



Annual Financial Reports

for the year ended 30 June 2015

MAGELLAN GLOBAL FUND: ABN 18 387 878 844
MAGELLAN GLOBAL FUND (HEDGED): ABN 72 263 210 345
MAGELLAN HIGH CONVICTION FUND: ABN 20 120 243 491
MAGELLAN INFRASTRUCTURE FUND: ABN 64 144 747 279
MAGELLAN INFRASTRUCTURE FUND (UNHEDGED): ABN 79 874 701 620

Contents

Responsible Entity's Report.....	4
Auditor's Independence Declaration	8
Statements of Profit or Loss and Other Comprehensive Income	9
Statements of Financial Position.....	10
Statements of Changes in Equity.....	11
Statements of Cash Flows.....	12
Notes to the Financial Statements	13
Directors' Declaration	39
Independent Auditor's Report	40
Corporate Information.....	42

Responsible Entity's Report

for the year ended 30 June 2015

The Directors of Magellan Asset Management Limited ("MAM") (ABN 31 120 593 946), the Responsible Entity of Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds") present their report on the Funds for the year ended 30 June 2015.

1.0 Directors

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

Name	Directorship	Appointed
Brett Cairns	Executive Chairman ^(A)	22 Jan 2007
Hamish Douglass	Chief Executive Officer	21 Nov 2006
Robert Fraser	Independent Non-executive Director	23 Apr 2014
Paul Lewis	Independent Non-executive Director	20 Dec 2006
Karen Phin	Independent Non-executive Director	23 Apr 2014

^(A) On 1 January 2015, Dr Brett Cairns was appointed Executive Chairman. Prior to 1 January 2015, Dr Cairns was a Non-Executive Director.

1.1 Principal activity

The Funds are registered managed investment schemes domiciled in Australia, with a principal place of business at Level 7, 1 Castlereagh Street, Sydney, New South Wales 2000.

Magellan Global Fund (MGF) is a quality-focused, long-only unit trust that invests in a concentrated portfolio of global equities that spans sectors including financial services, consumer and retail, healthcare, technology and media, industrials and infrastructure. The investment objectives of MGF are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 16 June 2014. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Magellan Global Fund (Hedged) (MGFH) has the same investment strategy as MGF, except that the capital component of the foreign currency exposure, arising from investment in overseas markets, is substantially hedged. The investment strategy is detailed in the Product Disclosure Statement, issued 16 June 2014.

Magellan High Conviction Fund (MHCF) is a quality-focused, long-only unit trust that invests in a highly concentrated portfolio of global equities that spans sectors including financial services, consumer and retail, healthcare, technology and media, and infrastructure. The investment objectives of MHCF are to achieve attractive risk-adjusted returns over the medium to long term, while reducing the risk of permanent capital loss, managing a higher tolerance in volatility in investment returns, with the ability to manage foreign exchange exposures. The fund is targeted towards more sophisticated higher net worth retail investors. The fund's investment strategy is detailed in the Product Disclosure Statement, issued 16 June 2014.

Magellan Infrastructure Fund (MIF) invests in listed entities on any stock exchange whose primary business is the ownership and operation of infrastructure assets, such as airports, distribution, toll roads, water utilities, integrated power and communications infrastructure, in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 1 January 2015. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially hedged.

Magellan Infrastructure Fund (Unhedged) (MIFU) invests in infrastructure securities listed on any stock exchange. MIFU aims to achieve attractive risk-adjusted returns over the medium to long-term, while reducing the risk of permanent capital loss, in accordance with its investment strategy as detailed in the Product Disclosure Statement, issued 1 January 2015. The capital component of the foreign currency exposure, arising from investments in overseas markets, is substantially unhedged.

Responsible Entity's Report

for the year ended 30 June 2015

1.1 Principal activity (continued)

In addition to being the Responsible Entity, MAM is the Investment Manager of the Funds.

1.2 Significant changes in state of affairs

There were no significant changes during the year in the investment strategies of the Funds.

1.3 Review of operations

a) Financial results for the year

The performance of the Funds, as represented by the results of their operations for the year ended 30 June, was as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
Results										
Total net investment income (\$'000)	1,812,393	555,571	7,206	1,720	58,601	14,707	93,201	116,408	24,465	5,726
Total expenses (\$'000)	135,016	79,519	1,292	214	7,091	2,843	13,760	8,758	2,318	599
Net operating profit (\$'000)	1,677,377	476,052	5,914	1,506	51,510	11,864	79,441	107,650	22,147	5,127
Distributions										
Distribution paid and payable to unitholders (\$'000)	880,000	196,127	2,212	687	11,273	3,144	19,984	17,284	5,419	963
Distribution paid and payable (cents per unit)	24.3397	5.9876	2.0000	2.0000	6.7959	2.8258	2.8555	2.7926	4.0748	1.5681
Redemption unit price (ex-distribution) (\$)	1.8738	1.6352	1.2512	1.1305	1.4260	1.1322	1.1294	1.0318	1.4017	1.2029
Indirect cost ratio										
Management fee (%)	1.35	1.35	1.35	1.35	1.50	1.50	1.06	1.06	1.06	1.05
Performance fee (%)	0.42	-	0.13	-	1.83	1.06	0.45	0.08	0.21	0.12
Total indirect cost ratio (%)	1.77	1.35	1.48	1.35	3.33	2.56	1.51	1.14	1.26	1.17
Unit prices (net asset value) (ex-distribution) (\$)	1.8757	1.6368	1.2525	1.1316	1.4274	1.1333	1.1311	1.0333	1.4038	1.2047

The Total Indirect Cost Ratio (ICR) is the ratio of the Funds' management costs over their average gross assets attributable to unitholders for the year ended 30 June expressed as a percentage. Management costs include management fees and performance fees but do not include transactional and operational costs such as brokerage or foreign withholding tax. Management costs are accrued within the Funds' unit prices on a daily basis.

Responsible Entity's Report

for the year ended 30 June 2015

1.3 Review of operations (continued)

a) Financial results for the year (continued)

The performance returns for the 12 months to 30 June shown in the table below have been calculated using redemption unit prices for the Funds, which are after fees and expenses, assuming reinvestment of distributions. The returns are calculated daily, compounded monthly to produce longer period returns and are in accordance with the Financial Services Council Standard 6.00 Product Performance – Calculation of Returns.

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 %	30 Jun 2014 %	30 Jun 2015 %	30 Jun 2014 %	30 Jun 2015 %	30 Jun 2014 %	30 Jun 2015 %	30 Jun 2014 %	30 Jun 2015 %	30 Jun 2014 %
Performance										
Growth return ^(A)	14.6	7.8	10.7	13.2	25.9	13.3	9.4	18.6	16.5	20.5
Distribution return ^(B)	14.9	3.9	1.8	2.0	6.0	2.9	2.9	3.4	3.6	1.5
Total return ^(C)	29.5	11.7	12.5	15.2	31.9	16.2	12.3	22.0	20.1	22.0

(A) The Growth return for the year ended 30 June is calculated by dividing the end of year unit price (ex-distribution) by the prior year redemption unit price (ex-distribution) minus 1.

(B) The Distribution return is calculated by subtracting the Growth return from the Total return.

