

**Magellan Flagship Fund Limited**  
ABN 32 121 977 844

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25 February 2010

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

Dear Sir/Madam

**CONDENSED FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2009**

Magellan Flagship Fund Limited (**MFF**) hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2009; and
2. Condensed Financial Report for Magellan Flagship Fund Limited for the half year ended 31 December 2009

MFF's Half Yearly Investor Report will immediately follow this announcement.

Yours sincerely,



**Leo Quintana**  
**Legal Counsel & Company Secretary**

## Appendix 4D

### Magellan Flagship Fund Limited

### Half Year Report Ended 31 December 2009

#### Details of the report period:

Current period: 1 July 2009 to 31 December 2009  
 Comparative period: 1 July 2008 to 31 December 2008

#### Results for announcement to the market:

		\$ '000	%		\$ '000
Total investment income	<b>Up</b>	35,378	309%	<b>To</b>	46,822
Net profit after income tax	<b>Up</b>	24,747	414%	<b>To</b>	30,721

*"Profit/(loss) from ordinary activities after tax attributable to members" and "Net profit/(loss) for the period attributable to members"*

#### Dividends:

The company does not propose to pay any dividend for the half year ended 31 December 2009.

#### Net tangible assets per share:

31/12/2009 \$0.754 excluding net deferred tax assets of \$0.085  
 31/12/2008 \$0.705 excluding net deferred tax assets of \$0.095

#### Commentary on results:

The Company recorded a net profit after income tax for the half year ended 31 December 2009 of \$30.72 million (2008: profit \$5.97 million) principally reflecting 'mark to market' increases in the market prices of the Company's investments.

The Company's net tangible assets (NTA) per share excluding deferred tax assets at 31 December 2009 was \$0.754 (30 June 2009: \$0.63). Overall, the increase in market prices of the portfolio in base currency benefitted the Company by about \$0.22 per share which was partially offset by foreign exchange movements of \$0.096, resulting in a net NTA per share increase of \$0.124 over the six months to 31 December 2009. These movements are substantially unrealised, and the per share figures reflect respective period end shares on issue and are pre deferred tax assets.

Directors remain pleased with the Company's portfolio of excellent companies. Directors are also pleased that the market price movements of the portfolio again exceeded the global benchmark indices (by about ten percentage points in the latest six months). Irrespective of short term market price movements, the Company will continue to focus upon the medium to longer term business performances of companies in its portfolio. In aggregate, the Company's portfolio companies continue to perform strongly and improve their competitive advantages. Further details are included in the Investment Manager's Report.

The Company continued its on market buyback during the six months and acquired approximately 11.6 million shares at an average price of slightly below \$0.59 per share. Further details of the buyback are provided in note 8 to the financial statements.

#### Financial Report:

The Company's independent auditor Ernst & Young has completed a review of the Company's 31 December 2009 Condensed Financial Report on which this report is based and have provided an unqualified review report. A copy of the Company's Financial Report inclusive of the review report is attached.

# **MAGELLAN FLAGSHIP FUND LIMITED**

**ABN 32 121 977 884**

## **CONDENSED FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED  
31 December 2009**

**MAGELLAN FLAGSHIP FUND LIMITED**  
**FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 December 2009**

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# MAGELLAN FLAGSHIP FUND LIMITED

## DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

The Directors of Magellan Flagship Fund Limited (the "Company") submit their report in respect of the half year ended 31 December 2009.

### Directors

The following persons were Directors of the Company during the half year and up to the date of this report unless otherwise noted.

Name	Directorship	Appointed
Richard Warburton AO	Chairman & Independent Non-executive Director.	19 October 2006
John Ballard	Independent Non-executive Director.	19 October 2006
Andy Hogendijk	Independent Non-executive Director.	19 October 2006
Chris Mackay	Non-executive Director.	29 September 2006
Hamish Douglass	Non-executive Director.	29 September 2006

Chris Mackay is the Chairman and Chief Investment Officer and Hamish Douglass is the Managing Director and Chief Executive Officer of Magellan Financial Group (ASX Code: MFG) the parent company of the Investment Manager for the Company.

### Review of Results and Operations

The Company recorded a net profit after income tax for the half year ended 31 December 2009 of \$30.72 million (2008: profit \$5.97 million) principally reflecting 'mark to market' increases in the market prices of the Company's investments.

