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18 August 2023

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2023

Magellan Financial Group Limited (ASX code: MFG) hereby lodges:

1. Appendix 4E Statement for the year ended 30 June 2023; and
2. Annual Report for the year ended 30 June 2023, incorporating the Chairman's Report, the Chief Executive Officer's Annual Letter and the financial statements.

Yours faithfully,

Authorised by
Marcia Venegas | Company Secretary

Appendix 4E

Magellan Financial Group Limited

ACN 108 437 592

Results for Announcement to the Market

		change		30 June 2023 $'000	30 June 2022 $'000
Total revenue and other income	Down by	22%	to	**431,650**	553,530
Net profit after tax	Down by	52%	to	**182,655**	383,011
Total comprehensive income	Down by	52%	to	**183,944**	386,355
Adjusted net profit after tax	Down by	57%	to	**174,310**	401,016
Basic and diluted earnings per share (cents)[1]				**100.0**	206.9
Adjusted basic and diluted earnings per share (cents)[1]				**95.5**	216.6

1 Outstanding options are currently antidilutive but could potentially dilute basic earnings and adjusted basic earnings per share in the future.

Net tangible assets ("NTA") per share[1,2]

As at 30 June 2023	$4.71
As at 30 June 2022	$4.95

1 Outstanding options are currently antidilutive but could potentially dilute NTA per share in the future.
2 NTA per ordinary share includes right-of-use assets.

Dividends

	Amount per security	Franked amount per security
Interim dividend (paid on 8 March 2023)	46.9 cents	39.86 cents
Final dividends (to be paid 7 September 2023)[1]	39.8 cents	33.83 cents
Special dividend (to be paid 7 September 2023)	30.0 cents	25.50 cents
Total dividends[2]	**116.7 cents**	**99.19 cents**

Final dividend dates	
Ex-dividend date	23 August 2023
Record date	24 August 2023
Dividend payment date	7 September 2023

1 Comprises a final dividend of 35.6 cents per share and a performance fee dividend of 4.2 cents per share.
2 The Magellan Financial Group Limited Dividend Reinvestment Plan ("MFG DRP") is suspended.

Commentary on results including brief explanation of adjusted net profit after income tax expense

For the year ended 30 June 2023, net profit after income tax expense of $182,655,000 included amortisation of $3,580,000, net unrealised fair value gains relating to financial assets and liabilities of $35,348,000, losses on dilution of interests in associates of $179,000, net non-cash remeasurement of share purchase loans of $795,000, non-cash employee share options expense of $3,846,000 and strategic transaction related expenses of $18,603,000. Adjusted net profit after income tax expense of $174,310,000 excludes the impact of these items to provide additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-recurring, non-cash or unrealised items. For a full reconciliation of non-IFRS financial results refer to section 1.4.1 of the Directors' Report in the 2023 Annual Report.

Associates and controlled entities

During the year, the Group deregistered Magellan FuturePay Pty Limited, Magellan Capital Partners No. 3 Pty Limited and MFG High Conviction Master Fund GP LLC. There were no other changes to the entities over which the Group has control. Refer to note 8 and note 20 of the financial statements for further details of associates and controlled entities respectively.

Financial report

Additional Appendix 4E disclosure requirements and further information including commentary on the Group's performance and results of segments are contained in the 2023 Annual Report and accompanying Press Release (2023 Full Year Results and Announcement). The consolidated financial statements contained in the 2023 Annual Report have been audited by Ernst & Young.

Magellan Financial Group Limited

Annual Report 2023

ABN 59 108 437 592

Five year summary

		30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Group Results						
Total Revenue	$'000	431,650	553,530	715,012	693,952	617,387
Total Expenses	$'000	163,372	116,582	336,048	178,874	124,050
Net Profit Before Tax	$'000	255,570	495,986	337,243	515,078	493,337
Net Profit After Tax	$'000	182,655	383,011	265,156	396,214	376,947
Adjusted Revenue and Other Income[1]	$'000	379,352	647,251	697,944	692,941	577,251
Adjusted Expenses[1]	$'000	126,774	130,799	110,451	119,751	104,024
Adjusted Net Profit Before Associates[1]	$'000	185,842	394,415	454,201	438,299	364,225
Adjusted Net Profit After Tax[1]	$'000	174,310	401,016	412,419	438,299	364,225
Effective Tax Rate	%	28.5	22.8	21.4	23.1	23.6
Funds Under Management[2]						
Average Funds Under Management	$m	48,849	94,251	103,680	95,458	75,819
Closing Funds Under Management	$m	39,693	61,291	113,902	97,184	86,718
Funds Under Management comprises:						
Retail	$m	18,396	22,169	30,883	26,769	23,216
Institutional	$m	21,297	39,122	83,019	70,415	63,502
Average Base Management Fee (per annum)[3]	bps	67	62	61	62	62
Average AUD/USD Exchange Rate	$	0.6732	0.7257	0.7469	0.6716	0.7155
Funds Management Business[1]						
Total Revenue	$'000	345,104	609,137	662,594	674,811	561,326
Total Expenses	$'000	121,324	125,807	106,115	116,799	101,537
Net Profit Before Tax	$'000	223,780	483,330	556,479	558,012	459,789
Net Profit Before Tax and Performance Fees[1]	$'000	212,274	471,858	526,405	477,048	376,182
Employee Expenses / Total Expenses	%	71.0	67.9	65.6	63.2	61.8
Cost to Income Ratio (expense/revenue)	%	35.2	20.7	16.0	17.3	18.1
Cost to Income Ratio (excluding performance fees)	%	36.4	21.0	16.8	19.7	21.3
Assets						
Total Assets	$'000	1,198,974	1,241,401	1,216,166	1,123,873	800,291
Net Assets	$'000	962,502	1,026,760	989,434	1,045,927	734,022
Net Tangible Assets Per Share	$	4.71	4.95	4.77	5.08	3.44
Shareholder Value						
Basic Earnings Per Share	cents	100.0	206.9	144.6	218.3	213.1
Diluted Earnings Per Share	cents	100.0	206.9	144.6	218.3	213.1
Adjusted Basic and Diluted Earnings Per Share[1]	cents	95.5	216.6	224.9	241.5	205.9
Total Dividends Per Share comprises:	cents	116.7	179.0	211.2	214.9	185.2
Ordinary Dividends Per Share[4]	cents	86.7	179.0	211.2	214.9	185.2
Special Dividends Per Share	cents	30.0	-	-	-	-
Franking	%	85	75	75	75	75
Other Information						
Number of Employees		115	135	139	131	125
Average Number of Employees		125	137	135	128	125

1 Adjustments are made for strategic, non-recurring, non-cash or unrealised items to provide additional meaningful information (refer to section 1.4.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).
2 As reported in the Group's funds under management ("FUM") announcements published on the Australian Securities Exchange ("ASX").
3 Calculated using management fees (excluding services and performance fees) for the relevant year divided by the average of month end FUM over the same year.
4 Ordinary dividends include interim, final and performance fee dividends declared in respect of the financial year.

Where accounting classifications have changed, or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported. The above Consolidated Statement of Profit or Loss and Comprehensive Income and Consolidated Statement of Financial Position extracts are derived from the published financial statements. This table includes non-IFRS information as defined in section 1.4.2 of the Directors' Report.

The annual financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth). MFG has also released information to the ASX in compliance with the continuous disclosure requirements of the ASX Listing Rules and these announcements are available at www.asx.com.au (MFG's ASX code: MFG).

Contents

Chairman's Letter

For the year ended 30 June 2023

Dear Shareholder,

It is a pleasure to present the 2023 Annual Report of Magellan Financial Group Ltd ("Magellan" or "Company").

The past 12 months have been a year of transition for our Company, following a period of accelerated change. We welcomed our new CEO and Managing Director, David George, and announced our five year strategy, which is designed to build upon the quality attributes and strong foundations that Magellan maintains, whilst transforming the business into a more diversified global fund manager of scale with a range of capabilities and offerings for our clients.

Meaningful transformation takes time, but we are making good progress in delivering stability and signs of performance improvement are emerging. Importantly, our strong balance sheet provides an excellent platform from which to implement our long-term growth strategy and undertake the capital management initiatives outlined below.

As announced yesterday, this letter will be my last as Chairman of the Company, as I transition to the role of Deputy Chairman and hand over the role of Chair to Andrew Formica, who brings 30 years' experience in leading and growing global funds management businesses and will lead Magellan into its next phase. This is one of a number of changes to the Board of Magellan that we announced yesterday as part of our ongoing Board renewal program.

Governance & Board Update

As I noted in my letter to you last year, the Board recognises the need for strong governance to restore confidence and maintain stability. We have undertaken a Board review and embarked upon a renewal program, with the aim of strengthening governance and ensuring we have the right skill mix, expertise, independence and diversity to support Magellan's future strategic direction, whilst balancing the need for continuity and retention of corporate knowledge.

This process of Board renewal commenced late last year, following the retirement of Karen Phin, with the appointment of David Dixon as a Non-Executive Director with effect from 15 December 2022. David has over 30 years' experience in the funds management industry, with extensive experience as a senior investment leader, board trustee and director of companies and has held roles as Chief Investment Officer, Equities at First Sentier Investors (formerly Colonial First State Global Asset Management) and Chief Investment Officer at Insurance Australia Group Limited.

More recently, in July 2023, we also welcomed Andrew Formica as a Non-Executive Director to the Board, who will take on the role of Chair of the Company with effect from today. Andrew has over 30 years' industry experience, including 14 years in CEO positions. Most recently, Andrew was Chief Executive Officer and Director of Jupiter Asset Management plc. Prior to this, Andrew was Co-CEO of Janus Henderson Group plc, and before that was the Chief Executive and a Board member of Henderson Group plc from 2008, before its merger with Janus Capital in 2017.

In addition to the above changes, we also announced the appointment of Mrs Deborah Page as a Non-Executive Director, effective from 3 October 2023. Deborah is a deeply experienced company director with broad experience spanning various ASX-listed, private, public sector and regulated entities, including significant experience in the funds management industry, having held Chair roles at Pendal Group Limited and Investa Listed Funds Management Limited. Deborah will become the Chair of the Audit and Risk Committee (ARC) from October and will also join the Board of Magellan Asset Management Limited ("MAM") at that time, with David Dixon to serve as Chair of the ARC in the interim.

Finally, we also announced that Robert Fraser retires from the Board of the Company, effective today. Robert will continue as the Chairman of MAM, our main operating subsidiary and we look forward to continuing to work with him in this capacity. We thank Robert for his devoted service to the Board of Magellan.

These changes demonstrate our commitment to Board renewal, as we seek to ensure Magellan's Board has the right skill mix, expertise, independence and diversity to support Magellan's future strategy.

Investment Team Leadership Update

In October 2022, we announced that David George had been appointed to the role of Chief Investment Officer ("CIO"), alongside his role as Magellan's Chief Executive Officer ("CEO") & Managing Director. In addition, Gerald Stack, who leads our Infrastructure Strategy, was appointed to the role of Deputy CIO.

These appointments were made to facilitate an objective and forensic review of the performance of Magellan's Global Equities Strategy and to assess and implement changes that were in the Group's control to assist in improving performance. During this period, deliberate and considered changes were implemented to support investment performance and drive efficiency and collaboration in our investment team.

Following these changes, we have been pleased to see improvements in collaboration and information flow, analyst engagement, and improved processes. Investment performance in Magellan's Global Equities Strategy has also seen early signs of improvement, generating $11.0 million of performance fees in the 12 months to 30 June 2023.

As a result of structural improvements in the investment team, we today announce we will revert our investment team leadership to its former 'business as usual' structure, with David as CEO and Managing Director and Gerald as Head of Investments.

Capital Management

We are committed to enhancing shareholder value and in recognition of your ongoing support, I am pleased to advise that, in addition to the ordinary dividends declared by the Board today, a special dividend has been declared.

For the six months ended 30 June 2023, the Board has declared a **Final Dividend of 35.6 cents per share (cps)** and a **Performance Fee Dividend of 4.2 cps**, taking the total ordinary dividends for the 2023 financial year to **86.7 cps**, 85% franked.

In addition, the Board has also declared a **Special Dividend of 30.0 cps** which is 85% franked. In determining to pay a Special Dividend the Board has balanced its objectives of delivering capital efficiency to shareholders with the availability of franking credits and having regard to the abolishment of the Offshore Banking Unit regime from 1 July 2023.

In line with Magellan's dividend policy, the Final Dividend represents a payout ratio of 90%-95% of net profit after tax of the Group's Funds Management business excluding performance fees, and the Performance Fee Dividend represents a payout of 90%-95% of net crystallised performance fees after tax. The Final and Performance Fee Dividends will be paid together with the Special Dividend on 7 September 2023 to shareholders on the register as at 24 August 2023.

Magellan's ordinary dividends and the Special Dividend mean that **total dividends of $1.167 per share have been declared in respect of FY23.**

On 3 April 2023, we extended our on-market buyback program to buy back up to 10 million ordinary shares in the 12 month period to 3 April 2024. As at 30 June 2023, we have acquired 4.3 million shares at a cost of $47 million. We believe these capital management initiatives, taken together, are consistent with our continuing aim to deliver capital efficiency, solid dividends and attractive returns to shareholders.

Strategy & Progress

Magellan's strategic focus is centred on our funds management business.

We continue to have significant scale across our three primary strategies (Global Equities, Infrastructure Equities and Australian Equities) and our immediate priority has been to create stability and deliver the investment performance and risk profile that our clients have come to expect from Magellan.

Over the longer term, our priority of ensuring we deliver on our strategies' investment objectives must remain, while also generating sustainable growth, as we become a more diverse global fund manager. This requires reducing reliance on individual funds and portfolio managers by leveraging our existing capabilities and skill sets to build depth and to develop and deliver new strategies organically that make sense for our clients. With our strong balance sheet, we also have the opportunity to expand our platform by adding to these primary strategies through synergistic inorganic growth, in a disciplined and value-enhancing manner, but only if appropriate opportunities arise.

