear, effective and robust structure with defined, transparent and consistent lines of responsibility. Identified senior executives are accountable and responsible for designing and consistently implementing and maintaining policies, processes and systems for managing risk across the Group, consistent with risk capacity and risk appetite. Notwithstanding the above, the Group recognises that risk events and incidents will take place that realise impacts. In those circumstances, the Group will take aggressive and comprehensive action to address the incidents, and establish new processes and controls to minimise the chance of reoccurrence.

Table cross-referencing the Group's disclosures with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Principle and Recommendation		Group Reference
Principle 1 – Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1.1, 3.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1.1
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1.1, 3.1
Principle 2 – Structure the board to add value		
2.1	A majority of the board should be independent directors.	1.2, 1.3, 1.4, 1.8, 1.9
2.2	The chair should be an independent director.	1.3, 1.4, 1.8, 1.9
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.3, 1.4, 1.8
2.4	The board should establish a nomination committee.	1.2, 1.3, 1.8, 1.9
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1.8, 1.9
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1.1, 1.2, 1.3, 1.4, 1.7, 1.8, 1.9
Principle 3 - Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the Group's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	1.6, 2.1, 2.2, 2.3, 3.1

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle and Recommendation		Group Reference
Principle 3 - Promote ethical and responsible decision-making (continued)		
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	2.4
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	2.4
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	2.4
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	1.6, 2.1, 2.2, 2.3, 2.4, 3.1
Principle 4 - Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee.	1.5, 1.6, 3.1
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	1.5, 1.6
4.3	The audit committee should have a formal charter.	1.5, 1.6
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	1.5, 1.6, 3.1
Principle 5 - Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	1.6, 2.3, 4.1, 4.2, 4.3
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	1.6, 2.3, 4.1, 4.2, 4.3
Principle 6 - Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	2.3, 4.1, 4.2, 4.3
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	2.3, 4.1, 4.2, 4.3
Principle 7- Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	1.5, 1.6, 5.1, 5.2

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle and Recommendation		Group Reference
Principle 7- Recognise and manage risk (continued)		
7.2	The board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	1.5, 1.6, 5.1, 5.2
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	3.1
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	1.5, 1.6, 3.1, 5.1, 5.2
Principle 8- Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee.	2.5
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent chair • has at least three members. 	2.5
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	2.5
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2.5

MAGELLAN FINANCIAL GROUP LIMITED

SHAREHOLDER INFORMATION AS AT 13 AUGUST 2013

Distribution of Shareholders

The distribution of shareholders of the Company as at 13 August 2013 is presented below:

Distribution Schedule of Holdings	Number of Holders	Number of Ordinary Shares	Percentage of Shares in Issue
1-1,000	1,394	732,002	0.48
1,001-5,000	1,697	4,526,667	2.96
5,001-10,000	523	3,985,556	2.61
10,001-100,000	795	23,045,267	15.08
100,001 and over	126	120,493,384	78.87
Total	4,535	152,782,876	100.000
Number of holders with less than a marketable parcel	69	671	0.000

Twenty Largest Shareholders

The names of the twenty largest shareholders of the Company as at 13 August 2013 are listed below:

Holder Name	Number of Ordinary Shares	Percentage of Shares in Issue
Magellan Equities Pty Limited	15,355,551	10.05
Cavalane Holdings Pty Ltd	12,724,871	8.33
Midas Touch Investments Pty Ltd	9,761,508	6.39
Citicorp Nominees Pty Limited	9,277,462	6.07
National Nominees Limited	8,605,070	5.63
UBS Wealth Management Australia Nominees Pty Ltd	6,204,950	4.06
Nota Bene Investments Pty Ltd	6,006,006	3.93
JP Morgan Nominees Australia Limited	4,090,550	2.68
Emmanuel Capital Pty Ltd	3,364,602	2.20
HSBC Custody Nominees (Australia) Limited	2,951,343	1.93
Christopher John Mackay	2,232,022	1.46
ABN Amro Clearing Sydney Nominees Pty Ltd	2,213,995	1.45
Mr David Doyle	1,500,000	0.98
Netwealth Investments Limited	1,325,796	0.87
Aljamat Pty Ltd	1,310,000	0.86
PAJ Lewis Superannuation Fund Pty Ltd	1,000,747	0.66
PAJ Lewis Pty Ltd	1,000,000	0.66
BNP Paribas Nominees Pty Ltd (DRP)	993,087	0.65
Jash Pty Limited	969,742	0.64
Smallco Investment Manager Ltd	893,210	0.59
Total shares held by the twenty largest shareholders	91,780,512	60.07
Total shares on issue	152,782,876	

MAGELLAN FINANCIAL GROUP LIMITED

SHAREHOLDER INFORMATION AS AT 13 AUGUST 2013

Substantial Shareholders

The names of the substantial shareholders appearing on the Company's Register of Substantial Shareholders at 13 August 2013 are listed below:

Shareholder	Number of Ordinary Shares
Chris Mackay and associates ⁽¹⁾	18,077,777
Cavalane Holdings Pty Ltd ⁽²⁾	13,781,069
Hamish Douglass, Midas Touch Investments Pty Ltd and associates ⁽³⁾⁽⁴⁾	10,519,917

⁽¹⁾ Includes shares acquired after substantial shareholder notice lodged on 27 March 2008 – 16,830,301 shares

⁽²⁾ As per latest substantial shareholder notice lodged on 16 February 2011

⁽³⁾ Includes shares acquired after substantial shareholder notice lodged on 16 June 2009 – 9,408,448 shares.

⁽⁴⁾ Mr Douglass holds 10,200,000 Class B Shares which at 30 June 2013 were entitled to convert into 9,732,697 ordinary shares of the Company on 21 November 2016 (refer to note 11 c)iii) for further details).

Voting Rights

Subject to the Company Constitution:

- at meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;
- on a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote; and
- on a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

Stock Exchange Listing

The Company's ASX code is "MFG" for its ordinary shares and "MFGOC" for the listed MFG 2016 Options.

MAGELLAN FINANCIAL GROUP LIMITED

CORPORATE DIRECTORY

Directors

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

Company Secretaries

Nerida Campbell
Leo Quintana

Registered Office

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

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Securities Exchange Listing

Australian Securities Exchange
ASX code (ordinary shares): MFG
ASX code (listed options): MFGOC

Website

www.magellangroup.com.au