The Company's net tangible assets (NTA) per share excluding deferred tax assets at 31 December 2009 was \$0.754 (30 June 2009: \$0.63). Overall, the increase in market prices of the portfolio in base currency benefitted the Company by about \$0.22 per share which was partially offset by foreign exchange movements of \$0.096, resulting in a net NTA per share increase of \$0.124 over the six months to 31 December 2009. These movements are substantially unrealised, and the per share figures reflect respective period end shares on issue and are pre deferred tax assets.

Directors remain pleased with the Company's portfolio of excellent companies. Directors are also pleased that the market price movements of the portfolio again exceeded the global benchmark indices (by about ten percentage points in the latest six months). Irrespective of short term market price movements, the Company will continue to focus upon the medium to longer term business performances of companies in its portfolio. In aggregate, the Company's portfolio companies continue to perform strongly and improve their competitive advantages. Further details are included in the Investment Manager's Report.

The Company continued its on market buyback during the six months and acquired approximately 11.6 million shares at an average price of slightly below \$0.59 per share. Further details of the buyback are provided in note 8 to the financial statements.

### Dividends

Since the end of the half year, the Directors have not recommended the payment of any dividend.

### Likely Developments and Expected Result of Operations

The Company's investment portfolio is concentrated in securities in high quality businesses and this focus will continue. Refer to the Investment Manager's Report for a more detailed discussion.

# MAGELLAN FLAGSHIP FUND LIMITED

## DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

### Events Subsequent to the end of the Half Year

The Company reports its Net Tangible Assets (NTA) per share to the Australian Securities Exchange each week. In the latest release on 23 February 2010 the Company advised that the NTA per share as at 19 February 2010 was \$0.745 excluding net deferred tax assets (\$0.754 as at 31 December 2009).

Since the end of the half year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or financial statements that has significantly or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial periods.

### Rounding Off of Amounts

The Company is an entity to which the Australian Securities & Investments Commission's Class Order 98/0100 (as amended) applies and as a consequence amounts in the Directors' Report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

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



Richard Warburton AO

Chairman

Sydney  
25 February 2010

# MAGELLAN FLAGSHIP FUND LIMITED

## AUDITOR'S INDEPENDENCE DECLARATION



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680 George Street  
Sydney NSW 2000 Australia  
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### Auditor's Independence Declaration to the Directors of Magellan Flagship Fund Limited

In relation to our review of the financial report of Magellan Flagship Fund Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of the Ernst &amp; Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Rita Da Silva in a cursive script.

Rita Da Silva  
Partner  
25 February 2010

Liability limited by a scheme approved  
under Professional Standards Legislation

**MAGELLAN FLAGSHIP FUND LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 December 2009**

	<b>Note</b>	<b>31 December 2009 \$ '000</b>	<b>31 December 2008 \$ '000</b>
<b>Investment income</b>			
Dividend income		2,435	3,334
Interest income		1	152
Net change in fair value of investments		43,423	15,170
Net gains / (losses) on foreign currency borrowings		867	(8,233)
Net gains on foreign exchange contracts		96	1,008
Other income		-	13
<b>Total investment income</b>		<b>46,822</b>	<b>11,444</b>
<b>Expenses</b>			
Management fees		1,609	1,796
Finance costs – interest expense		1,071	1,056
Directors' fees		111	105
Auditors remuneration		22	58
Transaction costs		14	42
Registry fees		27	29
Fund administration fees		26	24
Listing and CHESS fees		24	19
Other expenses		31	55
<b>Total expenses</b>		<b>2,935</b>	<b>3,184</b>
<b>Profit before income tax</b>		<b>43,887</b>	<b>8,260</b>
Income tax expense	2(a)	(13,166)	(2,286)
<b>Net profit after income tax</b>		<b>30,721</b>	<b>5,974</b>
<b>Total comprehensive income for the period</b>		<b>30,721</b>	<b>5,974</b>
<b>Basic earnings per share (cents per share)</b>		<b>8.59</b>	<b>1.59</b>
<b>Diluted earnings per share (cents per share)</b>		<b>8.59</b>	<b>1.59</b>

*The notes on pages 8 to 12 are an integral part of these condensed financial statements*