Our CEO and Managing Director, David George, in his CEO Letter provides a detailed update on the progress we are making in implementing our strategy and delivering on our FY23 priorities. I am pleased to report that we have made excellent progress in delivering stability after a period of accelerated change.

Our People

Our people are our most valued asset, so as we focus on the future, a key priority has been to refresh and reaffirm our culture and values, to drive high performance and career development and align teams to the long term success of Magellan.

Chairman's Letter

For the year ended 30 June 2023

As we noted at the time of Magellan's half year 2023 results in February, we accelerated the staff retention program announced in March 2022, bringing forward the cash retention payments by one year, to September 2023 and September 2024 respectively in order to optimise their value as incentives. For the 61% of our employees that have an outstanding Share Purchase Plan ("SPP") loans, these retention bonuses assist in reducing the employee loans under the SPP, which will be reduced by the ordinary and special dividends declared by the Board today and are secured by MFG shares with substantial value. Following the final cash retention payment in September 2024, the outstanding balance of employee loans will be significantly reduced. This allows employees to remain focused on our clients and the business during a period of change, while also aligning with shareholder outcomes.

We continue to develop and implement an accountability and alignment model designed to ensure our employee value proposition remains and staff are aligned to delivering positive client and shareholder outcomes.

Concluding Remarks

Looking forward, I am pleased to report that good progress has been made in building on the recent improvements in investment performance and stabilising the business. However, much work remains to be done. The Group's number one priority remains delivering on our strategies' investment objectives, which in turn will provide the foundation for revenue growth and returns for shareholders over the long term.

Importantly, Magellan remains a globally significant asset manager with a robust balance sheet, strong cash flows and significant competitive strengths in the form of highly experienced portfolio management teams, extensive research, and market leading distribution and operational capabilities. We remain confident that these foundations position us well to deliver attractive returns to shareholders in the future.

I would like to thank my fellow Directors on the Board and Magellan employees for their dedication and hard work this year. It has been my privilege to serve as Chairman of the Company and I look forward to continuing in my capacity as Deputy Chairman.

Finally, I would like to thank you, our shareholders, for your ongoing support of Magellan.

Yours sincerely,

Hamish McLennan
Chairman

Chief Executive Officer's Letter

For the year ended 30 June 2023

Dear Shareholder,

Thank you for the opportunity to provide you with an update on Magellan Financial Group Ltd's ("Magellan" or "Company") financial performance for the 2023 financial year ("FY23"), as well as a progress report on our five-year strategy.

FY23 Financial Performance

For the twelve months ended 30 June 2023, Magellan reported Management and Performance Fee Revenue of $339.2 million (FY22: $600.1 million), Adjusted Net Profit after Tax (NPAT) of $174.3 million (FY22: $401.0 million) and Statutory Net Profit After Tax of $182.7 million (FY22: $383.0 million).

As at 30 June 2023, Magellan had $39.7 billion of FUM across its three primary strategies, Global Equities, Infrastructure Equities and Australian Equities (via Airlie Funds Management), compared to $61.3 billion at 30 June 2022. The timing of outflows, particularly in FY22, meant that FY23 average FUM declined by 48%.

These figures reflect the changes the Company has experienced over the recent past, and the reduction in funds under management (FUM) that has resulted. Nevertheless, we have made solid progress on our FY23 priorities and are executing on our five-year strategy.

Our immediate strategic focus remains on driving investment performance across our investment strategies and delivering disciplined cost and capital management. Of particular focus has been the Global Equities Strategy. I am pleased to report that we are seeing early signs of improvement in investment performance in this strategy, with the Magellan Global Fund returning over 20% net of fees over the 12 months to 30 June 2023, and outperforming the MSCI World NTR Index ($A) benchmark over the six months to 30 June 2023. Our Global Equities Strategy more broadly generated performance fees of $11.0 million for the year compared to $2.6 million in performance fees generated by this strategy in FY22.

Over the course of the year, we balanced our disciplined approach to cost management with investing to support client outcomes, and are pleased our Funds Management business operated below our FY23 expense guidance range of $125 to $130 million at $121.3 million. This included $15.4 million of costs associated with the organisational realignment and the staff retention payments which do not form part of the underlying cost base of the business. We will continue to maintain our disciplined approach to cost management with our Funds Management business operating expenses expected to be in the range of $95 to $100 million in the 2024 financial year.

Magellan remains in a strong financial position with $853.7 million of Net Tangible Assets at 30 June 2023 including investments in funds and associates, no debt and strong net cash flows from operating activities of $186.6 million in FY23.

Strategy Update

Our long-term strategy is designed to position Magellan for the next phase of its evolution by building upon our strengths to transition into a more diversified global fund manager that delivers sustainable growth and attractive shareholder returns.

To deliver this, we are focussed on three key areas; delivering stability, short term growth opportunities and long term growth opportunities, underpinned by ongoing disciplined capital and cost management and alignment of our employee value proposition with client and shareholder outcomes.

Whilst we recognise that meaningful transformation takes time, we are making good progress, an update on which follows.

1. Delivering stability - improving the performance of our funds management business

First and foremost, our focus has been to ensure that all three of our primary investment strategies are delivering on their investment objectives. When investment performance is strong, positive inflows follow. To this end, we have made considered and deliberate changes this year to support investment performance and drive efficiency and collaboration throughout the business across the different strategies.

What remains unchanged is our investment philosophy. We still believe investing in the world's best companies is a path to creating and protecting long term wealth, particularly in a high inflationary environment. All our existing strategies are designed to deliver attractive risk-adjusted returns to investors over the long term and our three primary strategies have outperformed the applicable benchmarks since inception.

The underperformance in recent years of our Global Equities Strategy has been an area of focus. In October last year we announced changes to the investment team's organisational structure that were aimed at facilitating improved collaboration and information flow and thus improve investment decisions by our Portfolio Managers. Gerald Stack was appointed as Deputy CIO with the task of driving analyst engagement and communication with portfolio managers. As CIO, my role was to provide an objective and forensic lens to the recent performance outcomes of our Global Equities Strategy to assess and amend the areas where we were falling short, and to determine ways of improving upon factors that were in our control – work which is largely completed.

Our portfolios are now managed by a portfolio management group who have the right combination of skills and experience to gain the most leverage from our research engine whilst supporting and developing our up and coming portfolio managers. We have also enhanced our investment frameworks with disciplined and well organised processes designed to drive excellence in portfolio construction and stringent risk management.

As I mentioned earlier, it is encouraging to start seeing positive outcomes in the form of improved performance within our Global Equities Strategy. As a result, the Board determined that we will be reverting back to our 'business as usual' structure with Gerald as Head of Investments and myself as CEO and Managing Director.

Magellan's Infrastructure Strategy remains a highly rated offering globally with a strong long-term performance track record. Our strict definition of infrastructure means we only invest in assets that provide essential services and generate reliable cash flows, and exclude businesses with high sensitivity to commodity price movements, competitive pressure or sovereign risk. The success of this disciplined approach is demonstrated in the strategy's performance over the longer term, creating returns which are highly defensive, linked to inflation, and with low correlation to other asset classes. In recent times, the strategy's relative performance against the benchmark has been impacted by being structurally underweight to companies in sectors we exclude due to commodity-price exposure, namely, those that benefited from the energy price spikes in 2022. This is to be expected, however, and is the trade-off of the highly defensive nature of the portfolio which seeks to gain exposure to reliable, predictable long-term earnings and hence long-term investment returns.

In March, we announced that Airlie Funds Management ("Airlie") founder John Sevior was retiring. John left with Airlie in a very strong position, having developed a solid succession plan and a highly capable team under his leadership. I would like to congratulate Matt Williams, who is the new Head of Australian Equities, and Emma Fisher, who was promoted to the newly created Deputy Head of Australian Equities, on their new roles. I have full confidence that Airlie will evolve under their leadership with the support of the broader Airlie investment team. Emma and Matt are the portfolio managers of the Airlie Australian Share Fund (ticker: AASF), which has maintained a strong track record, outperforming the S&P/ASX200 Accumulation Index since inception and over the past one, three and five years as at 30 June 2023. Matt is an industry veteran with 30 years' experience in investment management, including as Head of Equities at Perpetual where he worked with John for a number of years, before joining Airlie in July 2016 as portfolio manager on behalf of institutional clients and co-portfolio manager of the Airlie Australian Share Fund.

We have also been focussed on our industry leading distribution team to support stabilisation of the platform, including directing focus to the way we service both retail and institutional clients and expanding our geographical reach. In preparation for the retirement of Frank Casarotti on 31 December 2023 after a remarkable 40 year career, 16 of which were at Magellan building and leading one of the most successful distribution and client service organisations in Australia, we have appointed Mark Burgess as the new Head of Distribution & Marketing with effect from 1 July 2023. Frank will remain with us as a Senior Adviser until the end of the calendar year to ensure a smooth transition. Mark has been in leadership roles within Magellan's distribution team since August 2010 and with over 25 years' experience in the industry is well known to our retail client base.

2. Near term growth opportunities - adjacent investing offerings

In parallel with improving performance across our existing funds, we also have well-defined growth opportunities to leverage our existing investment capabilities to create strategies that solve for client needs in areas of growing demand from investors. Magellan has invested over the years across product, distribution, marketing and operational capabilities and is well positioned to expand our offerings on a high quality platform where this is additive and does not dilute Magellan's existing strengths.

In February this year we launched our new ***Energy Transition Investment Strategy***. This strategy leverages our extensive infrastructure and sustainability research experience to identify and invest in companies that are positioned to benefit from the energy transition as the world's economy shifts to dramatically lower carbon intensity over a multi-decade cycle. Since its launch our activity has focussed on introducing the strategy to global institutional consultants and clients that are seeking solutions in this area and are planning to make it available to retail clients in time.

Chief Executive Officer's Letter

For the year ended 30 June 2023

In March we relaunched our ***Magellan Core Series*** with positive initial feedback and solid investor interest to date. The investment universe defined by Magellan's forward-looking and fundamental research differentiates the Core Series, making it scalable and offering a strong value proposition catered towards low-cost client requirements. Each version of the Core Series represents the broadest exposure to the Magellan research engine, namely companies with sustainable earnings moats and strong management teams that meet our stringent quality criteria.

Our new ***Airlie Small Companies Fund***, was also launched in March. It is a retail fund that capitalises on the Airlie team's strong track record in the Australian market, making expansion into this segment a logical and synergistic near term growth opportunity. Small cap equities in Australia is an area where high quality managers can generate consistent outperformance and an offering that clients seek, and whilst still early days, we are pleased with the initial response to the new fund from the market.

3. Future growth opportunities - diversifying our funds and expanding the depth and breadth of our team

Longer term, our focus is on sustainable growth that thoughtfully reduces the risk associated with concentration in a small number of strategies and individuals. This involves taking steps to broaden and deepen the mix of our funds under management and thoughtful succession planning to future-proof Magellan against key person risk.

We are proactively looking at opportunities for growth in areas where there are increasing allocations in client portfolios such as alternatives or private markets. Our distribution, marketing and operational capabilities built over many years provide us with a competitive advantage that provide a unique value proposition for fund managers.

Importantly, our approach to inorganic growth is disciplined. Any acquisition or investment we make will be timely, strategic, scalable and complementary to our existing business and ultimately create long-term shareholder value and sustainable revenue growth.

People

Our people are our most valued asset, so a key priority has been to refresh and reaffirm our culture and values, to drive high performance and career development and align teams to the long-term success of Magellan, our shareholders and clients.

Earlier this month, we announced our refreshed Company values to the team, a key step in reaffirming our culture. The values put into words the existing great culture of our team whilst also seeking to bring new energy and purpose to the business. Magellan's values are: 'We invest in our people for excellence. We put clients first, take ownership, are authentic, and succeed together'. We believe these values will drive our future success.

We continue to develop and implement our accountability and alignment model which is being developed by our new Head of Human Resources, Melissa Pascoe, who joined the business following over 20 years at Macquarie Group and more recently, as Head of Human Resources at ASX-listed Nuix Ltd. The model will ensure our employee value proposition remains and staff are aligned to delivering positive client and shareholder outcomes.

The staff retention program announced in March 2022 was accelerated by bringing forward the cash payments to September 2023 and September 2024 to enhance their value as incentives. These payments have been important to allow employees to remain focused on clients and the business during a period of change and uncertainty, while also aligning with shareholder outcomes.

I would like to thank all our people who have continued to focus on delivering strong outcomes for our clients through this period.

Outlook

The business has many opportunities for growth and continued refinement. The review and refinement of what we have and where we are going was a key characteristic of FY23 and will continue to be in FY24 as we build on the initiatives implemented and commenced during the year. We will need to stay nimble in what will likely be a challenging economic environment whilst also remaining focused on the existing strategies and looking for opportunities that address clients' portfolio needs. We remain committed to delivering on our investment strategies' objectives and shareholder returns in a disciplined way.

Chief Executive Officer's Letter

For the year ended 30 June 2023

Conclusion

We are one year into our five-year transformation program and while I am pleased with the progress we have made this year we still have much to do.

Finally, I would like to thank you, our shareholders, for your ongoing support of Magellan.

David George
Chief Executive Officer and Managing Director

Performance Overview

For the year ended 30 June 2023

Overview of Results

Magellan Financial Group Ltd ("Magellan" or the "Group") is a specialist asset manager that has three primary investment strategies:

- Global Equities;
- Infrastructure Equities; and
- Australian Equities (via Airlie Funds Management).

Assets are managed on behalf of:

- retail investors in Australia and New Zealand; and
- institutional investors located in Australia and around the world.

The Group's Funds Management segment is the core business and the main driver of the Group's revenues, profitability and therefore, dividends paid to shareholders. Funds under management ("FUM") is the primary driver of the Group's revenues as it determines the level of management fees earned by the Group.

The Group's financial performance for the year ended 30 June 2023 reflects an accelerated period of change over the recent past, and the reduction in FUM that has resulted.

Average FUM for the year was down 48% to $48.8 billion (FY22: $94.3 billion). As at 30 June 2023, FUM was $39.7 billion.

The Group's **statutory net profit after tax** for the year ended 30 June 2023 was $182.7 million (FY22: $383.0 million).