(C) The Total return for the year ended 30 June is calculated by dividing the end of year redemption unit price (cum-distribution) by the prior year redemption unit price (ex-distribution) minus 1.

Distributions

The distributions shown in the table on page 5 for MGF, MGFH and MHCF were declared for the year ended 30 June 2015. The distributions were paid on 13 July 2015. The distributions shown in the table for MIF and MIFU comprise an interim dividend for the six months to 31 December 2014 and final distribution for the year ended 30 June 2015. The final distributions were paid on 13 July 2015.

b) Strategy and future outlook

The Funds provide daily unit prices, monthly fund updates and six monthly investor reports which can be found in the Magellan Funds section of the Magellan Financial Group Limited website, www.magellangroup.com.au. These fund updates and investor reports include detailed discussions in relation to some investee companies from time to time along with fund outlook commentary.

1.4 Likely developments and expected results of operations

The Funds will continue to invest in companies and businesses in accordance with the investment strategies as detailed in their Product Disclosure Statements. Additional comments on the expected results of operations of the Funds are included in this report in Section 1.3 under the Review of Operations. The methods of operating the Funds are not expected to change in the foreseeable future, however the results of the Funds' operations may be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and past returns should not be used to predict future returns.

Responsible Entity's Report

for the year ended 30 June 2015

1.5 Interest in the Funds

The movement in units on issue in the Funds during the year ended 30 June 2015 is disclosed in note 7 a) to the financial statements.

As at 30 June 2015, the net assets attributable to unitholders of each Fund were as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Net assets attributable to unitholders	6,781,352	5,360,980	138,517	38,889	236,758	126,071	791,126	638,304	186,566	73,844

1.6 Events subsequent to the end of the year

There have been no matters or circumstances arising after the end of the year that have significantly affected, or may significantly affect, the Funds' operations in future financial years, the results of those operations, or the Funds' state of affairs in future financial years.

1.7 Indemnification and insurance of Directors and Officers

The Directors and Officers of the Responsible Entity in office are insured 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 their capacity of Directors and Officers of the Responsible Entity, other than for conduct involving a wilful breach of duty in relation to the Responsible Entity. During the year, Magellan Financial Group Limited paid, on behalf of the Responsible Entity, an insurance premium to insure the Directors and Officers of the Responsible Entity. The terms of the contract prohibit the disclosure of the premiums paid.

1.8 Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and consequently amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

1.9 Auditor

Ernst & Young continues in office as auditor. A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8. Refer to note 13 for details on the auditor's remuneration.

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

Brett Cairns
Executive Chairman

Sydney, 4 September 2015

Auditor's Independence Declaration



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

In relation to our audit of the financial report of the Schemes for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Rita Da Silva
Partner
4 September 2015

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2015

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	(A) 30 Jun 2014 \$'000	30 Jun 2015 \$'000	(A) 30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	(A) 30 Jun 2014 \$'000
Investment income											
Interest income		887	1,545	198	9	48	58	1,350	254	47	30
Dividend and distribution income		97,468	100,496	1,085	326	2,436	1,864	25,388	23,632	5,168	1,740
Net change in fair value of investments											
- held for trading		-	-	(7,264)	749	592	36	(39,234)	3,163	(4)	48
- designated at fair value through profit or loss		1,583,371	455,406	13,186	634	51,939	12,863	105,286	90,713	17,494	3,973
Net gains / (losses) on foreign exchange settlements, contracts and cash		130,667	(1,876)	1	2	3,586	(114)	411	(1,354)	1,747	(65)
Other income		-	-	-	-	-	-	-	-	13	-
Total net investment income		1,812,393	555,571	7,206	1,720	58,601	14,707	93,201	116,408	24,465	5,726
Expenses											
Management and administration fees	9 c) i)	91,371	65,997	1,021	174	3,020	1,515	7,746	5,961	1,506	356
Performance fees	9 c) ii)	28,562	26	95	-	3,702	1,070	3,368	456	294	41
Transaction costs		1,274	665	27	4	47	38	66	108	32	35
Withholding tax on dividends		13,809	12,831	149	36	322	220	2,580	2,233	486	167
Total expenses		135,016	79,519	1,292	214	7,091	2,843	13,760	8,758	2,318	599
Net operating profit		1,677,377	476,052	5,914	1,506	51,510	11,864	79,441	107,650	22,147	5,127
Finance costs attributable to unitholders											
Distributions to unitholders	2	(880,000)	(196,127)	(2,212)	(687)	(11,273)	(3,144)	(19,984)	(17,284)	(5,419)	(963)
Increase in net assets attributable to unitholders	7 b)	(797,377)	(279,925)	(3,702)	(819)	(40,237)	(8,720)	(59,457)	(90,366)	(16,728)	(4,164)
Profit / (loss) for the year		-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-

(A) The Funds were formed on 26 June 2013 and launched on 28 June 2013. The comparative period covers 28 June 2013 to 30 June 2014.

The above Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Financial Position

as at 30 June 2015

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	Note	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Assets											
Cash and cash equivalents	3	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668
Receivables	4	17,699	29,488	284	235	407	425	6,823	6,531	1,509	727
Investments	5 a)	6,472,714	5,309,389	118,577	37,916	223,334	126,215	723,465	627,180	170,172	71,747
Total assets		7,686,005	5,566,582	141,533	40,268	249,234	129,514	825,060	655,631	192,569	77,142
Liabilities											
Investments	5 b)	-	-	483	-	-	-	13,485	-	-	-
Payables	6	904,653	205,602	2,533	1,379	12,476	3,443	20,449	17,327	6,003	3,298
Total liabilities		904,653	205,602	3,016	1,379	12,476	3,443	33,934	17,327	6,003	3,298
Net assets attributable to unitholders	7 b)	6,781,352	5,360,980	138,517	38,889	236,758	126,071	791,126	638,304	186,566	73,844

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

Statements of Changes in Equity

for the year ended 30 June 2015

Under Australian Accounting Standards, the Funds' net assets attributable to unitholders are classified as a liability. As a result the Funds have no equity for financial reporting purposes and there were no changes in equity at the start or end of the current or prior years.

