



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

Level 7, 1 Castlereagh Street,  
Sydney NSW 2000 AUSTRALIA

General: +61 2 8114 1888  
Facsimile: +61 2 8114 1800  
Website: [www.magellangroup.com.au](http://www.magellangroup.com.au)

6 February 2013

ASX Market 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 2012**

Magellan Flagship Fund Limited hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2012; and
2. Condensed Financial Report for the half year ended 31 December 2012.

Yours sincerely,

**Magellan Flagship Fund Limited**

A handwritten signature in black ink, appearing to read 'Leo Quintana'.

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

## Appendix 4D

### Magellan Flagship Fund Limited

### Half Year Report Ended 31 December 2012

#### Details of Reporting Periods

Current: 1 July 2012 to 31 December 2012  
 Comparative: 1 July 2011 to 31 December 2011

Results for Announcement to the Market	Change from the Comparative Period \$'000	31 Dec 2012 \$'000
Total investment income ( <i>"revenue from ordinary activities"</i> )	Down by 4,929 or 19.8% to	19,914
Net operating profit after income tax ( <i>"Profit / (loss) from ordinary activities after tax attributable to members" and "Net profit / (loss) for the period attributable to members"</i> )	Down by 3,364 or 23.8% to	10,744

#### Interim Dividends

	Amount Per Share	Franked Amount per share at 30% tax
Interim Dividend per share	1.0 cent	0.0 cents
Previous corresponding period	0.0 cents	0.0 cents

#### Interim Dividend Dates

Ex-Dividend Date	15 April 2013
Record Date	19 April 2013
Date of Interim Dividend Payment	16 May 2013

The amount declared to be Conduit Foreign Income is 0.0 cents per share. In accordance with accounting standards, the dividend has not been provided for in the financial statements. The Dividend Reinvestment Plan (DRP) will operate in respect of the interim dividend and no discount will be applied. The last date for receipt of election notices to participate in the DRP is 19 April 2013.

The Company paid a partially franked dividend of 1.0 cent per share representing approximately \$3.4 million, in respect of the 2011/2012 year.

#### Net tangible assets per share

31/12/2012 \$0.986 excluding deferred net tax assets of \$0.012  
 31/12/2011 \$0.820 excluding deferred net tax assets of \$0.065

#### Commentary on Results

The Company recorded a net profit after income tax for the half year ended 31 December 2012 of \$10.74 million (2011: \$14.11 million) principally reflecting the impact of changes in the market value of investments. The Company's net tangible assets (NTA) per share (excluding net deferred tax assets) at 31 December 2012 was \$0.986 (30 June 2012: \$0.954).

Directors remain pleased with the Company's portfolio of excellent companies. In aggregate, the businesses of the Company's portfolio companies continue to perform strongly and improve their competitive advantages. Further details are included in the Investment Manager's Report issued as a separate announcement.

#### Subsequent Events

On 14 December 2012, the Board of Magellan Financial Group Limited (MFG), the Company's largest shareholder and the parent of the investment manager Magellan Asset Management Limited (MAM), announced its intention to make an in-specie distribution of its holdings of shares and options in the Company. The transaction was approved at the extraordinary general meeting held by MFG on 5 February 2013.

#### Financial Report

The Company's independent auditor Ernst & Young has completed a review of the Company's 31 December 2012 Condensed Financial Report on which this report is based and has 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 2012**

**MAGELLAN FLAGSHIP FUND LIMITED**  
**FINANCIAL REPORT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

<b>Contents</b>	<b>Page</b>
Directors' Report	1
Auditor's Independence Declaration	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	14
Independent Review Report	15
Corporate Directory	17

## MAGELLAN FLAGSHIP FUND LIMITED

# DIRECTORS' REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

The Directors of Magellan Flagship Fund Limited (the Company) submit their report in respect of the half year ended 31 December 2012.

### 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 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 2012 of \$10.74 million (2011: \$14.11 million) principally reflecting the impact of changes in the market value of investments. The Company's net tangible assets (NTA) per share (excluding net deferred tax assets) at 31 December 2012 was \$0.986 (30 June 2012: \$0.954).

Directors remain pleased with the Company's portfolio of excellent companies. In aggregate, the businesses of the Company's portfolio companies continue to perform strongly and improve their competitive advantages. Further details are included in the half yearly investor report issued as a separate announcement.