The Group's **adjusted net profit after tax** for the year ended 30 June 2023 was $174.3 million (FY22: $401.0 million).

Adjusted earnings per share was 95.5 cents per share (FY22: 216.6 cents per share).

The Group believes adjusted net profit after tax provides meaningful information about the performance of the business, particularly in comparative analysis. Adjusted financial measures for the period reflect:

- non-cash amortisation expense of $3.6 million;
- net unrealised gains from the Fund Investments segment of $50.5 million (net of tax: $35.3 million);
- net non-cash remeasurement of share purchase agreement loans of $0.8 million;
- net non-cash employee share option expense of $3.8 million; and
- net non-cash expenses related to strategic initiatives of $26.6 million (net of tax: $18.6 million), which primarily reflect changes in the fair value of Magellan's liability to fund the 7.5% exercise discount in respect of the MGF Options.

Profit before tax and performance fees from the Group's Funds Management business was $212.3 million (FY22: $471.9 million).

Fund Investments made a gain of $73.9 million before tax. This primarily comprised dividend and distribution income of $34.7 million and net unrealised capital gains of $50.5 million, which were partially offset by net realised capital losses of $11.2 million. Earnings from dividends and distributions and realised capital gains/losses are included in other revenue.

The Group's share of the after-tax losses incurred by associate investments was $11.5 million.

The Directors have declared total ordinary and special dividends of 116.7 cents per share in respect of the year ended 30 June 2023. This compares with 179.0 cents per share in the 2022 financial year. This comprises:

- A Final Dividend in respect of the six months to 30 June 2023, of 35.6 cents per share, franked at 85% (68.9 cents per share, 80% franked, in 2022) which will be paid on 7 September 2023;
- An Interim Dividend of 46.9 cents per share paid in March 2023 (110.1 cents per share for the six months to 31 December 2021), franked at 85%;
- A Performance Fee Dividend of 4.2 cents per share (3.9 cents per share for the 12 months to 30 June 2022), franked at 85%; and
- A Special Dividend of 30.0 cents per share, franked at 85%.

The dividends for FY23 reflect the Group's disciplined capital management and ongoing commitment to return value to Magellan's shareholders.

Performance Overview

For the year ended 30 June 2023

The Group's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's Funds Management business excluding performance fees. Net profit after tax of the Funds Management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements.

In addition to the Interim and Final Dividends, the Group will pay an annual Performance Fee Dividend of 90% to 95% of the net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually alongside the Final Dividend.

The Board has a policy of paying out franking credits to the maximum extent possible over time, however, the level of franking attached to dividends may vary from period to period. The Offshore Banking Unit ("OBU") regime was abolished from 1 July 2023. The changes to the OBU regime will likely lead to higher levels of franking paid to shareholders in the future, subject to availability of franking credits.

The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

Performance Overview

For the year ended 30 June 2023

The following table summarises the Group's profitability over the past two financial years[1]:

	30 June 2023 $'000	30 June 2022 $'000[1]	Change %
Management and services fees	**330,247**	592,634	(44%)
Performance fees	**11,524**	11,472	0%
Other revenue and income	**37,581**	43,145	(13%)
Adjusted revenue and other income	**379,352**	**647,251**	(41%)
Adjusted expenses	**(126,774)**	(130,799)	(3%)
Adjusted net profit before tax	**252,578**	**516,452**	(51%)
Adjusted tax expense	**(66,736)**	(122,037)	(45%)
Adjusted net profit after tax and before associates	**185,842**	**394,415**	(53%)
Share of after tax profit/(loss) of associates[2]	**(11,532)**	6,601	(275%)
Adjusted net profit after tax	**174,310**	**401,016**	(57%)
Net (expenses)/benefits related to strategic initiatives[3]	**(18,603)**	15,814	nm
Amortisation of intangible assets	**(3,580)**	(4,585)	nm
Net non-cash remeasurement of share purchase loans	**(795)**	(3,291)	nm
Non-cash employee share option expense	**(3,846)**	(1,283)	nm
Net unrealised change in fair value of financial assets and liabilities (after tax)	**35,348**	(65,055)	nm
Net gain on dilutions and disposals of associates (after tax)	**(179)**	40,395	nm
Total non-IFRS adjustments	**8,345**	**(18,005)**	
Statutory net profit after tax	**182,655**	**383,011**	(52%)
Key statistics			
Diluted earnings per share (cents per share)	**100.0**	206.9	(52%)
Adjusted diluted earnings per share (cents per share)	**95.5**	216.6	(56%)
Dividends			
Interim and final dividends (cents per share)	**82.5**	175.1	(53%)
Annual performance fee dividend (cents per share)	**4.2**	3.9	8%
Total dividends (cents per share)	**86.7**	179	(52%)

1 Prior period comparatives have been restated to reflect non-cash employee share option expense of $1,283,000 on a basis consistent with the current reporting period.
2 Share of after-tax profit/(loss) of associates of $12.4 million adjusted for tax on undistributed associate profit of $0.9 million. A reconciliation to the reported statutory net profit is outlined in section 1.4.1 of the Directors' Report.
3 Principally comprises the change in value of the obligation associated with Magellan Global Fund ("MGF") Options issued under the MGF Partnership Offer and Bonus MGF Option Issue.

Funds Management Segment

As at 30 June 2023, the Group's Funds Management business had FUM of $39.7 billion. This segment is Magellan's core business and the driver of the Group's revenues, profitability, and therefore, dividends paid to shareholders.

For the year ended 30 June 2023, the Funds Management segment profit before tax was $223.8 million (FY22: $483.3 million). Excluding performance fees, profit before tax was $212.3 million (FY22: $471.9 million). The Funds Management segment profit excludes amortisation of intangibles, expenses/benefits related to strategic initiatives, gains/losses from non-cash remeasurements and non-cash expenses related to the employee share option plan.

1 Adjusted financial measures are adjusted for strategic, non-recurring, non-cash or unrealised items to provide additional meaningful information (refer to section 1.4.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).

Performance Overview

For the year ended 30 June 2023

The following table summarises the profitability of the Funds Management segment for the year ended 30 June 2023 compared with the prior corresponding period:

	30 June 2023 $'000	30 June 2022 $'000[1]	Change %
Revenue			
Management fees	**327,647**	588,594	(44%)
Performance fees	**11,524**	11,472	0%
Services fees	**2,600**	4,040	(36%)
Other revenue and income	**3,333**	5,031	(34%)
	345,104	609,137	(43%)
Expenses			
Employee expenses	**86,124**	85,433	1%
Fund administration and operational costs	**14,749**	20,441	(28%)
Information, technology and data	**8,695**	8,183	6%
Marketing	**1,962**	2,349	(16%)
Other expenses	**9,794**	9,401	4%
	121,324	125,807	(4%)
Net profit before tax	**223,780**	483,330	(54%)
Net profit before tax and performance fees[2]	**212,274**	471,858	(55%)
Key statistics			
Average funds under management ($ million)	**48,849**	94,251	(48%)
Average AUD/USD exchange rate	**0.6732**	0.7257	(7%)
Average number of employees	**125**	137	(9%)
Employee expenses / total expenses	**71.0%**	67.9%	
Cost / income	**35.2%**	20.7%	
Cost / income, excl. performance fees[2]	**36.4%**	21.0%	

1 Prior period comparatives have been restated to reflect non-cash employee share option expense of $1,283,000 on a basis consistent with the current reporting period.
2 Adjusted for the current period performance fee impact on revenue and expenses for the 12-month period.

Revenues

The primary component of the Group's revenues is management fees, which are based on FUM.

Revenues for the year decreased by 43% to $345.1 million. This was driven by a 44% decrease in total management fee revenue, as a result of a 48% decrease in average FUM over the period. Performance fees before tax of $11.5 million were earned for the year (FY22: $11.5 million). Performance fees were mainly driven by the Group's Global Equities Strategy which generated $11.0 million with improved investment performance in the six months to 30 June 2023. Performance fees can, and very often do, vary significantly from period to period.

Expenses

Funds Management segment expenses decreased by 4% from the prior corresponding period to $121.3 million, below the previously provided guidance range of $125-$130 million. A key priority throughout the year has been to balance cost management with investment to support client outcomes.

As a fund manager, Magellan's business is heavily reliant on human capital and its people are fundamental to delivering value for clients. Payments to employees increased by 1% to $86.1 million and made up 71% of the operating expenses of the Funds Management segment in the year, compared with 68% in the prior corresponding period. Employee expenses during the period reflect the impact of market wide wage inflation and the cost of retaining high quality talent. Employee expenses also included a $15.4 million expense for staff cash retention payments and costs associated with the organisational realignment announced in March 2022 and October 2022 respectively, which do not form part of the underlying cost base of the business. Staff cash retention payments are expected to be significantly lower in FY24 and will cease from September 2024.

Performance Overview

For the year ended 30 June 2023

During the period, the vesting of the cash retention payments under the staff retention program was brought forward by one year from September 2024 and September 2025 to September 2023 and September 2024, respectively, to enhance the value of these incentives. Employee expenses reflect this change in vesting. These payments, alongside the broader staff retention program, have been important to allow employees to remain focused on clients and the business during a period of change and uncertainty, while also aligning with shareholder outcomes.

Employee expenses include the costs associated with the organisational realignment announced in October 2022, however, exclude the non-cash expense associated with the employee share option plan.

The following table sets out total employee numbers:

	30 Jun 2023	30 Jun 2022
Investment		
Portfolio Managers/Analysts	**25**	32
Dealers	**3**	3
	28	35
Distribution & Marketing	**23**[1]	36
Other (including Finance, Risk & Compliance, Admin)	**47**[1]	46
Frontier	**8**	9
Airlie	**9**	9
Total	**115**	135
Average number of employees	**125**	137

[1] As part of organisational changes, the Performance & Reporting team now report to the CFO/COO and have moved from being recorded under "Distribution & Marketing" to "Other".

"Other" expenses within the Funds Management business for the period were down 13% mainly driven by savings in fund administration and operational costs (down 28%) driven by lower FUM levels and unitholder activity as well as disciplined cost management.

The Funds Management business cost to income ratio (excluding performance fees) was 36.4% compared with 21.0% for the year ended 30 June 2023. The increase to Magellan's cost to income ratio primarily reflects the decrease in revenue resulting from a reduction in FUM during the period.

The Group continues to pay close attention to costs and has a disciplined cost management approach.

Performance Overview

For the year ended 30 June 2023

Funds Under Management

The following table sets out the composition of Magellan's FUM:

	30 June 2023	30 June 2022
Retail	**18.4**	22.2
Institutional	**21.3**	39.1
Total FUM ($ billion)	**39.7**	61.3
Retail (%)	**46%**	36%
Institutional (%)	**54%**	64%
FUM subject to performance fees (%)	**47%**	40%
Breakdown of FUM		
Global equities	**19.1**	33.3
Infrastructure equities	**16.1**	20.1
Australian equities	**4.5**	7.9
Total FUM ($ billion)	**39.7**	61.3
Average base management fee (bps) per annum excluding performance fees[1]	**67**	62

1 Calculated as management fees (excluding performance and services fees) for the relevant period divided by the average of month end FUM over the same period.

As at 30 June 2023, the Group had FUM of $39.7 billion, split between:

- Global Equities (48%);
- Infrastructure Equities (41%); and
- Australian Equities (11%).

This compares with FUM of $61.3 billion at 30 June 2022. The decrease in FUM was driven by:

- net outflows of $25.2 billion;
- cash distributions paid (net of reinvestment) of approximately $0.7 billion; offset by
- positive investment performance of approximately $4.3 billion.

The following table sets out the drivers of FUM changes for each investment strategy:

FUM by strategy ($ billions)	30 Jun 2022	1H23 Net Flows	2H23 Net Flows	Investment Performance	Distributions	30 Jun 2023[1]
Global Equities	33.3	(13.3)	(4.8)	4.4	(0.5)	19.1
Infrastructure Equities	20.1	(1.5)	(0.9)	(1.3)	(0.2)	16.1
Australian Equities	7.9	(0.1)	(4.5)	1.3	(0.0)	4.5
Total	**61.3**	**(15.0)**	**(10.2)**	**4.3**	**(0.7)**	**39.7**

1 May not add due to rounding

Set out in the table below is the investment performance since inception of the Magellan Global Fund, the Magellan Infrastructure Fund and the Airlie Australian Share Fund.

Performance Overview

For the year ended 30 June 2023

Investment Performance for the Period to 30 June 2023[1]	6 months %	1 Year %	3 Years % p.a.	5 Years % p.a.	Since Inception % p.a.[2]
Magellan Global Fund[3]	**18.1**	**20.6**	**5.6**	**9.1**	**10.8**
MSCI World NTR Index ($A)	17.2	22.4	13.4	11.4	7.6
Magellan Infrastructure Fund	**2.3**	**(1.5)**	**4.2**	**3.7**	**6.9**
Infrastructure Benchmark ($A)[4]	2.5	1.8	9.3	4.2	5.2
Airlie Australian Share Fund	**4.3**	**18.1**	**13.5**	**9.0**	**9.8**
S&P/ASX 200 Accum. Index	4.5	14.8	11.1	7.2	7.7

1 Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Annualised performance is denoted with "p.a." for the relevant period.
2 Inception date for the Magellan Global Fund and Magellan Infrastructure Fund is 1 July 2007 and the inception date for the Airlie Australian Share Fund is 1 June 2018.
3 Performance for the Magellan Global Fund Open Class
4 The Infrastructure benchmark is comprised of the following: from inception to 31 December 2014 the benchmark is UBS Developed Infrastructure and
Utilities NTR Index (AUD Hedged) and from 1 January 2015 onwards, the benchmark is the S&P Global Infrastructure NTR Index (AUD Hedged).

All three flagship funds have long-term investment horizons and have outperformed their relevant indices since inception. Magellan's investment philosophy remains unchanged and Magellan continues to believe that investing in the world's best companies is a path to creating and protecting long term wealth.