MAGELLAN FLAGSHIP FUND LIMITED

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 December 2009

	Note	31 December 2009 \$ '000	30 June 2009 \$ '000
<b>Current assets</b>			
Cash and cash equivalents		35	54
Investments at market value	3	332,097	277,264
Receivables		344	682
Prepayments		53	14
<b>Total current assets</b>		<b>332,529</b>	<b>278,014</b>
<b>Non-current assets</b>			
Deferred tax assets	2(b)	29,994	42,813
<b>Total non-current assets</b>		<b>29,994</b>	<b>42,813</b>
<b>Total assets</b>		<b>362,523</b>	<b>320,827</b>
<b>Current liabilities</b>			
Borrowings	7	64,830	47,044
Payables		867	833
<b>Total current liabilities</b>		<b>65,697</b>	<b>47,877</b>
<b>Total liabilities</b>		<b>65,697</b>	<b>47,877</b>
<b>Net assets</b>		<b>296,826</b>	<b>272,950</b>
<b>Equity</b>			
Contributed equity		359,977	366,822
Accumulated loss		(63,151)	(93,872)
<b>Total equity</b>		<b>296,826</b>	<b>272,950</b>

*The notes on pages 8 to 12 are an integral part of these condensed financial statements*

**MAGELLAN FLAGSHIP FUND LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 December 2009**

	<b>31 December 2009 \$ '000</b>	<b>31 December 2008 \$ '000</b>
<b>Contributed equity</b>		
Balance at beginning of the half year	366,822	373,580
Shares acquired under buy-back	8 (6,836)	(3,950)
Transaction costs on share buy-back	(13)	(10)
Transaction costs on share buy-back – tax effect	4	3
<b>Balance at end of the half year</b>	<b>359,977</b>	<b>369,623</b>
<b>Accumulated loss</b>		
Balance at beginning of the half year	(93,872)	(79,141)
Net profit after income tax	30,721	5,974
<b>Balance at end of the half year</b>	<b>(63,151)</b>	<b>(73,167)</b>
<b>Total equity</b>	<b>296,826</b>	<b>296,456</b>

*The notes on pages 8 to 12 are an integral part of these condensed financial statements*

**MAGELLAN FLAGSHIP FUND LIMITED**

**STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 December 2009**

	<b>31 December</b>	<b>31 December</b>
	<b>2009</b>	<b>2008</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Cash flows from operating activities</b>		
Dividends received	2,401	3,295
Interest received	1	152
Other income received	-	9
Payments for purchase of investments	(24,359)	(30,671)
Proceeds from sale of investments	12,987	61,825
Net foreign exchange gains	96	1,008
Management fees paid	(1,496)	(1,784)
Other expenses paid	(345)	(411)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(10,715)</b>	<b>33,423</b>
<b>Cash flows from financing activities</b>		
Net proceeds/(repayment) of borrowings	18,654	(28,472)
Interest paid	(1,071)	(1,056)
Payment for shares under buy-back	(6,873)	(3,950)
Payment of share buy-back costs	(14)	(10)
<b>Net cash outflow from financing activities</b>	<b>10,696</b>	<b>(33,488)</b>
Net (decrease) / increase in cash and cash equivalents	(19)	(65)
Cash and cash equivalents at the beginning of the half year	54	112
<b>Cash and cash equivalents at the end of the half year</b>	<b>35</b>	<b>47</b>

*The notes on pages 8 to 12 are an integral part of these condensed financial statements*

## MAGELLAN FLAGSHIP FUND LIMITED

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2009

### 1. Summary of Significant Accounting Policies

#### (a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2009 has been prepared in accordance with AASB 134: *Interim Financial Reporting*, and the *Corporations Act 2001*.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The half year financial report does not include all the notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company, as the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2009, and any public announcements made by Magellan Flagship Fund Limited during the half year ended 31 December 2009 in accordance with the continuous disclosure requirements of the *ASX Listing Rules*.

#### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standard Board.

#### (c) New Accounting Standards and Interpretations

Except as described below, the accounting policies applied by the Company in this interim financial period are the same as those applied by the Company for the year ended 30 June 2009.

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations which are applicable for interim and annual periods beginning on or after 1 July 2009:

- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.
- AASB 123 Borrowing Costs (revised 2007) effective 1 January 2009. The adoption of this standard has not resulted in any disclosure changes.
- AASB 8 Operating Segments effective 1 January 2009. The adoption of this standard has not resulted in any disclosure changes.

#### (d) Comparative Information

The Statement of Cash Flows for the half year ended 31 December 2008 separately identified the "Effects of exchange rate movement" relating to a small holding of foreign currency at the period end. In line with accounting disclosure at 30 June 2009 and 31 December 2009 this amount has been reclassified to "Net proceeds/(repayment) of borrowings" and the foreign currency disclosed as Cash and Cash Equivalents.

The prior year comparatives in the Statement of Cash Flows have been reclassified accordingly.