Statements of Cash Flows

for the year ended 30 June 2015

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
				(A)		(A)				(A)	
Note		30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Cash flows from operating activities											
		1,006	1,646	161	7	48	56	1,223	292	51	26
		109,715	91,505	1,166	226	2,736	1,547	23,492	21,172	4,252	1,212
		-	-	-	-	-	-	-	-	13	9
		(112,791)	(77,740)	(1,001)	(129)	(5,746)	(2,421)	(8,519)	(5,132)	(1,451)	(330)
		(13,849)	(16,935)	(170)	(54)	(322)	(264)	(2,704)	(2,474)	(545)	(190)
		(2,025)	(1,476)	(54)	(13)	(92)	(86)	(115)	(166)	(63)	(53)
		Net cash inflows/(outflows) from operating activities									
	8	(17,944)	(3,000)	102	37	(3,376)	(1,168)	13,377	13,692	2,257	674
Cash flows from investing activities											
		(2,937,169)	(2,331,532)	(102,524)	(37,500)	(130,059)	(161,774)	(121,523)	(287,935)	(97,794)	(69,778)
		3,355,217	971,088	34,191	1,135	84,959	48,334	129,922	143,082	15,847	4,195
		-	-	(6,625)	593	(72)	-	(24,162)	(23,430)	-	-
		86,164	369	152	(94)	3,651	16	515	(1,270)	1,528	36
		Net cash inflows/(outflows) from investing activities									
		504,212	(1,360,075)	(74,806)	(35,866)	(41,521)	(113,424)	(15,248)	(169,553)	(80,419)	(65,547)
Cash flows from financing activities											
		1,649,462	2,068,568	107,216	39,190	81,488	119,163	185,751	160,357	110,527	70,901
		(1,049,165)	(561,792)	(11,690)	(1,244)	(12,114)	(1,681)	(101,376)	(65,282)	(14,890)	(1,360)
		(164,153)	(62,663)	(268)	-	(2,336)	-	(9,751)	(7,044)	(1,672)	-
		Net cash inflows/(outflows) from financing activities									
		436,144	1,444,113	95,258	37,946	67,038	117,482	74,624	88,031	93,965	69,541
Net increase/(decrease) in cash and cash equivalents											
		922,412	81,038	20,554	2,117	22,141	2,890	72,753	(67,830)	15,803	4,668
		227,705	148,121	2,117	-	2,874	-	21,920	89,797	4,668	-
		45,475	(1,454)	1	-	478	(16)	99	(47)	417	-
	3	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668

(A) The Funds were formed on 26 June 2013 and launched on 28 June 2013. The comparative period covers 28 June 2013 to 30 June 2014.

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

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies

The financial reports cover the Magellan Global Fund, Magellan Global Fund (Hedged), Magellan High Conviction Fund, Magellan Infrastructure Fund and Magellan Infrastructure Fund (Unhedged) ("the Funds"), as individual entities, for the year ended 30 June 2015.

The Funds are registered managed investment schemes under the *Corporations Act 2001*. In accordance with the Funds' Constitutions, they commenced on the date that the first unit was issued, which is set out as follows:

Fund	Date of Commencement
Magellan Global Fund	1 July 2007
Magellan Infrastructure Fund	1 July 2007
Magellan Global Fund (Hedged)	28 June 2013
Magellan High Conviction Fund	28 June 2013
Magellan Infrastructure Fund (Unhedged)	28 June 2013

The Funds terminate on the day immediately preceding the 80th anniversary of their Date of Commencement, unless terminated earlier in accordance with the provisions of each Fund's Constitution.

Magellan Asset Management Limited (ABN 31 120 593 946) is the Responsible Entity of the Funds.

The financial reports were authorised for issue by the Directors of the Responsible Entity on 4 September 2015. The Directors have the power to amend and reissue the financial reports.

a) Basis of preparation

The financial reports are general purpose financial reports and have 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 and the Funds' Constitutions.

The financial reports are presented in Australian dollars. The Funds are for-profit unit trusts for the purpose of preparing these financial reports.

All comparatives are the same as prior years and the comparative amounts for Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund (Unhedged) cover the period 28 June 2013 to 30 June 2014, as they were launched on 28 June 2013.

Compliance with IFRS

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

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy, accounting standards and interpretations

i) New and amended standards and interpretations

The accounting policies are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2014. None of the new standards or amendments affected any of the amounts or the disclosures in the current or prior year.

ii) Accounting Standards and interpretations issued but not yet effective

The Australian and International Accounting Standards issued, but not yet mandatory, for the reporting period ended 30 June 2015 have not been adopted by the Funds in the preparation of these financial reports. An assessment of the impact of the new standards and interpretations, which may have a material impact on the Funds, is set out below:

- **AASB 9: Financial Instruments (AASB 9), AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 July 2018)**

AASB 9 contains new requirements for the 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 will be replaced with two measurement categories: fair value and amortised cost. Financial assets will only be measured at amortised cost where very specific conditions are met.

AASB 9 was revised in December 2014 to include new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. It also introduced a new expected-loss impairment model that requires credit losses to be recognised when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis.

At 30 June 2015, no material financial impact is expected on adoption of AASB 9 as the Funds currently classify financial assets and financial liabilities at either fair value or amortised cost and the carrying value of investments measured at amortised cost approximates fair value. In addition the Funds do not apply hedge accounting. The Funds continue to evaluate the disclosure requirements of this standard.

- **AASB 15: Revenue from Contracts with Customers (effective 1 July 2018) (AASB 15)**

AASB 15 supersedes the revenue recognition guidance in AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

The Funds have undertaken an assessment of the impact of AASB 15. Based on the assessment completed to date, the Funds do not expect any material change to the timing or manner of revenue recognition as their key revenues being interest income, dividend and distribution income and investment gains, are excluded from the scope of AASB 15. The Funds will continue to assess the disclosure requirements of AASB 15 so as to understand the extent of any impact on the current systems, processes and controls.

There are no other pronouncements or accounting standards, not yet effective at this time, that are expected to have a material impact to the financial statements in future reporting periods.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

b) Foreign currency translation

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

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

c) Investment income

Dividend and distribution income

Dividend and distribution income is recognised on the applicable ex-dividend/distribution date gross of withholding tax. Foreign dividends and trust distributions received are recognised net of withholding tax in the Statements of Cash Flows, with the foreign withholding tax recorded as an expense in the Statements of Profit or Loss and Other Comprehensive Income.

Net changes in fair value of investments

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

Interest income

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

d) Expenses

All expenses are recognised in the Statements of Profit or Loss and Other Comprehensive Income on an accruals basis. Management, administration and performance fees are set out in note 9 c).

e) Distributions

The Funds have a contractual obligation under the Funds' Constitutions to distribute all their distributable income to unitholders, by cash or reinvestment. Distributions are recognised as finance costs attributable to unitholders in the Statements of Profit or Loss and Other Comprehensive Income. A distribution payable is recognised in the Statements of Financial Position where the amount remains unpaid at reporting date.

f) Income tax

Under current income tax legislation, the Funds are not subject to income tax provided the net taxable income of the Funds is fully distributed to unitholders. Net realised tax losses are not distributed to unitholders but are retained in the Funds to be offset against any future assessable income or realised gains.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain would be included in net taxable income. Realised capital losses can only be utilised to offset any realised capital gains. Net realised capital losses are retained in the Funds to be offset against any future realised capital gains.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

f) Income tax (continued)

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

g) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as custodial services, management and administration fees has been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 75% and are also eligible to recover GST on offshore transactions. Management, administration and performance fees and other expenses have been recognised in the Statements of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statements of Financial Position as a receivable or payable. Cash flows are included in the Statements of Cash Flows on a gross basis.

h) Financial assets and liabilities

The Funds classify their financial assets into one of the four following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. 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 fair value through profit or loss, or financial liabilities at amortised cost. The classification of financial assets and liabilities depends on the purpose for which the assets are acquired and liabilities are incurred.

Financial assets and liabilities designated at fair value

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

- Financial instruments held for trading.
Derivative financial instruments held by the Funds are classified as held for trading. Further detail available in note 1 k).
- Financial instruments designated at fair value through profit or loss upon initial recognition.
The Funds have designated all equity securities as fair value through profit or loss. The fair value through profit or loss classification is in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Funds as set out in the Funds' Product Disclosure Statements.

Measurement

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

Financial assets classified as loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses (if any). Refer to note 4 for further details.