Net outflows have predominantly been driven by client outflows in the **Global Equities Strategy**, in part due to the recent relative underperformance of the strategy. As a result, in October 2022, the Group made deliberate changes to address this. The Group's portfolios are now managed by a consolidated portfolio management group who have the right combination of skills and experience to gain the most leverage from Magellan's research engine. Whilst the Group continues to see challenging flows in its Global Equities strategy, the Group has seen early signs of improvement in investment performance in the second half of FY23.

Magellan's **Infrastructure Equities Strategy** remains a highly rated offering globally with a strong long-term performance track record. Magellan's strict definition of infrastructure means the strategy only invests in assets that provide essential services and generate reliable cash flows, and exclude businesses with high sensitivity to commodity price movements, competitive pressure or sovereign risk. The success of this disciplined approach is demonstrated in the strategy's performance over the longer term, creating returns which are highly defensive, linked to inflation, and with low correlation to other asset classes. In recent times, the strategy's relative performance against the benchmark has been impacted by being structurally underweight to companies in sectors excluded by the strategy due to commodity-price exposure, namely, those that benefited from the energy price spikes in 2022. This is to be expected, however, and is the trade off of the highly defensive nature of the portfolio which seeks to gain exposure to reliable, predictable long-term earnings and hence long-term investment returns.

The **Airlie Australian Share Fund** (ASX: AASF / APIR: MGE9705AU) has established an exceptional track record and continues to deliver strong investment performance with the strategy outperforming its benchmark over the past 1 year, 3 years, 5 years and since inception, as at 30 June 2023.

With $39.7 billion of FUM as at 30 June 2023, Magellan remains a fund manager of scale, with a strong track record of product innovation, superior long-term investment research capabilities, leading marketing and distribution networks and a robust balance sheet, all of which provide a strong foundation to support the Group's five-year strategy.

Whilst the immediate priority is ensuring that Magellan is consistently delivering the investment performance and risk profile that investors have come to expect from its current strategies, the Group is also focused on becoming a more diverse business.

To this end, Magellan is harnessing the investment knowledge it has built over many years to bring new offerings to market, which are supported by the Group's outstanding operations and distribution capabilities. Magellan has a strong track record of this type of innovation, and it remains an ongoing priority and continuous process.

In February this year, Magellan's new **Energy Transition Strategy** was launched. This strategy leverages Magellan's extensive infrastructure and sustainability research experience to identify and invest in companies that are positioned to benefit from the energy transition as the global economy shifts to dramatically lower carbon intensity over a multi-decade cycle. Since its launch, the Group has been focussed on introducing the strategy to global institutional advisers and clients and is planning to make it available to retail clients in time.

In March 2023, the **Magellan Core Series** was relaunched with positive initial feedback and solid investor interest to date. The investment universe defined by Magellan's forward-looking and fundamental research differentiates the Core Series, making it scalable and offering a strong value proposition catered towards low-cost client requirements. Each version of the Core Series represents the broadest exposure to the Magellan research engine, namely, companies with sustainable earnings moats and strong management teams that meet Magellan's stringent quality criteria.

The **Airlie Small Companies Fund**, an unlisted retail fund, was also launched to retail investors in April 2023. It is a retail fund that capitalises on the Airlie team's strong track record in the Australian market, making expansion into this segment a logical and synergistic near-term growth opportunity. Small cap equities in Australia is an area where high quality managers can generate consistent outperformance and is an offering that clients seek.

Fund Investments

Fund Investments is a sub-set of the Group's balance sheet and largely comprises investments in Magellan's funds and seed portfolios for new strategies and initiatives. The Group believes that maintaining a strong balance sheet which can withstand almost any market condition is important for Magellan's clients and shareholders, and Magellan intends to review its balance sheet investments in the 2024 financial year. The Group's Fund Investments are important for multiple reasons, including:

- alignment with clients through co-investment in Magellan's investment strategies;
- seeding new investment strategies; and
- providing a meaningful level of liquid assets for operational risk purposes.

As at 30 June 2023, the Group had net Fund Investments of $392.0 million, compared with $358.4 million at 30 June 2022. The following table sets out a summary of the Group's Fund Investments as at 30 June 2023 and 30 June 2022:

	30 June 2023 $'m	30 June 2022 $'m
Cash	**0.4**	0.3
Investments in:		
Magellan funds[1]	**412.9**	374.0
Net seed portfolios	**7.0**	4.7
Other[2]	**0.2**	0.3
Total	**420.5**	379.3
Net deferred tax liability[3]	**(28.5)**	(20.9)
Net Fund Investments	**392.0**	**358.4**
Net Fund Investments per share (cents)[4]	**216.1**	**193.6**

1 Investments are set out in note 7 of the financial statements.
2 Comprises receivables and payables.
3 Arises from changes in the fair value of financial assets offset by the deferred tax asset relating to unused tax losses.
4 Based on 181,431,899 shares on issue at 30 June 2023 (June 2022: 185,088,872 ordinary shares).

The Group aims to earn satisfactory returns on its Fund Investments portfolio over time while maintaining capital strength to underpin the Group's business. Magellan has established a pre-tax return hurdle of 10% per annum over the business cycle for the Fund Investments portfolio.

The Group's Fund Investments portfolio has returned pre-tax 19.8%, 6.0% and 8.5% per annum over the last 1, 3 and 5 years to 30 June 2023 respectively. Excluding the effect of the Group's previous investment in MFF Capital Investments Limited, disposed of by way of an in-specie distribution to shareholders in February 2013, the portfolio returned pre-tax 10.4% per annum since inception from 1 July 2007. The inception date of 1 July 2007 has been chosen to reflect the first purchase date of the investments in the Magellan Global Fund and the Magellan Infrastructure Fund.

Associate Investments

As at 30 June 2023, Magellan held two investments in associates. These are held on Magellan's balance sheet and are managed separately:

- 36% economic interest (5% voting interest) in Barrenjoey Capital Partners Group Holdings Pty Limited ("Barrenjoey"), a recently established full-service financial services firm; and

- 16%[2] interest in FinClear Holdings Limited ("FinClear"), a provider of technology, infrastructure and ASX market-access services.

Associate investments delivered a post-tax loss of $11.5 million during the year ended 30 June 2023.

During the year, Barrenjoey largely completed the build out of its key business lines, with Fixed Income Derivatives, Equity Financing and Private Capital going live. Barrenjoey continued its focus on growing market share and diversifying revenues during the period. Establishment costs of the business are expected to decline materially in the 2024 financial year.

FinClear's public equity markets business has been impacted by weaker market conditions during the year, however, it continues to invest in growth opportunities, including its FCX platform, a secure DLT-based platform for investors and private companies. FinClear is in the process of applying for a tier 2 market licence that would allow FCX to offer wholesale peer to peer trading of private capital in a secondary market.

Magellan is a supportive shareholder in these businesses and will manage these investments with a view to maximising shareholder value.

Capital Management

As at 30 June 2023 the Group's financial position included:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of $945.3 million (June 2022: $963.3 million). The Group's cash position at 30 June 2023 was $373.4 million and current loans and receivables were $58.3 million. Dividends of $126.6 million are due to be paid to shareholders on 7 September 2023;
- total liabilities of $236.5 million (June 2022: $214.6 million) which relate predominantly to the Group's financial commitments regarding the Magellan Global Fund Options, but also include payables, employee benefits, income tax payable and lease liabilities. The Group has no debt and has access to an undrawn debt facility;
- shareholders' funds of $962.5 million (June 2022: $1,026.8 million); and
- net tangible assets per share of $4.71 (June 2022: $4.95).

As at 30 June 2023, Magellan had bought back 4,284,100 shares pursuant to its on-market share buy-back program of up to 10 million ordinary fully paid shares (representing 5.4% of shares on issue at announcement). The buy-back program was extended for a further 12 months in April 2023 and will remain in place until April 2024.

Magellan remains committed to an ongoing disciplined approach to capital management which aims to deliver capital efficiency and attractive returns for shareholders.

[2] Excluding the impact of any potential dilution arising from unexercised issued options.

Directors' Report

For the year ended 30 June 2023

The Directors present their report together with the financial statements of Magellan Financial Group Limited (the "Company" or "MFG") and its controlled entities, which together form the Group, for the year ended 30 June 2023.

1. Operations and Activities

1.1. Company Overview

The Company is a listed public company incorporated in Australia. The Group's main operating company is Magellan Asset Management Limited ("MAM"). The shares of the Company are publicly traded on the Australian Securities Exchange ("ASX") under ASX Code: MFG.

The Company's principal place of business is Level 36, 25 Martin Place, Sydney, New South Wales, 2000.

1.2. Principal Activity

The principal activity of the Group is the provision of funds management services to high net worth and retail investors in Australia and New Zealand, and to institutional investors globally.

1.3. Dividends

During the year ended 30 June 2023, dividends amounting to $212,655,000 were paid representing 115.8 cents per ordinary share (June 2022: $414,179,000 representing 224.2 cents per ordinary share).

On 18 August 2023, the Directors declared total dividends of 69.8 cents per ordinary share (85% franked) in respect of the six months to 30 June 2023 (June 2022: 68.9 cents per ordinary share 80% franked). These dividends comprise a Final Dividend of 35.6 cents per ordinary share, a Performance Fee Dividend of 4.2 cents per ordinary share and a Special Dividend of 30.0 cents per ordinary share (June 2022: Final Dividend of 65.0 cents per ordinary share and a Performance Fee Dividend of 3.9 cents per ordinary share). The total amount of the Final, Performance Fee and Special Dividend (which is not recognised as a liability as at 30 June 2023) is approximately $126,639,000 (June 2022: $127,526,000) and is expected to be paid on 7 September 2023.

The Company's policy is to pay Interim and Final Dividends of 90% to 95% of the net profit after tax of the Group's funds management business excluding performance fees. Net profit after tax of the funds management business excludes amortisation of intangibles, expenses/benefits related to strategic initiatives and gains/losses from non-cash remeasurements. In addition to the Interim and Final Dividends, the Directors will pay an annual Performance Fee Dividend of 90% to 95% of net crystallised performance fees after tax. Any Performance Fee Dividend will be paid annually with the Final Dividend. The payment of dividends by the Group will be subject to corporate, legal and regulatory considerations.

1.4. Review of Financial Results and Operations

Information relating to the Group's operations, the results of those operations and the Group's financial position is included in the Performance Overview on page 11 of this report and in this section.

Information relating to the Group's business strategies, prospects for future financial years and likely developments in its operations is included in the Chief Executive Officer's Letter on page 7 of this report.

Other than the information included in the sections of this report referred to above, information on other business strategies, prospects for future financial years and likely developments has not been included as it would likely result in unreasonable prejudice to the Group.

1.4.1. Reconciliation of Net Profit After Tax to Adjusted Net Profit After Tax

The Group's net profit after tax ("Statutory net profit") and earnings per share are prepared in accordance with Australian Accounting Standards. The Group also reports a number of non-International Financial Reporting Standards ("non-IFRS") financial measures including "adjusted revenue and other income", "adjusted net profit before associates", "adjusted net profit after tax" and "adjusted basic and diluted EPS" which are shown on the next page. Refer to section 1.4.2 for further details on non-IFRS financial measures.

The Group's statutory net profit after tax for the year ended 30 June 2023 was $182,655,000, down $200,356,000 on the prior year. The Group's adjusted net profit after tax was $174,310,000 (June 2022: $401,016,000) which takes into account various non-IFRS adjustments as shown on the following page.

Directors' Report

For the year ended 30 June 2023

	30 June 2023		30 June 2022[1]	
	Statutory $'000	Non-IFRS $'000	Statutory $'000	Non-IFRS $'000
Management and services fees	**330,247**	330,247	592,634	592,634
Performance fees	**11,524**	11,524	11,472	11,472
Other revenue and income	**89,879**	89,879	(50,576)	(50,576)
Total revenue and other income	**431,650**	**431,650**	553,530	553,530
Adjust for: net unrealised change in fair value of financial assets and liabilities		(50,497)		92,937
Adjust for: non-cash interest related to share purchase loans		(1,801)		784
Adjusted revenue and other income		379,352		647,251
Total expenses	**(163,372)**	**(163,372)**	(116,582)	(116,582)
Adjust for: net expenses/(benefits) related to strategic initiatives[2]		26,576		(22,592)
Adjust for: amortisation of intangible assets		3,580		4,585
Adjust for: non-cash expenses related to share purchase loans		2,596		2,507
Adjust for: non-cash employee share option expense		3,846		1,283
Adjusted expenses		(126,774)		(130,799)
Income tax	**(72,915)**	**(72,915)**	(112,975)	(112,975)
Adjust for: tax on above adjustments		7,176		(21,104)
Adjust for: tax on undistributed associate profit		(921)		1,780
Adjust for: tax on gain from associate dilutions and disposals		(76)		10,262
Adjusted income tax		(66,736)		(122,037)
Adjusted net profit before associates		185,842		394,415
Share of after-tax profit/(loss) of associates	**(12,453)**	(12,453)	8,381	8,381
Adjust for: tax on undistributed associate profit		921		(1,780)
Net gain/(loss) on dilutions and disposals of associates	**(255)**	(255)	50,657	50,657
Adjust for: net gain on dilutions and disposals of associates		255		(50,657)
Net profit after tax	**182,655**		383,011	
Adjusted net profit after tax		174,310		401,016
Basic and diluted earnings per share	**100.0**		206.9	
Adjusted basic and diluted earnings per share		95.5		216.6

1 Prior period comparatives has been restated to reflect non-cash employee share option expense of $1,283,000 on a basis consistent with the current reporting period.
2 Principally comprises the change in value of the obligation associated with Magellan Global Fund ("MGF") Options issued under the MGF Partnership Offer and Bonus MGF Option Issue.

1.4.2. Non-IFRS Financial Measures

Non-IFRS financial measures are measures that are not defined or specified under IFRS. The Directors believe non-IFRS financial measures assist in providing additional meaningful information about the performance of the business and period-to-period comparability by adjusting for strategic, non-recurring, non-cash or unrealised items which affect the Group's statutory financial results.

Non-IFRS financial measures should be viewed in addition to, and not as a substitute for, the Group's statutory results. These measures may also differ from non-IFRS measures used by other companies.