### Dividends

On 6 February 2013, the Directors declared an unfranked interim dividend of 1.0 cent per share (2011: \$nil). The amount of the dividend which is expected to be paid on 16 May 2013, is approximately \$3.5 million (2011: \$nil). In accordance with accounting standards, the dividend has not been provided for in the financial statements. The Dividend Reinvestment Plan (DRP) will operate in respect of the final dividend and no discount will be applied. The last date for receipt of election notices to participate in the DRP is 19 April 2013.

The Company paid a partially franked dividend of 1.0 cent per share representing approximately \$3.4 million, in respect of the 2011/2012 year. The dividend was partially franked to 26.2%.

The Company's franking credit balance as at 31 December 2012 was \$Nil (2011: \$0.4 million), following payment of the 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 half yearly investor report for a more detailed discussion.

## DIRECTORS' REPORT

### FOR THE HALF YEAR ENDED 31 DECEMBER 2012

2

# MAGELLAN FLAGSHIP FUND LIMITED

## AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
[www.ey.com/au](http://www.ey.com/au)

### 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 2012, 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 handwritten signature in cursive script that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'G. McKenzie'.

Graeme McKenzie  
Partner  
6 February 2013

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 2012**

	<b>31 December 2012 \$ '000</b>	<b>31 December 2011 \$ '000</b>
<b>Investment income</b>		
Dividend income	4,652	2,426
Interest income	1	1
Net change in fair value of investments	13,746	22,340
Net gains / (losses) on foreign currency cash and borrowings	1,924	(986)
Net gains / (losses) on foreign exchange	(418)	1,062
Other income	9	-
<b>Total investment income</b>	<b>19,914</b>	<b>24,843</b>
<b>Expenses</b>		
Management fees	2,164	1,749
Finance costs – interest expense	2,010	2,623
Directors' fees	111	111
Employment related taxes	6	56
Auditors' remuneration	23	22
Transaction costs	75	15
Registry fees	76	30
Fund administration fees	29	22
ASX listing, clearing and settlement fees	37	24
Other expenses	34	35
<b>Total expenses</b>	<b>4,565</b>	<b>4,687</b>
<b>Profit before income tax</b>	<b>15,349</b>	<b>20,156</b>
Income tax (expense)	(4,605)	(6,048)
<b>Net profit after income tax</b>	<b>10,744</b>	<b>14,108</b>
<b>Total comprehensive income for the period</b>	<b>10,744</b>	<b>14,108</b>
<b>Basic earnings per share (cents per share)</b>	<b>3.11</b>	<b>4.05</b>
<b>Diluted earnings per share (cents per share)</b>	<b>3.11</b>	<b>4.05</b>

*The notes on pages 8 to 13 are an integral part of these condensed financial statements*



**MAGELLAN FLAGSHIP FUND LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

		<b>31 December 2012 \$ '000</b>	<b>30 June 2012 \$ '000</b>
	<b>Note</b>		
<b>Current assets</b>			
Cash and cash equivalents	8	37,413	167,408
Investments at market value	3	312,224	139,337
Receivables		427	23,360
Prepayments		54	9
<b>Total current assets</b>		<b>350,118</b>	<b>330,114</b>
<b>Non-current assets</b>			
Deferred tax assets		4,196	8,147
<b>Total non-current assets</b>		<b>4,196</b>	<b>8,147</b>
<b>Total assets</b>		<b>354,314</b>	<b>338,261</b>
<b>Current liabilities</b>			
Payables		9,401	1,073
<b>Total current liabilities</b>		<b>9,401</b>	<b>1,073</b>
<b>Total liabilities</b>		<b>9,401</b>	<b>1,073</b>
<b>Net assets</b>		<b>344,913</b>	<b>337,188</b>
<b>Equity</b>			
Contributed equity	4	354,526	354,097
Accumulated loss		(9,613)	(16,909)
<b>Total equity</b>		<b>344,913</b>	<b>337,188</b>

*The notes on pages 8 to 13 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 2012**

	<b>31 December 2012 \$ '000</b>	<b>31 December 2011 \$ '000</b>
<b>Contributed equity</b>		
<b>Balance at beginning of the half year</b>	354,097	357,089
Issue of securities:		
- on share buy-back	-	(1,880)
- on Dividend Reinvestment Plan	498	-
- on exercise of MFF 2017 Options	8	-
Transaction costs:		
- on issue of bonus options	(110)	-
- on issue of bonus options – tax effect	33	-
- on share buy-back	-	(5)
- on share buy-back – tax effect	-	2
<b>Balance at end of the half year</b>	<b>354,526</b>	<b>355,206</b>
<b>Accumulated loss</b>		
<b>Balance at beginning of the half year</b>	(16,909)	(62,794)
Net profit after income tax	10,744	14,108
Dividend paid during the year	(3,448)	-
<b>Balance at end of the half year</b>	<b>(9,613)</b>	<b>(48,686)</b>
<b>Total equity</b>	<b>344,913</b>	<b>306,520</b>