Financial liabilities, other than those at fair value through the Statements of Profit or Loss and Other Comprehensive Income, are measured at amortised cost using the effective interest rate. Refer to note 6 for further details.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

h) Financial assets and liabilities (continued)

Measurement (continued)

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

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Further details are at note 5.

Financial assets and financial liabilities are derecognised when the Funds no longer control the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold or the liability discharged.

i) Cash and cash equivalents

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

j) Receivables

Receivables comprise amounts due from brokers for sales of assets unsettled at the end of the reporting period, dividends and trust distributions declared but not yet received, and reclaimable taxes. They are recognised and carried at amortised cost using the effective interest rate method, which in the case of the Funds is cost, and adjusted for changes in foreign exchange rates where applicable, less a provision for uncollectible amounts.

k) Derivatives

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable.

Fair value hedge

Derivatives that hedge the fair value of the underlying exposure to financial assets denominated in currencies other than the Australian dollar can qualify as a fair value hedge under AASB 139. Derivatives that qualify as a fair value hedge, under AASB 139, are measured at fair value. Changes in fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The foreign currency component of the change in the fair value of the hedged asset or liability is offset against the change in the fair value of forward exchange contracts. Consequently, there is no impact on the total "net change in fair value of investments" recognised in the Statements of Profit or Loss and Other Comprehensive Income in the reporting period.

Magellan Global Fund (Hedged) (MGFH) had derivatives that qualified as fair value hedges, under AASB 139, for the period 1 July 2013 to 30 June 2014. These were included in the Statement of Financial Position as a current asset or current liability, as the duration of the derivative, and underlying hedged asset or liability, was less than 12 months.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

k) Derivatives (continued)

Fair value hedge (continued)

MGFH discontinued hedge accounting from 1 July 2014. Refer to note 10 c) for further details. As a result, prior period comparatives, which included derivatives that qualified for hedge accounting under AASB 139, are unchanged. Derivatives held by MGFH from 1 July 2014, that no longer qualify for hedge accounting are accounted for as set out below.

Derivatives that do not qualify for hedge accounting

Derivative instruments that do not qualify for hedge accounting under AASB 139 are recognised at fair value and changes in the fair value are recorded in the Statements of Profit or Loss and Other Comprehensive Income and included in 'net change in fair value of investments – held for trading'. The derivatives are included in the Statements of Financial Position as a current asset when the fair value at balance date is positive and classified as a current liability when the fair value at balance date is negative.

l) Payables

Payables comprise trade creditors and accrued expenses owing by the Funds at balance date which are unpaid. Amounts due to brokers relating to the purchase of investments are usually settled between two and five days after trade date. Payables are recognised at fair value. A distribution payable to unitholders of the Funds is recognised for the amount of any net profit, capital or tax credits distributable to unitholders in accordance with the Funds' Constitutions but not distributed at balance date.

m) Net assets attributable to unitholders

The units issued by the Funds are classified as liabilities in the Statements of Financial Position as the Funds' Constitutions require the net income of the Funds to be distributed to unitholders of the Funds. Changes in net assets attributable to unitholders are recognised in the Statements of Profit or Loss and Other Comprehensive Income as finance costs.

Applications received for units in the Funds are recorded net of entry fees. Redemptions from the Funds are recorded gross of exit fees. The Funds recognise the units issued or redeemed when settled, which is trade date.

n) Offsetting financial instruments

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Refer to note 10 g) for further detail.

o) Rounding of amounts

The Funds are of a kind referred to in the Australian Securities & Investments Commission's Class Order 98/100 (as amended) and amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the Class Order, unless otherwise indicated.

p) Critical accounting estimates and judgements

The preparation of the Funds' 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.

Notes to the Financial Statements

for the year ended 30 June 2015

1. Summary of significant accounting policies (continued)

p) Critical accounting estimates and judgements (continued)

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer to further detail in note 10 f)). As most investments are valued with reference to the listed quoted prices, the Funds' financial assets are not subject to significant judgement or complexity nor are the Funds' liabilities.

q) Including different registered scheme financial reports in a single document

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

2. Distributions to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
Interim distribution paid to unitholders \$'000	-	-	-	-	-	-	5,987	5,215	1,025	-
Final distribution payable to unitholders \$'000	880,000	196,127	2,212	687	11,273	3,144	13,997	12,069	4,394	963
Total distribution to unitholders \$'000	880,000	196,127	2,212	687	11,273	3,144	19,984	17,284	5,419	963
Total distribution cents per unit	24.3397	5.9876	2.0000	2.0000	6.7959	2.8258	2.8555	2.7926	4.0748	1.5681

The final distribution in respect of the year ended 30 June 2015 for each Fund was declared on 26 June 2015, paid on 13 July 2015 and classified as a payable in each of the Statements of Financial Position.

a) Distribution Reinvestment Plan (DRP)

A DRP operated in each Fund during the years ended 30 June 2015 and 30 June 2014. Unitholders may request their distributions to be applied as subscriptions for additional units in the respective Fund at the Issue Price (as defined in the respective Fund's Constitution), determined after the number of units on issue is calculated for the purpose of making the distribution.

Notes to the Financial Statements

for the year ended 30 June 2015

2. Distributions to unitholders (continued)

a) Distribution Reinvestment Plan (DRP) (continued)

The DRP issue price of each Fund is as follows:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$	30 Jun 2014 \$	30 Jun 2015 \$	30 Jun 2014 \$	30 Jun 2015 \$	30 Jun 2014 \$	30 Jun 2015 \$	30 Jun 2014 \$	30 Jun 2015 \$	30 Jun 2014 \$
DRP issue price (final distribution - units issued 1 July)	1.8757	1.6368	1.2525	1.1316	1.4274	1.1333	1.1311	1.0333	1.4038	1.2047

	Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	31 Dec 2014 \$	31 Dec 2013 \$	31 Dec 2014 \$	31 Dec 2013 \$
DRP issue price (interim distribution - units issued 1 January)	1.1155	0.9364	1.3697	na

3. Cash and cash equivalents

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Cash at bank - denominated in A\$	27,994	157,343	22,602	2,014	619	1,474	88,824	19,743	2,812	4,410
Cash at bank - denominated in foreign currency	1,167,598	70,362	70	103	24,874	1,400	5,948	2,177	18,076	258
Total cash and cash equivalents	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668

Notes to the Financial Statements

for the year ended 30 June 2015

4. Receivables

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Dividend receivable	1,100	12,323	20	77	69	327	4,913	4,762	1,118	521
Interest receivable	28	142	38	2	1	2	148	22	2	4
Recoverable GST and foreign withholding tax	10,517	9,730	78	27	137	92	1,310	1,137	130	42
Receivable on spot transactions	-	-	-	-	-	-	-	9	-	4
Applications receivable	6,054	7,293	148	129	200	4	452	601	259	156
Total receivables	17,699	29,488	284	235	407	425	6,823	6,531	1,509	727

Notes to the Financial Statements

for the year ended 30 June 2015

5. Investments

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
a) Investment assets										
<i>Financial assets designated at fair value through profit or loss</i>										
Australian listed equity securities	212,884	-	3,950	-	-	-	127,334	127,368	29,861	14,890
International listed equity securities	6,259,830	5,309,389	114,627	37,760	222,671	126,215	596,131	498,232	140,311	56,857
Total financial assets designated at fair value profit or loss	6,472,714	5,309,389	118,577	37,760	222,671	126,215	723,465	625,600	170,172	71,747
Held for trading financial assets										
<i>Derivatives</i>										
Forward foreign currency contracts	-	-	-	156	663	-	-	1,580	-	-
Total held for trading financial assets	-	-	-	156	663	-	-	1,580	-	-
Total investment assets	6,472,714	5,309,389	118,577	37,916	223,334	126,215	723,465	627,180	170,172	71,747
b) Investment liabilities										
<i>Held for trading financial liabilities</i>										
Forward foreign currency contracts	-	-	483	-	-	-	13,485	-	-	-
Total investment liabilities	-	-	483	-	-	-	13,485	-	-	-

Fair value disclosures

An overview of the risk exposures and fair value measurements relating to investments held at fair value through the Statements of Profit or Loss and Other Comprehensive Income is included in note 10 f).