The Group's non-IFRS financial measures are presented with reference to the Australian Securities & Investments Commission ("ASIC") Regulatory Guide 230 *Disclosing non-IFRS financial information,* issued in December 2011. Non-IFRS financial measures are not subject to audit or review.

Directors' Report

For the year ended 30 June 2023

1.4.3. Statement of Financial Position

The Group is in a strong financial position and at 30 June 2023 reported:

- investment assets (cash and cash equivalents, financial assets and investments in associates) of $945,341,000 (June 2022: $963,305,000);
- shareholders' funds of $962,502,000 (June 2022: $1,026,760,000); and
- NTA per share of $4.71 (June 2022: $4.95).

The Group has access to $150,000,000 through a revolving debt facility. The Group may use the facility to finance the partnership benefits it has undertaken to fund as part of the MGF Partnership Offer.

1.5. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the year ended 30 June 2023 other than as disclosed in this report.

1.6. Events Subsequent to the End of the Financial Year

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Dividend

Refer to section 1.3 for details of the dividend declared in respect of the six months ended 30 June 2023.

Board renewal

On 17 August 2023, the following changes were announced with the aim of strengthening governance and ensuring the MFG Board has the right skill mix, expertise, independence and diversity to support Magellan's future strategic direction, whilst balancing the need for continuity and retention of corporate knowledge:

- Mr Andrew Formica will take on the role of Chair with effect from 9am on 18 August 2023;
- Mr Hamish McLennan will take on the role of Deputy Chair with effect from 9am on 18 August 2023;
- Mrs Deborah Page AM is appointed a Non-Executive Director with effect from 3 October 2023;
- Mr David Dixon will serve as Chair of the Audit and Risk Committee with effect from 9am on 18 August 2023, on an interim basis, until the role is taken up by Mrs Page on 3 October 2023; and
- Mr Robert Fraser will retire from the Board with effect from 9am on 18 August 2023, however he will continue as the Chair of the main operating subsidiary, MAM.

Funds Under Management

On 4 August 2023, the Company announced on the ASX announcements platform that its funds under management was $39.2 billion as at 31 July 2023.

1.7. Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporation Act 2001* (Cth) and a copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 44.

Non-Audit Services

The Audit & Risk Committee has reviewed details of the amounts paid and payable for non-audit services provided by the Group's auditors, Ernst & Young and Plante Moran, to the Group during the year ended 30 June 2023.

The Directors, in accordance with advice received from the Audit & Risk Committee, are satisfied that the provision of non-audit services by the auditors did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure that they did not impact the impartiality and objectivity of the auditors;
- the Board's own review conducted in conjunction with the Audit & Risk Committee concluded that the auditor independence was not compromised, having regard to the Board's policy with respect to the engagement of auditors; and
- none of the non-audit services provided by Ernst & Young or Plante Moran during the year had the characteristics of management, decision making, self review, advocacy or joint sharing of risks.

For details regarding non-audit services provided by the auditors, fees paid to the auditors along with auditor tenure, refer to note 25 to the financial statements.

1.8. Rounding of Amounts

The Company is an entity to which the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* applies and, in accordance with that Legislative Instrument, amounts in the Directors' Report and the financial statements have been rounded to the nearest thousand dollars unless stated otherwise.

2. Directors and Officers

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

		Appointed	Resigned
Hamish McLennan	Chair, Independent Non-Executive Director	1 March 2016	-
Robert Fraser[1]	Deputy Chair, Independent Non-Executive Director	23 April 2014	-
David George	Chief Executive Officer and Chief Investment Officer	19 July 2022[2]	-
David Dixon	Independent Non-Executive Director	15 December 2022[3]	-
John Eales	Independent Non-Executive Director	1 July 2017	-
Andrew Formica	Independent Non-Executive Director	26 July 2023	-
Colette Garnsey	Independent Non-Executive Director	30 November 2020	-
Karen Phin	Independent Non-Executive Director	23 April 2014	20 October 2022

[1] Mr Fraser is the Chair of Magellan Asset Management Limited ("MAM"), the Group's principal operating subsidiary.
[2] Mr George was appointed Chief Executive Officer and Managing Director on 19 July 2022. He was subsequently appointed Chief Investment Officer on 17 October 2022.
[3] Mr Dixon was appointed a Director of MAM on 1 November 2022.

Secretary

Marcia Venegas has been Company Secretary since 2019.

Information on Directors and Officers

Hamish McLennan

Chair and Independent Non-Executive Director

Committees: Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Hamish has over 30 years of experience in the media industry. He is currently Chairman of REA Group Limited (appointed February 2012 and Chairman since April 2012), a global online real estate advertising company, Chairman of ARN Media (formerly HT&E Limited, appointed October 2018), an Australian media and entertainment company, and Chairman of Rugby Australia (appointed June 2020). Hamish is also a Non-Executive Director of the tech firm Claim Central Consolidated (since January 2020) and an independent director of Light & Wonder, a US gaming company (since November 2020). He was previously Executive Vice President, Office of the Chairman, News Corporation, and Global Chairman & CEO of Young & Rubicam (Y&R) in New York, part of WPP, the world's largest communications services group. Hamish joined Young & Rubicam in 2002 as Chairman and CEO of Y&R Brands Australia/New Zealand, one of the largest marketing services groups in Australasia, and led the firm's global business operations from 2006 to 2011. He was also previously Executive Chairman and Chief Executive Officer (March 2014 to July 2015) and Chief Executive Officer and Managing Director (February 2013 to March 2014) of Australian media company Ten Network Holdings Limited. He has previously served on the Boards of Directors for the United Negro College Fund (UNCF) and the US Ad Council.

Robert Fraser

Deputy Chair and Independent Non-Executive Director

Committees: Chair of the Audit & Risk Committee and member of the Remuneration & Nominations Committee

Robert is a company director and corporate adviser with 35 years of investment banking experience, specialising in mergers and takeovers, corporate and financial analysis, capital management, equity capital markets and corporate governance.

Robert is currently the Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited stockbrokers of which he is a Director and Principal. He is the Non-Executive Chairman of ARB Corporation Limited (Non-Executive Director since February 2004 and Chairman since September 2022). Robert is also a Non-Executive Director of F.F.I. Holdings Limited (since October 2011) and MFF Capital Investments Limited (since May 2019). He is the President of the Muscular Dystrophy Association of New South Wales.

Robert has a Bachelor of Economics and Bachelor of Laws (Hons) degrees from the University of Sydney and is also qualified as a licensed business broker, licensed real estate agent and a registered tax (financial) adviser.

David George

Chief Executive Officer and Chief Investment Officer

David's career spans over 20 years in institutional investment management across analytical roles, investment management and organisational leadership in Australia and Canada. Most recently, David spent 14 years at the Future Fund (Australia's Sovereign Wealth Fund). This included roles evaluating and investing alongside external investment managers, leadership of a sector team, and finally as Deputy Chief Investment Officer, Public Markets with responsibility for equities, credit, derivative overlays, public market alternatives, cash and treasury. David also served as a member of the firm-wide Senior Management Team and on all relevant internal investment portfolio management and risk committees.

Prior to the Future Fund, David held senior roles at Mercer Investment Consulting, the Royal Bank of Canada and Integra Capital Management. David is a CFA and CAIA Charterholder and holds a Bachelor of Arts (Economics) degree from Western University in Canada.

David Dixon

Independent Non-Executive Director

Committees: Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

David Dixon has over 30 years' experience in leading and growing investment businesses within the funds management industry. He has extensive experience as a senior investment leader, board trustee and director of companies. From 2013 to 2020, David was Chief Investment Officer, Equities at First Sentier Investors (formerly Colonial First State Global Asset Management) ("FSI"). In this role, David was responsible for the Australian based equity teams managing domestic and international equities. He also was responsible for the global equities dealing teams in Australia and overseas. From 2003 to 2013 he was FSI's Global Chief Investment Officer, where he was responsible for the investment functions within the entity, of the Australian and global equities, global infrastructure, global resources, global property, quantitative equities, fixed income, private equity investments, economics and market research.

Prior to FSI, David was the Head of Equities (1995 to 2002) and Chief Investment Officer (2002 to 2003) at Insurance Australia Group Limited. From 1986 to 1995 he held numerous roles at Westpac Investment Management including equity analyst, portfolio manager and Head of Corporate Research.

David is currently a Non-Director Member of the Aware Super Investment Committee (appointed January 2021). He also previously held directorial roles across a number of Commonwealth Bank of Australia subsidiaries within the Wealth Management division along with member roles on ASIC's Market Supervision Advisory Panel and the Financial Services Council Investment Board.

David was awarded the Financial Services Council Industry Excellence Award in 2012. He holds a Bachelor of Business (Finance and Economics) from the University of Technology Sydney.

John Eales AM

Independent Non-Executive Director

Committees: Chair of the Remuneration & Nominations Committee and member of the Audit & Risk Committee

John graduated from the University of Queensland in 1991 and enjoyed a 10 year international sporting career with the Australian rugby team from 1991, captaining the Wallabies from 1996 until 2001.

John has served as an executive, adviser, director and investor in a number of listed and unlisted private organisations. John co-founded the Mettle Group in 2003 – a corporate consultancy which was acquired by Chandler Macleod in 2007.

John is currently Chairman of Trajan Group (since March 2021) and also serves on the Boards of Flight Centre Travel Group (since September 2012), FUJIFILM Data Management Solutions Pty Ltd and Executive Health Solutions. He continues to serve as a consultant to major Australian companies, including Westpac. John is the author of two books, Learning from Legends Sport and Learning from Legends Business. He is the Chair of the World Rugby Hall of Fame Selection Panel and was on the Rugby Australia Bid Advisory Committee for the Rugby World Cup 2027.

He was made a Member of the Order of Australia in 1999 for services to the community and rugby and is a Patron of the Melanoma Foundation, Hearts in Union and the Champagnat Trust.

John holds a Bachelor of Arts from the University of Queensland and is a graduate of the Australian Institute of Company Directors.

Andrew Formica

Independent Non-Executive Director

Committees: Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Andrew Formica has 30 years' experience in leading and growing investment businesses within the funds management industry globally, 14 years of which were as CEO. Most recently, Andrew was CEO and Director of Jupiter Asset Management plc, where he served from March 2019 to September 2022. Prior to this, Andrew was Co-CEO of Janus Henderson Group plc, and prior was the Chief Executive and a Board member of Henderson Group plc ("Henderson") from 2008 before the merger with Janus Capital in 2017. Andrew was at Henderson and its prior business from 1993 and held various senior roles, including Joint Managing Director of Henderson's Listed Assets business (from September 2006) and Head of Equities (from September 2004). In the early part of his career, Andrew was an equities portfolio manager and analyst for AMPAM and Henderson.

Andrew is a Fellow of the Institute of Actuaries both in the UK and Australia. Andrew was also previously Deputy Chairman of the Board of the Investment Association and formerly a Board member of Hammerson Group plc.

Andrew earned a master's degree in Economics from Macquarie University in 1992 and an MBA from London Business School in 2001.

Colette Garnsey OAM

Independent Non-Executive Director

Committees: Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Colette has over 40 years of experience in retail, marketing and distribution and played a key role in the development and growth of the Australian retail industry using her established experience in branding, consumer insights, digital and marketing.

Colette is currently Chair of Laser Clinics Australia (appointed to the Board in November 2020 and Chairman since October 2021). She also serves as a Director of Flight Centre Travel Group (since February 2018), Seven West Media Limited (since December 2018) and Loreto Normanhurst (since January 2021).

Colette has previously held senior roles with David Jones, Pacific Brands and Premier Investments. She has also held directorial and advisory positions for government boards and not-for-profit enterprises, including the CSIRO (1997 to 2001), Australian Government Innovation Council (2010 to 2012), Federal Trade and Investment Ministers (2014 to 2018), Australian Fashion Week (1998 to 2009) and the Melbourne Fashion Festival (2006 to 2013).

Colette was awarded the Medal of the Order of Australia in 2012 for services to business and professional organisations. She holds an Executive MBA from the Graduate School of Business at Stanford University.

Marcia Venegas

Company Secretary

Marcia was appointed Company Secretary of the Company on 20 March 2019. Marcia also holds the role of Chief Risk Officer and Chief Compliance Officer. Prior to joining the Group in November 2015, Marcia was Chief Compliance Officer at Platinum Asset Management in Sydney and held senior roles including Chief Compliance Officer at Dodge & Cox in the US. Marcia brings more than 20 years of experience in the financial services industry in Australia and the US, during which time she has been responsible for compliance with national and international regulatory requirements, the development and maintenance of governance, risk and compliance frameworks, licensing, proxy voting, training and liaising with regulators, auditors and clients. Marcia holds a Bachelor of Arts from the University of Wollongong.

Former Director

Karen Phin

Independent Non-Executive Director

Committees: Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Karen has over 20 years of capital markets experience advising a range of top Australian companies on their capital management and funding strategies. Until 2014, Karen was Managing Director and Head of Capital Management Advisory at Citigroup in Australia and New Zealand. From 1996 to 2009, she worked at UBS where she was also a Managing Director and established and led the Capital Management Group. Prior to joining Citigroup, Karen spent 12 months at ASIC as a Senior Specialist in the Corporations group. Karen is currently a Non-Executive Director of Omni Bridgeway Ltd (since August 2017), Non-Executive Director of ARB Corporation Limited (since June 2019) and is a member of the Takeovers Panel and the Ascham School Council of Governors. Karen has a Bachelor of Arts/Law (Honours) from the University of Sydney and is a graduate of the AICD.

Directors' Meetings

The number of meetings of the Board and Board Committees held during the year ended 30 June 2023 and the number of those meetings attended by each Director are set out below:

	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Hamish McLennan	17	17	10	10	4	4
Robert Fraser	17	17	10	10	4	4
David George	17	17	-	-	-	-
David Dixon	8	8	5	5	2	2
John Eales	17	17	10	10	4	4
Colette Garnsey	17	17	10	10	4	4
Karen Phin	5	5	4	4	2	2

[1] The number of meetings held during the time the Director was a member of the Board or of the relevant Committee.