*The notes on pages 8 to 13 are an integral part of these condensed financial statements*

**MAGELLAN FLAGSHIP FUND LIMITED**

**STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	<b>Note</b>	<b>31 December 2012 \$ '000</b>	<b>31 December 2011 \$ '000</b>
<b>Cash flows from operating activities</b>			
Dividends received		3,985	2,796
Interest received		1	1
Other income received		9	-
Payments for purchase of investments		(194,159)	(15,140)
Proceeds from sale of investments		70,928	36,157
Net foreign exchange (losses)/gains		(5,079)	397
Management fees paid		(2,109)	(1,693)
Other expenses paid		(433)	(304)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(126,857)</b>	<b>22,214</b>
<b>Cash flows from financing activities</b>			
Net proceeds/(repayment) of borrowings		1,924	(17,748)
Interest paid		(2,010)	(2,623)
Payment for shares under buy-back		-	(1,880)
Payment of share buy-back costs		-	(5)
Payment of issue costs on Bonus Options		(110)	-
Proceeds from exercise of Bonus Options		8	-
Dividend paid – net of shares issued under Dividend Reinvestment Plan (DRP)	11	(2,950)	-
<b>Net cash outflow from financing activities</b>		<b>(3,138)</b>	<b>(22,256)</b>
Net decrease in cash and cash equivalents		(129,995)	(42)
Cash and cash equivalents at the beginning of the half year		167,408	43
<b>Cash and cash equivalents at the end of the half year</b>		<b>37,413</b>	<b>1</b>

*The notes on pages 8 to 13 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 2012

### 1. Summary of Significant Accounting Policies

#### (a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2012 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 2012, and any public announcements made by Magellan Flagship Fund Limited during the half year ended 31 December 2012 in accordance with the continuous disclosure requirements of the *ASX Listing Rules*.

Certain prior year amounts have been reclassified to conform to the current year's presentation.

#### (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

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 2012.

**MAGELLAN FLAGSHIP FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

**3. Investments at Market Value**

	<b>Domicile of Principal Exchange Listing</b>	<b>31 December 2012 \$ '000</b>	<b>30 June 2012 \$ '000</b>
Tesco	United Kingdom	32,659	1,614
McDonalds	United States	24,349	15,502
Wells Fargo and Co	United States	23,293	22,307
Yum! Brands	United States	21,008	-
Visa Inc	United States	19,780	15,746
Bank of America	United States	18,405	3,581
US Bancorp	United States	17,026	13,826
HCA Holdings Inc	United States	15,953	1,689
WalMart Stores	United States	15,151	3,352
Google	United States	14,686	6,139
Sainsbury's	United Kingdom	12,467	-
State Street	United States	11,796	-
Bank New York Mellon	United States	11,622	-
Lowe's	United States	11,508	3,627
CME Group Inc	United States	10,868	11,644
Danone	France	10,778	-
MasterCard Inc	United States	7,414	5,071
Mondelez Int	United States	5,186	-
Apple Inc	United States	5,134	3,689
Unilever	United Kingdom	4,770	-
<b>Total top 20 holdings</b>		<b>293,853</b>	<b>107,787</b>
Other companies		18,371	31,550
<b>Total listed securities</b>		<b>312,224</b>	<b>139,337</b>

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

	<b>31 December 2012 \$</b>	<b>30 June 2012 \$</b>
US Dollar	1.0382	1.0251
Euro	0.7875	0.8077
British Pound	0.6387	0.6535
Swiss Franc	0.9503	0.9702
Hong Kong Dollar	8.0469	7.9512
Singapore Dollar	1.2682	1.2985

**MAGELLAN FLAGSHIP FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

**4. Contributed Equity**

	<b>31 December 2012 \$ '000</b>	<b>30 June 2012 \$ '000</b>
Contributed equity	<b>354,526</b>	<b>354,097</b>

Movement during the half year of securities on issue:

	<b>31 December 2012</b>		<b>31 December 2011</b>
	<b>Shares '000</b>	<b>Bonus Options '000</b>	<b>Shares '000</b>
Balance at beginning of the period	344,844	-	349,349
Securities cancelled under buy-back	-	-	(2,954)
Issue of shares under DRP #	535	-	-
Issue of Bonus Options	-	114,516	-
Issue of shares from exercise of Bonus Options *	9	(8)	-
Balance at end of the period	<b>345,388</b>	<b>114,508</b>	<b>346,395</b>

# Gross dividends of \$497,819 were reinvested under the DRP, resulting in allotment of 535,225 at a reinvestment price of \$0.9281 (on 16 November 2012 dividend payment date)

\* Proceeds from the exercise of Bonus Options totalled \$8,777. Refer note 9

**5. Statement of Net Asset Value**

	<b>31 December 2012</b>	<b>30 June 2012</b>
<b><i>Reconciliation of Net Asset Value with that Reported to the ASX</i></b>		
Net Asset Value per Balance Sheet - \$'000	344,913	337,188
Divided by:		
Number of shares on issue	345,387,938	344,844,354
<b>Net Asset Value – cents per share</b>	<b>100</b>	<b>98</b>
<b>Net Asset Value –cents per share</b>		
ASX announcement 3 January 2013	<b>100</b>	<b>98</b>

The above Net Asset Value is inclusive of net deferred tax assets. As the strike price for the options is above the current market price for MFF shares and above recent levels of NTA per share, there is no dilution effect.

# MAGELLAN FLAGSHIP FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

### 6. Contingent Assets, Liabilities and Commitments for Expenditure

No contingent assets or liabilities exist as at 31 December 2012 (30 June 2012: nil).

The Company has no commitments for uncalled share capital on investments (30 June 2012: nil).

### 7. 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.

Note 3 provides further domicile information.

### 8. Cash and Cash Equivalents, and Net Interest Bearing Borrowings

#### Current assets - Cash and Cash Equivalents

	31 December 2012 \$ '000	30 June 2012 \$ '000
Cash at bank – denominated in Australian Dollars	(7)	31
Borrowings – denominated in Australian Dollars	(95,375)	(76,916)
Cash – denominated in US Dollars	121,418	204,478
Borrowings – denominated in Euros	(26,073)	(1,966)
Borrowings – denominated in British Pounds	(9,314)	(810)
Cash – denominated in Swiss Francs	10,614	9,727
Cash – denominated in Hong Kong Dollars	30,397	9,788
Cash – denominated in Singapore Dollars	5,753	23,076
	37,420	167,377
	<b>37,413</b>	<b>167,408</b>

Foreign currency cash balances held with MLIA are netted against foreign currency borrowings.

During the half year ended 31 December 2012 the Company continued to be provided with a multi-currency financing facility by Merrill Lynch International (Australia) Limited (MLIA), 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 International (MLI). The Company has granted MLI a fixed charge over the Company's right, title and interest in the assets held in custody with MLI, as security for the performance of its obligations under the IPBA. The IPBA with MLI is in a form that is typical of prime brokerage arrangements. Each of the Company's securities held by MLI may be used by MLI for its own purposes up to an agreed limit of A\$200 million, whereupon such securities will become the property of MLI and the Company will have a right against MLI for the return of equivalent securities.

As at 31 December 2012 the net borrowings under the facility, repayable on demand, were \$Nil (30 June 2012: nil). Under the Company's borrowing policy, total borrowings by the Company on the date of any drawdown on this facility must not exceed 20% of the Company's investments at market value.

## MAGELLAN FLAGSHIP FUND LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

#### 9. Capital Management

The Company's objective in managing capital is to maximise compound after-tax returns for shareholders by identifying and investing in an investment portfolio of listed international and Australian companies assessed to have highly attractive business characteristics, at a discount to their assessed intrinsic values, while minimising the risk of permanent capital loss.

The Company's capital consists of its shareholder's equity plus any net borrowings.

The Company completed an on-market share buy-back of 20,000,000 shares at a total cost of approximately \$11,200,000 on 30 July 2009. The Company announced a further on-market share buy-back of 20,000,000 shares on 26 August 2009, and as at 6 February 2013 has acquired approximately 13.2 million shares under this buy-back programme at an average price of approximately \$0.628 per share. During the six month period to 31 December 2012, the Company has not acquired any further shares under the existing buy-back programme.