Notes to the Financial Statements

for the year ended 30 June 2015

6. Payables

		Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
		30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
	Note										
Distribution payable		880,000	196,127	2,212	687	11,273	3,144	13,997	12,069	4,394	963
Management fees payable	9 c) i)	8,722	6,320	160	45	315	164	714	577	169	66
Performance fees payable	9 c) ii)	2,478	-	-	-	825	-	1,421	10	247	1
Due to brokers		-	-	118	642	-	-	3,959	4,526	1,114	2,251
Redemptions payable		13,453	3,155	43	5	63	135	358	145	79	17
Total payables		904,653	205,602	2,533	1,379	12,476	3,443	20,449	17,327	6,003	3,298

Notes to the Financial Statements

for the year ended 30 June 2015

7. Net assets attributable to unitholders

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 No. of Units	30 June 2014 No. of Units	30 June 2015 No. of Units	30 June 2014 No. of Units	30 June 2015 No. of Units	30 June 2014 No. of Units	30 June 2015 No. of Units	30 June 2014 No. of Units	30 June 2015 No. of Units	30 June 2014 No. of Units
a) Units on issue										
Units on issue at beginning of year	3,275,582,141	2,344,526,411	34,373,843	-	111,251,807	-	618,919,902	519,298,445	61,411,928	-
Units issued during the year	899,812,118	1,271,362,051	85,860,872	35,515,192	63,413,849	112,877,922	173,685,635	168,649,917	82,291,006	62,579,474
Units redeemed during the year	(559,904,686)	(340,306,321)	(9,632,103)	(1,141,349)	(8,785,325)	(1,626,115)	(92,778,973)	(69,028,460)	(10,722,078)	(1,167,546)
Units on issue at end of year	3,615,489,573	3,275,582,141	110,602,612	34,373,843	165,880,331	111,251,807	699,826,564	618,919,902	132,980,856	61,411,928

Terms and conditions of units

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

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

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
b) Changes in net assets attributable to unit holders										
Opening balance	5,360,980	3,558,946	38,889	-	126,071	-	638,304	453,301	73,844	-
Applications	1,648,223	2,067,777	107,114	39,310	81,684	119,167	185,602	150,595	110,630	71,057
Redemptions	(1,059,464)	(561,595)	(11,728)	(1,248)	(12,042)	(1,816)	(101,589)	(65,041)	(14,952)	(1,377)
Reinvestment of distributions and management fee rebates	34,236	15,927	540	8	808	-	9,352	9,083	316	-
Increase in net assets attributable to unitholders	797,377	279,925	3,702	819	40,237	8,720	59,457	90,366	16,728	4,164
Closing balance	6,781,352	5,360,980	138,517	38,889	236,758	126,071	791,126	638,304	186,566	73,844

Notes to the Financial Statements

for the year ended 30 June 2015

8. Notes to the Statements of Cash Flows

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
a) Reconciliation of cash flows from operating activities										
Net operating profit	1,677,377	476,052	5,914	1,506	51,510	11,864	79,441	107,650	22,147	5,127
Adjusted for:										
Income entitlements reinvested	(13)	(3,336)	13	(21)	-	-	(1,916)	(593)	(350)	-
Net changes in fair value of investments:										
- held for trading	-	-	7,264	(749)	(592)	(36)	39,234	(3,163)	4	(48)
- designated at fair value through profit or loss	(1,583,371)	(455,406)	(13,186)	(634)	(51,939)	(12,863)	(105,286)	(90,713)	(17,494)	(3,973)
Net losses/(gains) on currency transactions	(129,692)	2,710	8	(2)	(3,547)	127	(284)	1,424	(1,723)	65
Fee rebates reinvested into units in the Funds	2,262	2,276	-	-	-	-	1,047	1,045	-	-
Changes in operating receivables and payables										
- Net (increase)/decrease in receivables and other assets	10,613	(11,303)	(26)	(108)	216	(424)	(407)	(2,199)	(676)	(565)
- Net increase/(decrease) in payables and other liabilities	4,880	(13,993)	115	45	976	164	1,548	241	349	68
Net cash inflow/(outflow) from operating activities	(17,944)	(3,000)	102	37	(3,376)	(1,168)	13,377	13,692	2,257	674
b) Non-cash investing and financing activities										
Investments purchased via reinvestment of income entitlements	13	3,336	(13)	21	-	-	1,916	593	350	-
Fee rebates reinvested into units in the Funds	2,262	2,276	-	-	-	-	1,047	1,045	-	-
Distributions reinvested into units in the Funds	31,974	13,651	540	-	808	-	8,305	8,038	316	-

Notes to the Financial Statements

for the year ended 30 June 2015

9. Related parties

a) Responsible entity

The Responsible Entity of the Funds is MAM. MAM is a wholly owned subsidiary of Magellan Financial Group Limited (ASX code: MFG), the immediate and ultimate parent entity of the Responsible Entity, and both are considered to be related parties of the Funds. Refer to note 9 c) for detail on Responsible Entity's fees.

MAM provides Responsible Entity / investment management services to the Funds.

b) Key management personnel

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

(i) Directors

The Directors of MAM, the Responsible Entity of the Funds, are considered to be KMP. The Directors of MAM during the year and up to the date of this report are Dr Brett Cairns, Mr Hamish Douglass, Mr Robert Fraser, Mr Paul Lewis and Ms Karen Phin.

(ii) Other key management personnel (Other KMP)

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

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

Remuneration of key management personnel

The Directors of the Responsible Entity and Other KMP are all employees of MAM and are not compensated by the Funds. AASB 124 *Related Party Disclosures* requires compensation provided by the Funds or on behalf of the Funds to be disclosed. MAM pays a portion of the compensation to its employees in relation to managing the affairs of the Funds. MAM has not made any determination as to what proportion of its employees' compensation relates to the Funds. MAM compensated KMP as follows:

Short term benefits Salary		Short term benefits Cash bonus		Post-employment benefits		Long-term benefits		Other benefits		Total remuneration paid to KMP	
30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$
3,240,485	2,567,006	3,485,338	2,846,469	96,398	77,515	40,342	140,642	138,167	156,568	7,000,730	5,788,200

Notes to the Financial Statements

for the year ended 30 June 2015

9. Related parties (continued)

c) Responsible Entity fees

Compensation is paid to the Responsible Entity in the form of fees as follows:

(i) Management and administration fees

The Responsible Entity is entitled to receive management fees from the Funds. The Responsible Entity also charges an administration fee of 0.10% to each of the Funds from which the operating expenses of the Funds, such as audit and tax compliance fees, distribution costs, investor reporting, custody and fund administration costs are paid. Management and administration fees are calculated and payable monthly, based on the net asset value (before fees) of the Funds at the end of that month.