**MAGELLAN FLAGSHIP FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 December 2009**

**2. Income Tax**

	<b>31 December 2009 \$ '000</b>	<b>30 June 2009 \$ '000</b>
<b>(a) The income tax (expense) / benefit attributable to the half year differs from the prima facie amount payable on profit / (loss).</b>		

**The difference is reconciled as follows:**

Profit / (loss) before income tax expense	43,887	(19,539)
Prima facie income tax expense on profit at 30%	(13,166)	5,861
Tax effect of franked dividends received	-	(69)
Write-off of deferred income tax benefit on foreign tax paid	-	(1,069)
Over provision of prior year tax	-	85
	<b>(13,166)</b>	<b>4,808</b>

	<b>31 December 2009 \$ '000</b>	<b>30 June 2009 \$ '000</b>
<b>(b) Deferred tax asset relates to the following:</b>		
Tax losses carried forward	2,021	2,021
Capital losses carried forward	11,444	11,334
Costs associated with the issue / buy-back of shares	575	762
Unrealised loss on investments	14,612	27,744
Allowable tax credits	1,416	1,118
Other temporary differences	(74)	(166)
	<b>29,994</b>	<b>42,813</b>

**3. Investments at Market Value**

	<b>Domicile of Principal Exchange Listing</b>	<b>31 December 2009 \$ '000</b>	<b>30 June 2009 \$ '000</b>
American Express *	United States	62,466	39,885
Nestle *	Switzerland	39,586	34,375
Yum Brands *	United States	32,101	34,046
WalMart Stores *	United States	29,698	28,712
eBay *	United States	26,810	21,273
PepsiCo *	United States	17,480	18,273
Google *	United States	17,373	13,088
Coca-Cola *	United States	15,982	12,754
McDonalds *	United States	14,543	9,917

MAGELLAN FLAGSHIP FUND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF YEAR ENDED 31 December 2009

**3. Investments at Market Value continued**

	<b>Domicile of Principal Exchange Listing</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
Procter & Gamble *	United States	12,223	11,457
Tesco *	United Kingdom	9,925	9,029
Wells Fargo	United States	9,037	0
Colgate-Palmolive Co *	United States	7,055	7,115
Bank of America	United States	6,270	6,069
Visa *	United States	4,923	3,898
Lowe's	United States	4,867	4,495
Unilever *	Netherlands	4,769	6,481
US Bancorp	United States	4,259	1,665
Ferrovial (previously Cintra)	Spain	3,435	2,010
Johnson & Johnson *	United States	3,137	4,033
MasterCard Inc *	United States	0	1,678
<b>Total top 20 holdings</b>		<b>325,939</b>	<b>270,253</b>
Other companies		6,158	7,011
<b>Total listed securities</b>		<b>332,097</b>	<b>277,264</b>

\* Entities that generate 50% or more of their revenue and / or have material operations in 15 or more countries outside of the country of domicile of their primary securities exchange

The following table illustrates changes in Australian dollar exchange rates against the following currencies (London 4.00pm rates):

	<b>31 December 2009</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>
United States Dollar	0.8994	0.8084
Eurodollar	0.6268	0.5764
British Pound	0.5569	0.4909
Swiss Franc	0.9297	0.8792

**MAGELLAN FLAGSHIP FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 December 2009**

**4. Statement of Net Asset Value**

	<b>31 December 2009</b>	<b>30 June 2009</b>
<b><i>Reconciliation of Net Asset Value with that Reported to the ASX</i></b>		
Net Asset Value per Balance Sheet - <b>\$'000</b>	296,826	272,950
Divided by:		
Shares on issue – <b>number</b>	353,933,200	365,573,153
<b>Net Asset Value</b> – cents per share	<b>84</b>	<b>75</b>
<b>Net Asset Value – ASX - cents per share</b>	<b>84</b>	<b>75</b>

The above Net Asset Value is inclusive of net deferred tax assets

**5. Contingent Assets, Liabilities and Commitments for Expenditure**

No contingent assets or liabilities exist as at 31 December 2009 (June 2009: nil).

The Company has no commitments for uncalled share capital on investments (June 2009: nil).

**6. Segment Information**

While the Company operates from Australia only (the geographical segment), it has global investment exposures due to its investments in many truly multinational entities and specific exposure to some countries from investments in other entities that generate revenues and operate predominantly within those countries.

The geographical locations are determined by the nature of the investment entity's business:

- International Companies are defined by the Company as being entities that generate 50% or more of their revenue and / or have material operations in 15 or more countries outside of the country of domicile of their primary securities exchange
- Entities that do not meet the Company's definition of International Companies are categorised by the country or region from which they predominantly operate in and derive their revenue from.

Note 3 provides further domicile information.