Indemnification and Insurance of Directors and Officers

Under the Company's constitution, the Company indemnifies, to the extent permitted by law, all current and former Directors and Secretaries of the Company against any liability incurred in that person's capacity as an Officer of the Company and against any legal costs incurred by that person in defending any proceedings relating to any such liability. The Company has also entered into a deed of indemnity with each current and former Director and Secretary on substantially the same terms as those set out in the Constitution.

During the year, the Company paid insurance premiums to insure the Directors and Officers of the Group, as permitted by the *Corporations Act 2001* (Cth), in respect of losses, liabilities, costs and charges incurred by those persons in their capacity as an Officer of the Group. The terms of the policy prohibit the disclosure of the amount of the premiums paid by the Company.

3. 2023 Remuneration Report (Audited)

Message from the Chair of the Remuneration & Nomination Committee

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Group's Remuneration Report for the financial year ended 30 June 2023. As well as an explanation of the Group's remuneration framework, performance and outcomes for the Executive Key Management Personnel ("KMP") and Non-Executive Directors, this Remuneration Report includes context on our culture and current people initiatives.

Our year at a Glance

The financial year ended 30 June 2023 was another challenging year for Magellan, our shareholders and our people. There has been a continued focus this year on our people and providing them with new leadership via CEO David George, a new strategy for the business and what that means for them and the opportunities that it will provide them.

Renewed leadership and values

Over the course of the year, we have addressed the following:

- **New CEO.** In July 2022, Mr David George commenced with Magellan. He quickly focused on the strategy for Magellan and presented this to shareholders at the AGM in October 2022. He has invested a significant amount of time focusing on the structure for Magellan to ensure that it is appropriate for the size of the business today and to enable growth in the future.
- **Board renewal.** During the year we announced the appointment of Mr David Dixon to the Board as a Non-Executive Director. In July 2023, we also announced the appointment of Mr Andrew Formica to the Board as a Non-Executive Director. As outlined in the Chairman's report, Mr. Hamish McLennan will transition to the role of Deputy Chairman and Non-Executive Director and Mr Andrew Formica has been appointed as Non-Executive Chairman of the Board, effective today. Also announced was the appointment of Deborah Page AM as a Non-Executive Director, effective 3 October 2023. Mr. Dixon, Mr. Formica and Mrs. Page bring a wealth of funds management and broad industry experience and Mrs. Deborah Page is an experienced chair and company director. Mr. Robert Fraser will retire from the Board and remain as the Chair of Magellan's main operating subsidiary, Magellan Asset Management Limited. These appointments and changes form part of Magellan's ongoing Board renewal process previously announced to shareholders. The Board expects this Board renewal process to be complete by the 2023 AGM in November.
- **Release of new values.** During the year we took the opportunity to refresh the Magellan values and engaged with a significant number of our staff through this process. We believe this articulation of our values reflect who Magellan is and aligns us to the future we envisage for our clients, our people and our shareholders. More information on our values can be found in section 3.2.

Retention of our key talent

- **Staff engagement and retention.** As outlined in last year's Remuneration Report, a core focus remains our people around whom our business is based. A retention program was implemented in April 2022 which included cash retention incentives, employee share options and varying the terms of the share purchase plan ("SPP") loans. This year, a key decision was made to bring forward the cash retention payments from September 2024 and September 2025 to September 2023 and September 2024 respectively, in order to optimise their value as incentives. For the 61% of our employees who have an outstanding SPP loan, these retention bonuses assist in reducing the employee loans under the Employee SPP with the after-tax retention amount typically applied against their SPP loan balance.
- **Review of SPP.** As disclosed last year, the SPP was suspended indefinitely in February 2022. Participants in this plan include employees, Group Executives and Non-Executive Directors. As the loans are full recourse, participants are liable to repay the loan irrespective of the performance of the Group's shares. The closing balance of SPP loans to current employees was $10.6m at 30 June 2023. This will be reduced by the total dividend of 69.8 cents per share declared by Directors today that will be paid on the secured MFG shares. The shares were valued at $3.6m at 30 June 2023.

2023 Remuneration Outcomes

The Board recognises the impact of recent changes on the Group and believes that the remuneration outcomes for the 2023 financial year provide an appropriate balance with the need to maintain stable and motivated employees and an executive team focused on delivering our long-term strategy.

Fixed remuneration

In light of the continuing challenges, fixed remuneration for Executive KMP for the coming year is unchanged. The CEO has also waived his contractual increase in fixed remuneration for the 2024 financial year. Across the Group the increase to fixed remuneration for the 2024 financial year was modest.

Variable remuneration

For the year ended 30 June 2023, the Executive KMP were awarded performance-based variable incentives of between 60% - 100% of their fixed remuneration. This reflects strong commitment and continued performance of management over the year, whilst managing many external factors outside of their control and ensuring market competitiveness against comparable roles in the financial services industry is maintained. More details can be found in section 3.4.

Supporting the Group's Strategy

The Board is committed to ensuring the remuneration strategy reflects good governance, includes consultation with key stakeholders, is transparent in its design to support the Group's strategy and drives sustainable shareholder value creation over the short, medium and long-term. The Board continues to review Executive Remuneration to ensure that it is fit for purpose and in line with market practices.

On behalf of the Board, we invite you to read the Remuneration Report and welcome your feedback.

Yours faithfully,

John Eales, Chair

Remuneration & Nominations Committee

3.1. Key Management Personnel

This Remuneration Report outlines the remuneration arrangements for the KMP of the Group for the year ended 30 June 2023. KMP are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Group, directly or indirectly.

In the 2023 financial year, the KMP for the Group included the Non-Executive Directors, the Group's CEO and other Group Executives as set out below.

		Term as KMP
Chair		
Hamish McLennan		Full Year
Non-Executive Directors		
Robert Fraser		Full Year
David Dixon[1]		From 1 November 2022
John Eales		Full Year
Colette Garnsey		Full Year
Karen Phin		Until 20 October 2022
Executive Directors[2]		
David George[3]	Chief Executive Officer and Chief Investment Officer	From 19 July 2022
Group Executives (Other KMP)[2]		
Kirsten Morton[4]	Chief Financial Officer and Chief Operating Officer	Full Year
Rebecca Smith	Head of Strategy and Special Projects	From 22 July 2022
Marcia Venegas	Company Secretary, Chief Risk Officer and Chief Compliance Officer	Full Year
Craig Wright	Head of Magellan Capital & Advisory	Until 31 October 2022

1 Mr Dixon was appointed as a Director of MAM on 1 November 2022 and a Director of MFG on 15 December 2022. For the purposes of transparency, we have included Mr Dixon as a KMP from 1 November 2022.
2 All functional titles are as at 30 June 2023.
3 Mr George commenced as Managing Director and CEO on 19 July 2022.
4 Ms Morton held dual roles of Interim CEO and Chief Financial Officer for the period 1 July 2022 to 18 July 2022. From 19 July 2022, Ms Morton was also appointed Chief Operating Officer.

The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

3.2. Oversight and Governance

Magellan Financial Group Board

- Overall responsibility for the remuneration strategy and outcomes for Executives and Non-Executive Directors
- Reviews and approves recommendations from the Remuneration & Nominations Committee
- Approves the appointment of Non-Executive Directors and CEO

Remuneration & Nominations Committee

The Remuneration & Nominations Committee ("the Committee") supports the Board by overseeing the Group's remuneration policies and practices. Including its Chairman, the Committee has five members, all of whom are independent Non-Executive Directors. The key responsibilities of the Committee are as follows:

- Review the composition, functions, responsibilities and size of the Board and Directors' tenure;
- Lead the process for the appointment of Directors and CEO;
- Develop and implement a process for the evaluation of the performance of Non-Executive Directors;
- Provide oversight over the Company's strategic human resources initiatives including diversity, culture and leadership;
- Review and recommend significant changes in remuneration policy and structure including employee incentive plans and awards;
- Equitably, consistently and responsibly rewarding executives – including performance-based variable remuneration targets and the achievement of remuneration outcomes; and
- Take appropriate action to ensure the Committee, Board and senior management have available to them sufficient information and external advice to ensure informed decision-making regarding remuneration and make recommendations to the Board in relation to employee remuneration.

Information and exchange with other Board committees

Notably the Audit & Risk Committee, to ensure that all relevant matters are considered before the Remuneration and Nominations Committee makes remuneration recommendations and decisions.

Independent remuneration advisors

The Committee appoints an external independent advisor to assist it with market and governance issues, benchmarking, best practice observations and general advice.

CEO & Senior Management

Provides relevant data and information for the Committee to recommend:

- Variable remuneration targets and outcomes
- Remuneration policy
- Individual remuneration and contractual arrangements
- Culture and people matters

Remuneration Philosophy and Principles

The Group strives to attract and retain the best talent to enable the successful delivery of our business strategy. The Group's remuneration philosophy is centred on fair compensation for performance and contribution that achieves planned business outcomes.

Executive remuneration at Magellan is intended to support the Group's strategic objectives and encourage behaviour that is aligned with our values. The key drivers of the Group's remuneration philosophy and principles are:

Magellan Values - We invest in our people for excellence, so they..

Put clients first	Take ownership	Are authentic	Succeed together
Promoting behaviour that is in the best interest of clients	Encouraging Group Executives to think and act like long-term owners of the Group	Building a culture that rewards performance while maintaining the Group's reputation and mitigating risk	Attracting and retaining outstanding staff

For the year ended 30 June 2023, the Group's remuneration arrangements for the CEO and Other KMP ("Executive KMP") comprised fixed remuneration and performance-based variable remuneration (as summarised below). Further detail is provided in Section 3.4.

A fixed remuneration amount (inclusive of superannuation)	A performance based incentive which is determined annually paid in cash and partly deferred over 3 years subject to ongoing employment

Fixed Remuneration

Fixed remuneration is structured as a total employment cost package, which may be received as a combination of cash, non-cash benefits and superannuation contributions. Fixed remuneration for employees is generally reviewed annually to ensure that it is competitive and reasonable.

Performance-Based Variable Remuneration

The Board believes variable incentives should be aimed at areas where employees have a direct influence over the business and the outcomes are aligned to the best interests of the Group's clients and shareholders. The Board does not currently use measures such as earnings per share or the share price performance of Magellan in determining annual variable remuneration. We continue to develop and implement an accountability and alignment model designed to ensure out employee value proposition remains and staff are aligned to delivering positive client and shareholder outcomes.

Variable incentives are paid partly as a current year cash bonus and partly as a conditional deferred cash bonus amount, generally over a period of up to three years (in equal monthly payments) for senior employees and Executive KMP, subject to not having voluntarily resigned.

Performance-Based Variable Remuneration arrangements for non-KMP

With the exception of certain portfolio managers, the variable incentive amount for non-KMP employees is discretionary and is determined by reference to an employee's individual performance and contribution, specific business performance in certain circumstances, and the overall performance of the Group. Performance-based variable remuneration for these employees may be in the range of 0-100% of the fixed remuneration amount and can be higher in exceptional circumstances.

The Board considers it appropriate that the way in which the portfolio managers are rewarded aligns to the interests of the Group's clients and shareholders. As such, the portfolio managers have variable remuneration arrangements that combine one or both of the following components:

- A discretionary component in the range of 0-150% of fixed remuneration or higher in certain circumstances; and/or
- A performance component in the range of 0-150% of fixed remuneration dependent upon (i) the performance of the investment strategies for which they are responsible, which is calculated over a three-year period, or a lesser term where a three-year period is not available or appropriate and (ii) specific business outcomes in certain circumstances.

The Lead Portfolio Manager for the Group's Global Listed Infrastructure strategy has a variable remuneration arrangement that is directly tied to the net revenues, less certain allocated costs, of the Group's Global Listed Infrastructure business and the performance of the investment strategies for which he has primary responsibility. The Board considers that this arrangement appropriately rewards and aligns his interests with those of the Group's clients and shareholders.

Other Incentive Arrangements

Retention arrangements

In 2022, the Group introduced an employee retention program in addition to annual remuneration, which was disclosed in the Remuneration Report for the 2022 financial year. The program was designed to retain key talent and skills and ensure leadership continuity for both the renewal and future growth of the business. The cash retention component of the program involved an offer of cash incentives payable in September 2024 and September 2025 provided that the employee remains continuously employed at the relevant payment dates and performs to the Group's satisfaction. This year, a key decision was made to bring forward the cash retention payments from September 2024 and September 2025 to September 2023 and September 2024 respectively, in order to optimise their value as incentives. For the 61% of our employees that have an outstanding SPP loan, these retention bonuses assist in reducing the employee loans under the SPP with the after-tax retention amount typically applied to their SPP loan balances.

Certain adjustments to the cash retention incentives and timing of payments were made in December 2022 for some staff in connection with the heightened corporate activity being experienced by the Group. The adjustments were thoughtfully considered and tailored to maximise alignment to all stakeholders and had regard to any existing cash retention awards in the 2022 financial year. Some payments were made during the 2023 financial year, with the remainder to be made between September 2023 and September 2024.

Share Purchase Plan

As noted above, the Group does not operate a specific long-term incentive plan. In February 2022, the Board suspended the SPP indefinitely as it considered it no longer met its intended purpose of employee alignment. The SPP loans remain on foot and as the loans are full recourse, participants are liable to repay their loan irrespective of the performance of the Group's shares.

For employees that have an outstanding SPP loan balance and receive cash retention payments, as outlined above, the after-tax retention amount will typically be applied against their SPP loan balance.

3.3. Remuneration of Non-Executive Directors

The Board sets the fees for its Non-Executive Directors in line with the key objectives of the Group's Non-Executive Director remuneration approach set out below.

The Board periodically reviews, and determines, the remuneration of Non-Executive Directors. The Remuneration and Nomination Committee makes recommendations to the Board regarding the remuneration of the Non-Executive Directors. The Group does not make sign-on payments to new Non-Executive Directors, does not provide retirement benefits to Non-Executive Directors (other than superannuation) and remuneration is not linked to the performance or earnings of the Group, which ensures that the Non-Executive Directors are able to independently and objectively assess both executive and Group performance.