The management and administration fees paid/payable by the Funds during the year are net of any applicable reduced input tax credits – refer to note 1 g).

(ii) Performance fees

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

The management, administration and performance fees paid/payable by the Funds during the year are set out on the following page.

Notes to the Financial Statements

for the year ended 30 June 2015

9. Related parties (continued)

c) Responsible Entity fees (continued)

	30 June 2015		30 June 2014	
	% pa	\$	% pa	\$
Magellan Global Fund				
Management fee	1.25	84,603,276	1.25	61,105,826
Administration fee	0.10	6,768,274	0.10	4,890,764
Total management and administration fees	1.35	91,371,550	1.35	65,996,590
Performance fee		28,561,623		26,324
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		119,933,173		66,022,914
Total management, administration and performance fees payable per the Statement of Financial Position		11,200,156		-
Magellan Global Fund (Hedged)				
Management fee	1.25	945,353	1.25	160,536
Administration fee	0.10	75,628	0.10	12,842
Total management and administration fees	1.35	1,020,981	1.35	173,378
Performance fee		95,163		-
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		1,116,144		173,378
Total management, administration and performance fees payable per the Statement of Financial Position		160,111		-
Magellan High Conviction Fund				
Management fee	1.40	2,819,409	1.40	1,414,442
Administration fee	0.10	201,386	0.10	101,030
Total management and administration fees	1.50	3,020,795	1.50	1,515,472
Performance fee		3,702,308		1,069,568
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		6,723,103		2,585,040
Total management, administration and performance fees payable per the Statement of Financial Position		1,139,537		6
Magellan Infrastructure Fund				
Management fee	0.95	7,007,800	0.95	5,392,945
Administration fee	0.10	737,663	0.10	568,022
Total management and administration fees	1.05	7,745,463	1.05	5,960,967
Performance fee		3,367,945		456,255
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		11,113,408		6,417,222
Total management, administration and performance fees payable per the Statement of Financial Position		2,134,728		10,299
Magellan Infrastructure Fund (Unhedged)				
Management fee	1.25	1,362,986	1.25	321,672
Administration fee	0.10	143,473	0.10	33,858
Total management and administration fees	1.35	1,506,459	1.35	355,530
Performance fee		293,685		40,885
Total fees expensed per Statement of Profit or Loss and Other Comprehensive Income		1,800,144		396,415
Total management, administration and performance fees payable per the Statement of Financial Position		416,490		735

Notes to the Financial Statements

for the year ended 30 June 2015

9. Related parties (continued)

Related party transactions

The number of units held and related transactions during the year by each KMP, including their personally-related parties, in the Funds are as follows:

	30 June 2015					30 June 2014				
	Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable	Units acquired during the year ^(A)	Units redeemed during the year	Units held at end of year		Distribution paid or payable
	Number	Number	Number	%	\$	Number	Number	Number	%	\$
Magellan Global Fund										
Magellan Financial Group Limited	-	4,783,545	43,343,426	1.2	10,549,668	10,544,523	-	48,126,971	1.5	2,881,628
Directors										
Hamish Douglass ^(B)	44,128	-	1,250,440	^(C)	304,354	345,927	-	1,206,312	^(C)	72,229
Paul Lewis	12,856	-	364,293	^(C)	88,668	7,376	-	351,437	^(C)	21,043
Other Key Management Personnel										
Nerida Campbell	1,967	-	55,749	^(C)	13,569	32,712	-	53,782	^(C)	3,220
Gerald Stack	2,012	-	57,034	^(C)	13,882	1,155	-	55,022	^(C)	3,294
Frank Casarotti ^(B)	-	-	-		-	-	-	-		-
Magellan Global Fund (Hedged)										
Magellan Financial Group Limited	-	-	499,838	0.5	9,997	499,838	-	499,838	1.5	9,997
Magellan High Conviction Fund										
Magellan Financial Group Limited	-	-	17,166,176	10.3	1,166,591	17,166,176	-	17,166,176	15.4	485,075
Directors										
Hamish Douglass	36,971	-	1,519,722	0.9	103,278	1,482,751	-	1,482,751	1.3	41,899
Magellan Infrastructure Fund										
Magellan Financial Group Limited	19,273	-	2,306,356	0.3	67,626	70,352	-	2,287,083	0.4	65,210
Directors										
Paul Lewis	1,088	-	40,712	^(C)	1,194	1,219	-	39,624	^(C)	1,130
Other Key Management Personnel										
Gerald Stack	1,979	-	74,050	^(C)	2,171	2,217	-	72,071	^(C)	2,055
Magellan Infrastructure Fund (Unhedged)										
Magellan Financial Group Limited	10,984	-	1,515,502	1.1	65,123	1,504,518	-	1,504,518	2.4	23,592

(A) Includes the re-investment of 30 June 2013 and 30 June 2014 distributions in the years ended 30 June 2014 and 30 June 2015 respectively.

(B) In addition to the above direct holdings, Mr Douglass and Mr Casarotti selected the Magellan Global Select Option through their superannuation funds and currently have holdings of 417,532 and 236,792 units at a value of \$580,745 and \$329,354 respectively as at 30 June 2015 (June 2014: holdings of 403,233 and 169,824 units at a value of \$445,814 and \$291,146 respectively).

(C) Less than 0.1%.

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

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management

a) Financial risk management

The Funds' investment portfolios primarily comprise listed equity investments. Each Fund's investment objective is to seek long term capital growth through investing in undervalued securities globally. The Funds' investment objectives are described in their respective Product Disclosure Statements. The Funds' investing activities expose them to various types of risks: market risks, credit risk and liquidity risk.

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

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

b) Concentration risk

Concentration indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. The Funds hold a concentrated portfolio of investments, and the returns of the Funds may be dependent upon the performance of individual companies. The concentrated exposure may lead to increased volatility in the Funds' unit price, and also increases the risk of poor performance.

The Funds' concentration risk is managed in accordance with the Portfolio Risk Controls for each Fund, which are approved by the Investment Committee.

c) Market risk

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

i) Equity price risk

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

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

c) Market risk (continued)

i) Equity price risk (continued)

Sensitivity analysis

An increase of 5% in the market price of each of the Funds' investments held at 30 June, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Impact on net operating profit and net assets attributable to unitholders	323,636	265,469	5,929	1,888	11,134	6,311	36,173	31,280	8,509	3,587

A decrease of 5% in the market price of each of the Funds' investments would have had an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

ii) Currency risk

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

The currency risk of Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) is managed on an unhedged basis and therefore the returns of these funds are exposed to changes in exchange rates relative to the Australian dollar. In exceptional circumstances the Responsible Entity may elect to hedge currency exposure in these funds to a major currency. No such hedging activities were undertaken in respect of these funds during the years ended 30 June 2014 and 30 June 2015.