On 8 August 2012, the Company announced a bonus issue of options to shareholders. The key terms and rights attaching to the Bonus Options are as follows:

- Shareholders received one Bonus Option for every three Shares held on the record date of 10 October 2012
- The Bonus Options can be exercised at any time until their date of expiry, 31 October 2017
- Upon exercise of a Bonus Option, the option holder will be issued with one new ordinary share in the Company
- The options are tradeable on the ASX under the ASX code: MFFO
- The exercise price of the Bonus Options is \$1.05.

There were no other changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

#### 10. 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 5 February 2013 the Company advised that the NTA per share as at 1 February 2013 was \$1.034 excluding net deferred tax liabilities of \$0.003 (\$0.986 as at 31 December 2012 excluding net deferred tax assets of \$0.012).

On 14 December 2012, the Board of Magellan Financial Group Limited (MFG), the Company's largest shareholder and the parent of the investment manager Magellan Asset Management Limited (MAM), announced its intention to make an in-specie distribution of its holdings of shares and options in the Company. In accordance with the announcement and subsequent Explanatory Memorandum, each MFG Ordinary Shareholder will receive:

- 3.29 shares in Magellan Flagship Fund; and
- 1.09 options in Magellan Flagship Fund,

for every 10 MFG shares held on the record date (7.00pm Sydney time on 13 February 2013).

The transaction was approved at the extraordinary general meeting held by MFG on 5 February 2013. The Company's investment portfolio is managed by MAM under an Investment Management Agreement, the term of which is scheduled to run until 2016.



**MAGELLAN FLAGSHIP FUND LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

**10. Events Subsequent to Reporting Date (continued)**

On 6 February 2013, the Directors declared an unfranked interim dividend of 1.0 cent per share (2011: \$nil). The amount of the dividend which is expected to be paid on 16 May 2013, is approximately \$3.5 million (2011: \$nil). In accordance with accounting standards, the dividend has not been provided for in the financial statements. The Dividend Reinvestment Plan (DRP) will operate in respect of the dividend and no discount will be applied. The last date for receipt of election notices to participate in the DRP is 19 April 2013.

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 2012 or the results for the half year ended on that date.

**11. Dividends**

	<b>31 December 2012 \$'000</b>	<b>31 December 2011 \$'000</b>
<b>Declared and paid during the period</b>		
Partially franked final dividend for the year ended		
30 June 2012: 1.0 cent per ordinary share (2011: nil)	3,448	-
	<u>3,448</u>	<u>-</u>

Gross dividends of \$497,819 were reinvested under the DRP, resulting in allotment of 535,225 at a reinvestment price of \$0.9281 (on 16 November 2012 dividend payment date).

On 6 February 2013, the Directors declared an unfranked interim dividend of 1.0 cent per share (2011: \$nil). The amount of the dividend which is expected to be paid on 16 May 2013, is approximately \$3.5 million (2011: \$nil). In accordance with accounting standards, the dividend has not been provided for in the financial statements. The DRP will operate in respect of the dividend and no discount will be applied. The last date for receipt of election notices to participate in the DRP is 19 April 2013.

The Company paid a partially franked dividend of 1.0 cent per share representing approximately \$3.4 million, in respect of the 2011/2012 year. The dividend was partially franked to 26.2%.

The Company's franking credit balance as at 31 December 2012 was \$Nil (2011: \$0.4 million), following payment of the dividend.

**MAGELLAN FLAGSHIP FUND LIMITED**

**DIRECTOR'S DECLARATION  
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

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 2012 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  
6 February 2013

# MAGELLAN FLAGSHIP FUND LIMITED

## INDEPENDENT REVIEW REPORT



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

To the members of Magellan Flagship Fund Limited

### Report on the Condensed 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 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls that the directors determine are necessary to enable the preparation of the condensed half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 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 attached to the Directors' Report.

Liability limited by a scheme approved  
under Professional Standards Legislation

**MAGELLAN FLAGSHIP FUND LIMITED**  
**INDEPENDENT REVIEW REPORT**



2

**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:

- a. giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'G. McKenzie'.

Graeme McKenzie  
Partner  
Sydney  
6 February 2013

## **MAGELLAN FLAGSHIP FUND LIMITED**

### **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

#### **Auditor**

Ernst & Young  
680 George Street  
Sydney NSW 2000

#### **Share Registrar**

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

#### **Securities Exchange Listing**

Australian Securities Exchange (ASX)  
ASX code: MFF

#### **Website**

<http://www.magellangroup.com.au/mff>