Element	Details
Market competitive	• The Board's policy is to pay Non-Executive Directors at market competitive rates to attract and retain high calibre Directors with the necessary skills, expertise and experience for the Magellan Board • In setting fees, the Board has considered fees payable by comparable companies (based on external benchmarking data) as well as the time commitment and workloads of Non-Executive Directors
Independence and impartiality	• No element of Non-Executive Director remuneration is 'at risk' (i.e. subject to performance conditions) in order to preserve the Directors' independence and impartiality • A number of the Non-Executive Directors have participated in the now suspended SPP. The Board continues to hold the view that providing full recourse financial assistance to Non-Executive Directors under the SPP did not hinder their independence from management and as an equity interest, promotes independent thought and engagement that will be in the long-term interests of the Group's shareholders. • It is not intended to grant equity to Non-Executive Directors in the future
Shareholder alignment	• Non-Executive Directors are encouraged to have equity ownership in line with their personal circumstances, to ensure alignment with shareholders

Fee pool

Non-Executive Directors are paid from an aggregate annual fee pool which is $1,750,000 (June 2022: $750,000), as approved by the shareholders in December 2022. The increase in the fee pool enabled the Board to continue its process of Board renewal, including the appointments of Mr David Dixon and Mr Andrew Formica as Non-Executive Directors and the announcement of the upcoming appointment of Mrs Deborah Page as Non-Executive Director.

Fee schedule

During the financial year ended 2023, the Group undertook a review of Non-Executive Director fees. The Board determined that an increase to Board and Committee fees was appropriate having regard to market relativities and the need to ensure the Group is able to attract and retain high-calibre Non-Executive Directors with the requisite skills, expertise and experience. As noted above, the Board is continuing its renewal work including the search for additional Non-Executive Directors. The table below sets out the fees (inclusive of superannuation) of the Non-Executive Directors of the Group as at 30 June 2023 and 30 June 2022.

	Position	30 June 2023 $'000	30 June 2022 $'000
MFG Board (Group)	Chair	290	77
	Member	120	77
MFG Audit & Risk Committee	Chair	40	27
	Member	20	11
MFG Remunerations & Nominations Committee	Chair	40	-
	Member	20	-
MAM Board	Chair	150	27
	Member	60	-

The Group has reimbursed or borne expenses incurred by the Non-Executive Directors in the discharge of their duties of $3,000 (June 2022: $17,000).

3.4. Remuneration of Executive KMP

The remuneration of the Executive KMP comprised fixed remuneration and performance-based variable remuneration. The summary below provides further details of the different elements of the Executive KMP remuneration structures applicable during the year ended 30 June 2023.

CEO Remuneration

As noted above, Mr George commenced as CEO of the Group on 19 July 2022. The below table outlines Mr George's remuneration arrangements and his performance metrics that are agreed with the Board. The Remuneration and Nominations Committee determines, and the Board approves, the performance-based variable incentive to be awarded to the CEO on an annual basis with regards to the determined performance metrics.

Component	Detail
Fixed remuneration (including superannuation)	Fixed remuneration is structured as a total employment cost package, which may be received as a combination of cash, non-cash benefits and superannuation contributions. Fixed remuneration is reviewed annually. For the 2023 financial year, Mr George's fixed remuneration (inclusive of superannuation) was $1,800,000.
Variable remuneration structure	Mr George was eligible to receive a performance-based variable incentive of up to 100% of fixed remuneration based on the performance metrics that are agreed between the Board and Mr George. In line with the Executive KMP structure, any performance-based incentive comprises a cash bonus amount and a conditional deferred cash bonus payable over three years (paid in 36 monthly instalments). Mr George's remuneration as CEO was appropriately aligned to the Group's strategy. In Mr George's first 12 months as CEO, the Board considered the establishment of the strategy and the stabilisation of the platform to be paramount. Strong leadership and direction of the Group including retaining and attracting new talent was also considered significant for the Board. Governance, Risk and Compliance is a continued key focus of the Board and considered an essential part of the CEO's performance.
Variable remuneration outcome	The below table provides an overview of key achievements and business outcomes delivered by Mr George that were considered when determining his variable remuneration for the year.

Strategic leadership (30%)	• Developed a five year strategy designed to position Magellan for diversification and growth. • Delivered organisational structure changes to simplify the platform and product suite and align to the focus on the core Funds Management business. • Reviewed the investment team and implemented changes to promote desired performance and team development outcomes. • Execution within the product development pipeline, including the launch of the Energy Transition strategy, the Airlie Small Companies Fund and the re-launch of the Magellan Core Series.
Business and Financial Management (25%)	• Delivered disciplined cost management, with Funds Management expenses delivered below guidance. • Sponsored continuous improvement in investment processes, portfolio construction and risk management, supporting improved performance outcomes within the Global Equities strategy. • Supported maintenance of an active client engagement approach designed to reduce client outflows. • Positive retail flows within Airlie as part of an increased distribution focus.
People and Leadership (25%)	• Led organisational change with active communication, supported retention of key staff and managing leadership transitions. • Revisited and refreshed organisational values. • Progress on coaching and career development planning within investment team and in the broader organisation.
Risk and Operational Management (20%)	• Delivered high quality and reliable service levels amid high levels of client activity, with tight operational and compliance controls and a trusted environment for clients and regulators. • Increased investor relations outreach and activity. • Improved the tone of, and reduced the profile of, media coverage of Magellan.

Component	Detail
	• Delivered successful Extraordinary General Meeting and Investor Showcase. • Enhancements to the product design and development process to support efficient governance and decision making.
	For the year ended 30 June 2023, Mr George received a total variable incentive of $1,027,000 representing 60% of his total fixed remuneration. The amount awarded comprised 60% of the maximum 100%.

CEO one-off signing bonus

As outlined in the ASX announcement of Mr George's appointment on 11 May 2022, Mr George received a signing bonus with two components.

The first was a cash signing bonus of $600,000 which was paid as follows:

- $300,000 was paid on 17 May 2022; and
- $300,000 was paid on 19 January 2023, which was payable within 5 days of the 6-month anniversary of Mr George's commencement date.

The second component was a grant of 400,000 options under the Employee Share Option Plan ("ESOP" or "Employee Options"). The Employee Options awarded are exercisable from 1 September 2024 at an exercise price of $35.00 per option and can only be exercised if Mr George remains employed within the Group at the relevant time. The Employee Options expire on 16 April 2027.

Remuneration Structure for Other KMP

The below table outlines remuneration arrangements for the Other KMP.

Component	Detail
Fixed remuneration (including superannuation)	Fixed remuneration is structured as a total employment cost package, which may be received as a combination of cash, non-cash benefits and superannuation contributions. Fixed remuneration is reviewed annually.
Variable remuneration structure	When considering variable remuneration, the Board's primary objective is that KMP are motivated to achieve high performance over areas where they have direct influence, while maintaining the Group's reputation and mitigating risk. The core of the Group's culture is to put our clients first. If these objectives are met, the interests of shareholders will also be satisfied. The CEO makes recommendations to the Remuneration and Nominsations Committee on the amount of variable incentive to be paid to Other KMP, subject to review of overall amounts by the Remuneration and Nominations Committee and approval by the Board, taking into consideration each individual's performance and contribution during the year. The performance-based variable incentive of Other KMP is discretionary and may be in the range of 0% to 100% of fixed remuneration (higher in exceptional circumstances) and comprises a cash bonus amount and a conditional deferred cash bonus payable over periods of up to three years (paid in 36 monthly instalments).

The Group may require KMP to act as a Director of a subsidiary of the Group or associate of the Group for no additional remuneration.

Summary of 2023 Variable Remuneration Outcomes

Performance-Based Variable Remuneration Outcomes

The table below outlines the performance-based variable remuneration outcomes (as a % of fixed remuneration) for the Other KMP who were employed during the 2023 financial year, along with an overview of the key achievements of each Other KMP that were considered when determining their variable remuneration for the year.

KMP	Variable remuneration outcome	Comments
Kirsten Morton	84%	• Oversaw critical infrastructure upgrades to improve technology resilience. • Delivered enhancements to improve cyber readiness and resiliency.

KMP	Variable remuneration outcome	Comments
		• Enhanced ESG governance oversight across the Group: (i) to support Net Zero Asset Managers initiative (NZAMi) commitments and development of targets, with a view to supporting client objectives and returns over the long-term and (ii) active involvement in the Group's external independent ESG reporting/scoring. • Succession and key person risk management across operational teams significantly advanced and tested, including Magellan's US business. • Testing of tax risk management framework, with no material issues. Strong management around tax risk with regards to impact of outflows on funds and unitholders. • Led focused cost management across Group with 2023 Funds Management expense delivered below guidance.
Rebecca Smith	100%	• Leading role in the development of the Group's five year strategic plan and delivery of 2023 financial year priorities. • Managed all aspects of an active corporate development pipeline. • Key support to the CEO in identifying key opportunities and risks, internal and external communication initiatives, and the design and execution of the organisational structural changes. • Strategic management of Media and Investor Relations. • Developed and supported enhanced shareholder and research analyst outreach. • Enhancements to the product design and development process to support efficient governance, assessment and decision making.
Marcia Venegas	80%	• Involvement in successful launch of Magellan Energy Transition Fund and Airlie Australian Small Companies Fund and re-launch of Magellan Core Series Funds. • Proactive ASIC and client engagement. • Effective management of risk and compliance issues affecting the business. • Enhanced visibility of modern slavery risks in the Group's supply chain (including investments) and overseeing supplier engagement on modern slavery risk. • Implemented the framework to support the Group's compliance with NZAMi. • Successful and cost-effective implementation of regulation changes across various products, including Sustainable Finance Disclosure Regime ("SFDR") and Packaged Retail and Insurance Based Investment Products ("PRIIP") for the Group's UCITS products. • Delivered strong company secretarial support including facilitating the Group's Board renewal program and Extraordinary General Meeting.
Craig Wright	0%	No performance-based incentive awarded as per the Board's discretion.

Components of 2023 Performance-Based Variable Remuneration

The table below provides a summary of variable remuneration outcomes for the Executive KMP for the years ended 30 June 2023 and 30 June 2022. The table outlines the portion of performance-based variable remuneration awarded for each financial year that is paid in cash in the relevant year and the portion that is deferred over subsequent financial years, along with the retention incentives offered.

Details of the total remuneration paid or payable to all KMP, along with details of the employment agreements of Executive KMP, is provided in section 3.5.

		Performance-based					Retention	
		Cash bonus $'000[1]	Conditional deferred cash bonus $'000[2]	Total performance-based remuneration awarded $'000	Fixed remuneration (incl. super) $'000	Performance-based remuneration as % of fixed remuneration %	Cash incentive $'000[3]	Options $'000[4]
Executive Director								
David George[5]	2023	694	333	1,027	1,712	60%	-	365
Group Executives (Other KMP)								
Kirsten	2023	341	144	485	578	84%	120	-
Morton[6]	2022	100	577	677	1,157	59%	400	113
Rebecca Smith[7]	2023	331	138	469	469	100%	2,350	228
Marcia	2023	270	105	375	469	80%	-	-
Venegas	2022	100	245	345	455	76%	230	113
Craig	2023	-	-	-	161	0%	-	-
Wright[8]	2022	100	150	250	455	55%	60	113
Total KMP[9]	**2023**	**1,636**	**720**	**2,356**	**3,389**		**2,470**	**593**
	2022	300	972	1,272	2,067		690	339

1 Cash bonus represents the portion of Executive KMP's awarded variable remuneration that is payable in September of the relevant year post the release of the Group's Annual Report.
2 Conditional deferred cash bonus represents the portion of Executive KMP's awarded variable remuneration for the financial year that is deferred and paid in cash in future financial years, subject to employment conditions.
3 Retention incentives awarded to Executive KMP as part of a broader employee retention program include amounts paid in cash during the 2023 financial year and amounts payable in cash between September 2023 and September 2024, subject to satisfactory performance and employment conditions. Where Executive KMP have an outstanding SPP loan, the after-tax cash retention incentive will firstly be directed to repayment of the loan balance. Refer to section 3.3 for further details.
4 Employee Share Options awarded to Executive KMP are exercisable from 1 September 2024 at an exercise price of $35.00 per option, subject to continued employment with the Group at the time of exercise. The value of the Employee Share Options was independently determined at grant date.
5 Mr George's fixed remuneration for the year ended 30 June 2023 is shown for the period 19 July 2022 to 30 June 2023.
6 Ms Morton's fixed remuneration for the year ended 30 June 2023 reflects her dual role as Interim CEO and Chief Financial Officer until 18 July 2022 and Chief Financial Officer and Chief Operating Officer from 19 July 2022 to 30 June 2023.
7 Ms Smith's fixed remuneration for the year ended 30 June 2023 is shown for the period 22 July 2022 to 30 June 2023.
8 Mr Wright's fixed remuneration for the year ended 30 June 2023 is shown for the period 1 July 2022 to 31 October 2022.
9 Comparative information does not include details of remuneration related to the year ended 30 June 2022 for former KMPs.