The Responsible Entity of the Magellan High Conviction Fund may hedge some or all of the capital component of the foreign currency exposure of the fund, arising from investments in overseas markets, back to Australian dollars. However there is no guarantee that any or all of the Fund will be hedged at any point in time.

Magellan Global Fund (Hedged) and Magellan Infrastructure Fund are managed on a currency hedged basis using forward foreign currency contracts. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund invest in financial assets denominated in currencies other than the Australian dollar, and are therefore exposed to the risk that movements in foreign exchange rates will cause fluctuations in profit or loss. Magellan Global Fund (Hedged) and Magellan Infrastructure Fund use forward foreign currency contracts to mitigate this risk by hedging the underlying exposure to financial assets denominated in currencies other than the Australian dollar.

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Due to daily changes in the fair value of underlying assets, the face value of hedging contracts will not always completely eliminate currency exposure. Where it is a strategy of the fund to substantially eliminate currency exposure, the appropriateness of the amounts hedged is monitored daily and adjusted if the total net exposure of the funds to any individual foreign currency is greater than 5% of the net assets of the respective fund.

The Funds' total net exposure to fluctuations in foreign currency exchange rates in the Statements of Financial Position is:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
US dollars	6,194,010	3,994,846	(1,084)	115	135,720	106,699	(1,574)	4,385	60,377	16,293
Euro	425,702	651,097	212	182	53	8,724	(3,439)	6,445	50,174	20,645
British pounds	629,279	369,007	177	157	32,623	12,582	658	3,170	17,988	9,001
Swiss francs	187,479	385,835	(41)	147	1	1	(4,241)	1,013	9,100	3,497
New Zealand dollars	-	-	-	-	-	-	333	1,434	7,926	3,154
Canadian dollars	-	-	-	-	-	-	910	315	9,687	3,084
Chilean pesos	-	-	-	-	-	-	(390)	(43)	3,802	1,806

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

Sensitivity analysis

A 5% increase or decrease in to Australian dollar relative to each currency to which the Funds had significant exposure, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)		
	30 June 2015		30 June 2015		30 June 2015		30 June 2015		30 June 2015		
	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	
Assets and liabilities denominated in:											
US dollars	(294,953)	326,001	52	-	57	(6,463)	7,143	75	(83)	(2,875)	3,178
Euro	(20,272)	22,405	(10)		11	(3)	3	164	(181)	(2,389)	2,641
British pounds	(29,966)	33,120	(8)		9	(1,553)	1,717	(31)	35	(857)	947
Swiss francs	(8,928)	9,867	2	-	2	-	-	202	(223)	(433)	479
New Zealand dollars	-	-	-		-	-	-	(16)	18	(377)	417
Canadian dollars	-	-	-		-	-	-	(43)	48	(461)	510
Chilean pesos	-	-	-		-	-	-	19	(21)	(181)	200

	30 June 2014		30 June 2014		30 June 2014		30 June 2014		30 June 2014	
	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000	5% increase in A \$'000	5% decrease in A \$'000
Assets and liabilities denominated in:										
US dollars	(190,231)	210,255	(6)	6	(5,081)	5,616	(209)	231	(776)	858
Euro	(31,005)	34,268	(9)	10	(415)	459	(307)	339	(983)	1,087
British pounds	(17,572)	19,421	(7)	8	(599)	662	(151)	167	(429)	474
Swiss francs	(18,373)	20,307	(7)	8	-	-	(48)	53	(167)	184
New Zealand dollars	-	-	-	-	-	-	(68)	75	(150)	166
Canadian dollars	-	-	-	-	-	-	(15)	17	(147)	162
Chilean pesos	-	-	-	-	-	-	2	(2)	(86)	95

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

c) Market risk (continued)

ii) Currency risk (continued)

The Responsible Entity of Magellan Global Fund (Hedged) adopted hedge accounting under AASB 139, from 1 July 2013, to designate some forward foreign currency contracts entered into during the reporting period as a fair value hedge (refer to note 1 k)). The adoption of hedge accounting by Magellan Global Fund (Hedged) did not impact the results reported in the Statement of Profit or Loss and Other Comprehensive Income, however the accounting treatment of the hedging instruments (forward foreign currency contracts) changed from 1 July 2014 and the fair value movements on these derivatives were recognised within 'net change in fair value of investments – held for trading' in the Statement of Profit or Loss and Other Comprehensive Income. At 30 June 2014, the net fair value of the financial assets and financial liabilities being hedged was \$27,987,000, while the principal amount of the forward foreign currency contracts that qualified as fair value hedges was (\$27,964,426). The net fair value of the forward foreign currency contracts that qualified as fair value hedges, at 30 June 2014, was \$221,217. The adoption of hedge accounting for the year ended 30 June 2014, resulted in a fair value net gain arising on the hedging instruments of \$418,867, and the fair value net loss on hedged items of (\$445,215).

Hedge accounting was discontinued by MGFH from 1 July 2014. There were no financial impacts as a result of discontinuing hedge accounting and in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, the prior year comparatives for the year ended 30 June 2014 are not restated. Rather, from 1 July 2014, MGFH has accounted for all derivatives as derivatives that do not qualify for hedge accounting and in accordance with the accounting policy set out in note 1 k). As a result, the fair value movements on the derivatives from 1 July 2014 are recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'net change in fair value of investments – fair value through profit or loss'. Up to 1 July 2014, the fair value movements on the derivatives were recognised within 'net change in fair value of investments – held for trading' in the Statement of Profit or Loss and Other Comprehensive Income.

Whilst the Magellan Infrastructure Fund also uses forward foreign currency contracts, these derivatives did not qualify for hedge accounting under AASB 139 during the year ended 30 June 2015 and the prior year ended 30 June 2014.

iii) 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 Funds' exposure to interest rate risk relates to cash balances.

Sensitivity analysis

Based on the Australian and US dollar cash balances held by the Funds at 30 June 2015, an increase of 10 basis points in floating interest rates, assuming all other variables remain constant, would have had the following impact on the Funds' net operating profit and net assets attributable to unitholders:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Australian dollar cash balances	28	157	23	2	1	1	89	20	3	4
US dollar cash balances	1,168	66	-	-	25	1	4	1	18	-
Impact on net operating profit and net assets attributable to unitholders	1,196	223	23	2	25	3	92	21	20	4

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

iii) Interest rate risk (continued)

Sensitivity analysis (continued)

A decrease of 10 basis points in floating interest rates would have an equal but opposite effect on the Funds' net operating profit and net assets attributable to unitholders.

The level of cash held by the Funds may vary from time to time, depending on the level of recent capital flows into and out of the Funds, and on the Responsible Entity's judgement. The cash balances held by the Funds as at 30 June 2015 may therefore not be typical of the amounts of cash generally held by the Funds.

None of the Funds hold other significant cash balances exposed to interest rates in other currencies. In addition the Funds did not have any borrowings, or other financial liabilities or assets with direct exposure to changes in interest rates.

c) Liquidity risk

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

At 30 June, the Funds had an obligation to settle payables with cash and cash equivalents as set out in the table below:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Payables	904,653	205,602	2,533	1,379	12,476	3,443	20,449	17,327	6,003	3,298
Cash and cash equivalents	1,195,592	227,705	22,672	2,117	25,493	2,874	94,772	21,920	20,888	4,668

At 30 June 2015, the Funds' financial liabilities comprised payables which mature in less than a month (June 2014: less than one month) (refer note 6).