**7. Borrowings**

During the half year ended 31 December 2009 the Company continued to be provided with a borrowing facility by Merrill Lynch, a wholly owned subsidiary of Bank of America. The facility is associated with the International Prime Brokerage Agreements (IPBA) entered into by the Company and Merrill Lynch. The Company has granted Merrill Lynch a fixed charge over the Company's right, title and interest in the assets held in custody with Merrill Lynch, as security for the performance of its obligations under the IPBA. The credit quality of Bank of America /Merrill Lynch's senior debt is rated by Standard & Poor's as being A and by Moody's as being A2.

## MAGELLAN FLAGSHIP FUND LIMITED

# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 December 2009

### **7. Borrowings (continued)**

As at 31 December 2009 the borrowing facility, repayable on demand, was \$64.8 million (30 June 2009: \$47.0 million). In the unlikely event that Merrill Lynch required repayment upon short notice, the Directors are confident that the borrowings could be refinanced via an alternative lender or the borrowings could be repaid via settlement proceeds from the sale of part of the Company's investment portfolio, having regard to the high quality and liquidity of the Company's investments.

Under the Company's borrowing policy, total borrowings by the Company on the date of any acquisition of additional securities must not exceed 20% of the Company's investments at market value. Merrill Lynch has a policy to lend up to a multiple well above the Company's own borrowing limits, having regard to the high quality and liquidity of the Company's investments.

### **8. Share buy-back**

During the period the Company completed its first on-market buyback programme of 20 million shares. On 26 August 2009, the Directors authorised a further buyback programme of 20 million shares. At 31 December 2009 the Company had bought back approximately 24 million shares under these programmes.

Overall, during the six month period to 31 December 2009, the Company acquired 11,639,954 shares for consideration of \$6.85 million, reducing shares on issue to 353,933,200. Shares bought back by the Company are cancelled on settlement.

### **9. Events Subsequent to Reporting Date**

The Company reports its Net Tangible Assets (NTA) per share to the Australian Securities Exchange each week. In the latest release on 23 February 2010 the Company advised that the NTA per share as at 19 February 2010 was \$0.745 excluding net deferred tax assets (\$0.754 as at 31 December 2009).

No other significant events have occurred since the end of the reporting year which would impact the Balance Sheet of the Company as at 31 December 2009 or the results for the half year ended on that date.

### **10. Dividends**

Since the end of the half year, the Directors have not recommended the payment of any dividend and there were no dividends paid or payable during the half year ended 31 December 2009 (2008: \$nil). The Company's franking credit balance as at 31 December 2009 was \$386,000.



**MAGELLAN FLAGSHIP FUND LIMITED**

**DIRECTORS' DECLARATION  
FOR THE HALF YEAR ENDED 31 December 2009**

In accordance with a resolution by the directors of Magellan Flagship Fund Limited I state that, in the opinion of the Directors,

(a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company as at 31 December 2009 and of its performance for the half year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Richard Warburton AO  
Chairman

Sydney  
25 February 2010

# MAGELLAN FLAGSHIP FUND LIMITED

## INDEPENDENT REVIEW REPORT



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To the members of Magellan Flagship Fund Limited

### Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Magellan Flagship Fund Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, other selected explanatory notes and the directors' declaration.

### Directors' Responsibility for the half year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Magellan Flagship Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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# MAGELLAN FLAGSHIP FUND LIMITED

## INDEPENDENT REVIEW REPORT



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### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Magellan Flagship Fund Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Rita Da Silva'.

Rita Da Silva  
Partner  
Sydney  
25 February 2010

# CORPORATE DIRECTORY

## **Directors**

Richard Warburton AO  
John Ballard  
Andy Hogendijk  
Chris Mackay  
Hamish Douglass

## **Company Secretaries**

Leo Quintana  
Nerida Campbell

## **Registered Office**

Level 7, 1 Castlereagh Street  
Sydney NSW 2000  
Telephone: +61 2 8114 1888  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)  
Fax: +61 2 8114 1800

## **Investment Manager**

Magellan Asset Management Limited  
Level 7, 1 Castlereagh Street  
Sydney NSW 2000  
Telephone: +61 2 8114 1888  
Email: [info@magellangroup.com.au](mailto:info@magellangroup.com.au)  
Fax: +61 2 8114 1800

## **Auditors**

Ernst & Young  
680 George Street  
Sydney NSW 2000

## **Share Registrar**

Registries Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600  
Fax: +61 2 9279 0664  
Email: [callcentre@registries.com.au](mailto:callcentre@registries.com.au)