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

d) Credit risk

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

The Funds minimise concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition the credit rating and financial positions of the brokers used, by the Funds, are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

The Funds minimise concentrations of credit risk by undertaking transactions with numerous reputable brokers, and by ensuring cash balances are held with and managed by counterparties that are reputable financial intermediaries with acceptable credit ratings determined by a recognised rating agency. In addition the credit rating and financial positions of the brokers used, by the Funds, are regularly monitored to further mitigate this risk. Credit risk relating to outstanding settlements is considered small due to the short settlement periods involved.

Magellan Global Fund and Magellan Infrastructure Fund (Unhedged) do not hold derivatives. Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund, use derivative financial instruments for currency hedging purposes. Derivatives are not used to gear (leverage) the portfolio. Magellan Global Fund (Hedged), Magellan High Conviction Fund and Magellan Infrastructure Fund may have credit risk arising from forward foreign currency positions if the market value of those positions is positive.

At 30 June 2015 the market values of forward foreign currency contracts were: Magellan Global Fund (Hedged) (\$483,000) (June 2014: \$156,000), Magellan High Conviction Fund \$663,000 (June 2014: \$nil) and Magellan Infrastructure Fund (\$13,485,000) (June 2014: \$1,580,000).

The Responsible Entity has appointed The Northern Trust Company (NT) as the Funds' custodian. In acting as custodian, NT is required to comply with the relevant provisions of the Corporations Act, applicable ASIC regulatory guides and class orders relating to registered managed investment schemes property arrangements. The credit quality of NT's senior debt is rated, as at 30 June 2015, by Standard and Poors as A+ and by Moody's as A2 (AA- and Aa3 respectively at 30 June 2014).

At 30 June 2015 and 30 June 2014, the Funds' maximum exposure to credit risk is the carrying value of the financial assets recognised in the Statements of Financial Position.

i) Ageing analysis of receivables

At 30 June 2015, the Funds' receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2014: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2014: 30 to 90 days). Foreign withholding tax is due within 2 to 5 years dependent on the jurisdiction (June 2014: 2 to 5 years). No amounts are impaired or past due at 30 June 2015 or 30 June 2014.

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

e) Fair value measurements

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The fair value of these securities is based on the closing bid price for the security as quoted on the relevant exchange.
- Level 2: valuation techniques using observable inputs either directly (as prices) or indirectly (derived from prices). The fair value of derivatives is based on a discounted cash flow analysis using quoted market inputs (spot and forward rates, volatility) adjusted for specific features of the instruments and applied debit and credit valuation adjustments based on the Funds' or the derivative counterparties' current credit worthiness.
- Level 3: valuation techniques using non-market observable inputs.

The following table presents the fair value measurement hierarchy the Funds' financial assets and liabilities:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Assets measured at fair value										
Level 1: Investments - valued using quoted price ^(A)	6,472,714	5,309,389	118,577	37,760	222,671	126,215	723,465	625,600	170,172	71,747
Level 2: Forward foreign currency contracts	-	-	-	156	663	-	-	1,580	-	-
Total financial assets	6,472,714	5,309,389	118,577	37,916	223,334	126,215	723,465	627,180	170,172	71,747
Liabilities measured at fair value										
Level 2: Forward foreign currency contracts	-	-	483	-	-	-	13,485	-	-	-
Total financial liabilities	-	-	483	-	-	-	13,485	-	-	-

^(A) All Australian and international equity securities held by the Funds are Level 1 assets.

The Funds do not hold any level 3 assets.

There have been no transfers between any of the three levels in the hierarchy during the year and the Funds' policies are to recognise transfers into and out of fair value hierarchy levels as at the end of each reporting period.

Notes to the Financial Statements

for the year ended 30 June 2015

10. Capital and financial risk management (continued)

f) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented net in the Statements of Financial Position where the Funds currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative assets and liabilities that are subject to legally enforceable master netting agreements, such as an International Swaps and Derivatives Association (ISDA) master netting agreements, meet the criteria for offsetting in the Statements of Financial Position as the Funds have a currently legally enforceable right to offset recognised amounts. All other forwards are contracted individually with the intention to settle the forward asset or liability simultaneously if required.

For the year ended 30 June 2015 and 30 June 2014, forward foreign currency contracts, presented in the table in note 10 f) are the financial assets and financial liabilities covered by these master netting agreements.

11. Contingent assets, contingent liabilities and commitments

The Funds have no contingent assets, contingent liabilities or commitments at 30 June 2015 (June 2014: nil).

12. Events subsequent to the end of the year

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the financial reports that have significantly affected, or may significantly affect, the Funds' operations, the results of those operations, or the Funds' state of affairs in future years.

13. Auditor's remuneration

During the year, the following amounts were paid or payable by the Responsible Entity on behalf of the Funds for services provided by the auditor of the Funds, Ernst & Young:

	Magellan Global Fund		Magellan Global Fund (Hedged)		Magellan High Conviction Fund		Magellan Infrastructure Fund		Magellan Infrastructure Fund (Unhedged)	
	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$
Audit services										
Audit of the financial reports	20,500	18,500	40,500	13,500	20,500	18,500	20,500	18,500	20,500	13,500
	20,500	18,500	40,500	13,500	20,500	18,500	20,500	18,500	20,500	13,500
Non-audit services										
Other non-audit services	10,000	10,000	16,800	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total auditor's remuneration	30,500	28,500	57,300	23,500	30,500	28,500	30,500	28,500	30,500	23,500

Directors' Declaration

for the year ended 30 June 2015

In the opinion of the Directors, the financial statements and notes of:

Magellan Global Fund
Magellan Global Fund (Hedged)
Magellan High Conviction Fund
Magellan Infrastructure Fund; and
Magellan Infrastructure Fund (Unhedged), (together "the Funds") as set out on pages 9 to 38;

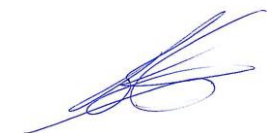
a) are in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the financial position of the Funds as at 30 June 2015 and of their performance as represented by the results of their operations and their cash flows for the year ended on that date; and
- ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and

d) note 1 a) confirms that the financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the Directors of the Responsible Entity.



Brett Cairns
Executive Chairman

Sydney, 4 September 2015

Independent Auditor's Report



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Independent auditor's report to the unitholders of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged)

Report on the financial report

We have audited the accompanying financial report of Magellan Global Fund, Magellan Infrastructure Fund, Magellan High Conviction Fund, Magellan Global Fund (Hedged) and Magellan Infrastructure Fund (Unhedged) ("the Schemes"), which comprises the statements of financial position as at 30 June 2015, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report



Independence

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

Opinion

In our opinion:

- a. the financial report of the Schemes is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Schemes' financial position as at 30 June 2015 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 (a).

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Rita Da Silva' in black ink.

Rita Da Silva
Partner

Sydney

4 September 2015

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Corporate Information

Directors of the Responsible Entity

Brett Cairns (Chairman)
Hamish Douglass
Robert Fraser
Paul Lewis
Karen Phin

Company Secretary of the Responsible Entity

Geoffrey Stirton

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Magellan Asset Management Limited

Auditor and Taxation Adviser

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