Directors' Report

For the year ended 30 June 2023

3.5. Details of Remuneration

The total amount paid or payable to KMP of the Group is detailed below:

		Short-term benefits						Long-term benefits			
		Salary $'000	Cash bonus '000[1]	Retention benefit $'000[2]	Superannuation $'000	Termination benefits $'000	Total cash remuneration $'000[3]	Leave benefits $'000[4]	Retention incentives $'000[5]	Other benefits $'000[6]	Total statutory remuneration $'000[7]
Non-Executive Directors											
Hamish	2023	260	-	-	23	-	283	-	-	10	293
McLennan	2022	79	-	-	8	-	87	-	-	22	110
Robert	2023	270	-	-	-	-	270	-	-	-	270
Fraser	2022	131	-	-	-	-	131	-	-	11	142
David Dixon	2023	120	-	-	13	-	133	-	-	-	133
John	2023	174	-	-	18	-	192	-	-	17	209
Eales	2022	79	-	-	8	-	87	-	-	26	113
Colette	2023	161	-	-	17	-	178	-	-	13	191
Garnsey	2022	79	-	-	8	-	87	-	-	9	96
Karen	2023	37	-	-	4	-	41	-	-	-	41
Phin[8]	2022	79	-	-	8	-	87	-	-	9	96
Executive Director											
David George[9]	2023	1,687	833	-	25	-	2,545	85	199	600[10]	3,429
Group Executives (Other KMP)											
Kirsten	2023	553	692	120	25	-	1,390	34	287	28[12]	1,739
Morton[11]	2022	1,133	332	-	24	-	1,489	46	46	7	1,588
Rebecca Smith[13]	2023	445	354	400	25	-	1,224	34	1,111	-	2,369
Marcia	2023	444	455	-	25	-	924	(3)	179	5	1,105
Venegas	2022	432	218	-	24	-	674	17	32	8	730
Craig	2023	148	27	-	13	432	620	(9)	(18)	94	687
Wright[14]	2022	432	182	-	24	-	638	29	18	8	691
Former KMP											
Paul Lewis[15]	2022	22	-	-	-	-	22	-	-	-	22
Brett Cairns	2022	692	-	-	18	404	1,114	50	-	685	1,848
Hamish Douglass[16]	2022	2,595	2,844	-	24	2,499	7,962	126	-	-	8,087
Total KMP[17]	**2023**	**4,299**	**2,361**	**520**	**188**	**432**	**7,800**	**141**	**1,758**	**767**	**10,466**
	2022	5,753	3,576	-	146	2,903	12,378	268	96	785	13,523

1 Represents the portion of awarded variable remuneration that is paid in September of the relevant year post the release of the Group's Annual Report along with the portion of the conditional deferred bonus that each Executive KMP has become entitled to up to the date of this report. This amount also includes the deferred components of prior period bonuses which have been paid in cash during the financial year.
2 Represents cash retention payments made in cash to Executive KMP during the 2023 financial year.
3 Total cash remuneration represents the cash amounts Group KMP have either received or become entitled to up to the date of this report, as distinct from the accounting expense. As a result, it does not align to Australian Accounting Standards.
4 Comprises annual leave and long service leave entitlements accrued and not taken during the year.
5 Represents the portion of the retention incentives accrued as an employee expense during the financial year. Included in the amount for Mr George, Ms Morton, Ms Smith and Ms Venegas is a share-based payment expense of $199,000, $47,000, $86,000 and $47,000, respectively.
6 Represents the non-cash cost of providing interest-free loans to Participants in the SPP. At the conclusion of Mr Wright's employment, the remaining balance of unrecognised interest on his SPP loan totalling $85,000 was also included.
7 No non-monetary benefits or other short-term benefits not otherwise disclosed above were paid during the years presented.
8 Ms Phin's remuneration covers the period 1 July 2022 to 20 October 2022, being the date of her retirement from the Board.
9 Mr George's remuneration covers the period 19 July 2022 to 30 June 2023.
10 Mr George's other benefits reflect his cash signing bonus.
11 Ms Morton's salary reflects her dual role as Interim CEO and Chief Financial Officer from 6 December 2021 to 18 July 2022 and as Chief Financial Officer and Chief Operating Officer from 19 July 2022 to 30 June 2023.
12 Ms Morton's other benefits include a $25,000 "10 Year Service" award payable to her in September 2023.
13 Ms Smith's remuneration covers the period 22 July 2022 to 30 June 2023.
14 Mr Wright's remuneration covers the period 1 July 2022 to 31 October 2022, being the date his employment with the Group concluded.
15 Mr Lewis' remuneration covers the period 1 July 2021 to 30 September 2021, being the date of his retirement from the Board.
16 Mr Douglass' remuneration covers the period 1 July 2021 to 15 June 2022, being the date of his resignation.
17 For transparency purposes, comparative information includes remuneration details for Directors and Executives who are no longer KMP in 2023.

Use of Remuneration Consultants

The Committee engages external remuneration advisors from time to time to conduct benchmarking and to advise on regulatory and market developments. To ensure independence and avoid conflicts of interest, a remuneration advisor is directly engaged by the Committee's Chairman or upon his/her instruction and reports must be delivered directly to the Committee's Chairman.

The recommendations that the Committee makes to the Board are based on its own independent assessment of the advice and information received from various sources, using its experience and having careful regard to the principles and objectives of the remuneration framework, Group performance, shareholder and community expectation and good governance.

The Committee generally seeks information rather than specific remuneration recommendations from external remuneration advisers within the definition of the Corporations Act 2001 ("the Act"). During the year, no external advisor provided any remuneration recommendations as defined by the Act.

Executive KMP Employment Contracts

Remuneration and other terms of employment for the Executive KMP are formalised in employment agreements with MAM, a controlled entity of the Group. The key contractual details for current Executive KMP who were employed at 30 June 2023 are summarised below.

Element	Further Detail
Duration	Ongoing
Periods of notice required to terminate	The Group or Executive KMP may terminate the contract by giving the following notice: • Mr George: from 19 July 2023, 12 months' written notice • Other KMP: 3 months' written notice For all Executive KMP, the Group may terminate the employment agreement immediately without notice in certain circumstances, including (but not limited to) where the relevant Executive KMP engages in a serious breach of agreement or serious misconduct.
Termination payments	Other KMP may be entitled to termination payments in limited circumstances and subject to local legislative requirements and practices (but not when the termination occurs for cause). A payment may be made in lieu of notice at the discretion of the Board where termination occurs other than for cause. In the event of termination, the KMP termination payment would comprise any accrued fixed compensation, including superannuation, after set-off of any loss suffered by the Group from the acts of the KMP which led to their termination, and any amounts of accrued annual and long service leave. On termination, any KMP with an outstanding SPP loan balance is required to repay the amount in respect of shares acquired under the Group's SPP in accordance with the SPP Rules.
Restraints	All Executive KMP are subject to appropriate post-employment restraints as follows: • Mr George: up to 12 months • Other KMP: 6 months

3.6. Other Disclosures

Shareholdings

The number of ordinary shares and options over ordinary shares held by each KMP (and their related parties) is set out below:

	Closing balance 30 June 2021	Net additions/ (disposals)	Closing balance 30 June 2022	Net additions/ (disposals)	Closing balance 30 June 2023
Non-Executive Directors					
David Dixon[1]					
Ordinary shares	-	-	-	-	-
John Eales					
Ordinary shares	77,616	3,238	80,854	-	80,854
MFG 2027 Options	-	10,112	10,112	-	10,112
Robert Fraser					
Ordinary shares	500,000	-	500,000	-	500,000
MFG 2027 Options	-	62,502	62,502	-	62,502
Colette Garnsey					
Ordinary shares	2,030	28,710	30,740	-	30,740
MFG 2027 Options	-	3,843	3,843	-	3,843
Hamish McLennan					
Ordinary shares	105,248	-	105,248	-	105,248
MFG 2027 Options	-	13,157	13,157	-	13,157
Karen Phin[2]					
Ordinary shares	89,312	257	89,569	-	89,569
MFG 2027 Options	-	11,197	11,197	-	11,197
Executive Director					
David George[3]					
ESOP issued options[4]	-	-	-	400,000	400,000
Group Executives (Other KMP)					
Kirsten Morton					
Ordinary shares	25,644	-	25,644	(18,896)	6,748
MFG 2027 Options	-	3,206	3,206	-	3,206
ESOP issued options[4]	-	75,000	75,000	-	75,000
Rebecca Smith[5]					
ESOP issued options[4]	-	-	-	250,000	250,000
Marcia Venegas					
Ordinary shares	13,002	1,735	14,737	(4,000)	10,737
MFG 2027 Options	-	1,843	1,843	-	1,843
ESOP issued options[4]	-	75,000	75,000	-	75,000
Craig Wright[6]					
Ordinary shares	24,732	(17,896)	6,836	-	6,836
MFG 2027 Options	-	855	855	-	855
ESOP issued options[4]	-	75,000	75,000	(75,000)	-

1 Mr Dixon was appointed as a Director on 15 December 2022. The closing balance as at 30 June 2022 represents the number of ordinary shares held by him and his associates as at the date of his appointment.
2 The balance as at 30 June 2023 represents the number of ordinary shares and options held by Ms Phin and her associates at 20 October 2022, being the date of her retirement from the Board.
3 Mr George became a KMP on 19 July 2022. The closing balances as at 30 June 2022 represent the number of ordinary shares and options held by him and his associates as at 19 July 2022.
4 Employee Share Options awarded to Executive KMPs are exercisable from 1 September 2024 at an exercise price of $35.00 per option, subject to continued employment with the Group. The Employee Share Options expire on 16 April 2027. Refer to note 18 of the financial statements for further information.
5 Ms Smith became a KMP on 22 July 2022. The closing balances as at 30 June 2022 represent the number of ordinary shares and options held by her and her associates as at 22 July 2022.
6 The balance as at 30 June 2023 represents the number of ordinary shares and options held by Mr Wright and his associates at 31 October 2022, being the date his employment with the Company concluded.

Relevant Interests in Magellan Funds

Details of each KMPs relevant interests in registered schemes made available by the Group, are set out below:

	Closing balance 30 June 2021	Net additions/ (disposals)[1]	Closing balance 30 June 2022	Net additions/ (disposals)[1]	Closing balance 30 June 2023
Magellan Global Fund - Open Class Units					
Marcia Venegas	5,545	207	5,752	261	6,013
Magellan Global Fund - Closed Class Units					
John Eales	388,435	7,961	396,396	-	396,396
Robert Fraser	260,893	5,348	266,241	-	266,241
Hamish McLennan	115,655	2,371	118,026	-	118,026
Karen Phin[2]	115,909	2,376	118,285	-	118,285
Kirsten Morton	45,674	936	46,610	-	46,610
Marcia Venegas	93,390	315	93,705	-	93,705
Craig Wright[3]	69,791	1,431	71,222	-	71,222
MGF Options expiring 1 March 2024					
John Eales	235,377	-	235,377	-	235,377
Robert Fraser	158,092	-	158,092	-	158,092
Hamish McLennan	70,083	-	70,083	-	70,083
Karen Phin[2]	70,237	-	70,237	-	70,237
Kirsten Morton	26,702	-	26,702	-	26,702
Marcia Venegas	11,394	-	11,394	-	11,394
Craig Wright[3]	42,291	-	42,291	-	42,291
Magellan High Conviction Trust					
John Eales	224,934	6,078	231,012	8,984	239,996
Robert Fraser	260,363	7,035	267,398	10,397	277,795
Hamish McLennan	37,440	1,012	38,452	1,495	39,947
Karen Phin[2]	122,714	2,023	124,737	1,469	126,206
Kirsten Morton	22,464	607	23,071	847	23,918
Marcia Venegas	92,063	101	92,164	149	92,313
Craig Wright[3]	74,881	(74,881)	-	-	-
Magellan Infrastructure Fund (Currency Hedged)					
Marcia Venegas	3,835	155	3,990	163	4,153
Airlie Australian Share Fund					
John Eales	16,685	-	16,685	-	16,685
Karen Phin[2]	19,049	-	19,049	-	19,049
Craig Wright[3]	-	30,050	30,050	3,000	33,050
Magellan FuturePay					
Karen Phin[2]	-	33,653	33,653	(33,653)	-

1 Includes the reinvestment of June and December distributions in the years ended 30 June 2021 and 30 June 2022 respectively.

2 The balance as at 30 June 2023 represents the number of units held by Ms Phin and her associates at 20 October 2022, being the date of her retirement from the Board.

3 The balance as at 30 June 2023 represents the number of units held by Mr Wright and his associates at 31 October 2022, being the date his employment with the Company concluded.

Unless specified above, no other KMP held units in Magellan Funds.

Loans to KMP

The Group has made full recourse interest-free loans to Non-Executive Directors and Other KMP in connection with shares acquired under the Group's SPP. As at 30 June 2023, five KMP held SPP loans totaling $2,070,000 (June 2022: six KMP with SPP loans totalling $2,255,000). The terms and conditions of the loans, including repayment terms, are disclosed in note 10 to the financial statements. No loans were written down during the period. There are no other related party transactions with KMP other than those disclosed.

		SPP shares acquired during year	Opening loan balance	Loans made	Loans (repaid)	Closing loan balance	
		number	$'000	$'000	$'000	$'000	
						Face value[1]	Carrying value[2]
Directors							
Hamish McLennan	2023	-	398	-	(74)	324	262
	2022	-	541	-	(143)	398	323
Robert Fraser	2023	-	-	-	-	-	-
	2022	-	138	-	(138)	-	-
John Eales	2023	-	543	-	(62)	481	358
	2022	-	663	-	(120)	543	401
Colette Garnsey	2023	-	718	-	(33)	685	521
	2022	28,710	-	750	(32)	718	538
Karen Phin	2023	-	-	-	-	-	-
	2022	-	114	-	(114)	-	-
Group Executives (Other KMP)							
Kirsten Morton	2023	-	312	-	(8)	304	274
	2022	-	327	-	(15)	312	247
Marcia Venegas	2023	-	284	-	(8)	276	220
	2022	-	341	-	(57)	284	215
Former Group Executives							
Craig Wright	2023	-	284	-	(7)	277	176
	2022	-	297	-	(13)	284	186

[1] The face value represents the loan balance due to be repaid to the Company.
[2] The carrying value represents the loan balance as required by the accounting standards (for further detail, refer to note 10 of the financial statements).

Link Between Performance and Remuneration Paid by the Group

		2023	2022	2021	2020	2019
Group Results						
Total revenue	$'000	431,650	553,530	715,012	693,952	617,387
Total expenses	$'000	163,372	116,582	336,048	178,874	124,050
Net profit after tax	$'000	182,655	383,011	265,156	396,214	376,947
Adjusted revenue[1]	$'000	379,352	647,251	699,072	692,941	577,251
Adjusted expenses[1]	$'000	126,774	132,082	111,339	119,751	104,024
Adjusted net profit before associates[1]	$'000	185,842	393,132	454,441	438,299	364,225
Adjusted net profit after tax[1]	$'000	174,310	399,733	412,659	438,299	364,225
Funds Management Business						
Net profit before tax	$'000	223,780	482,047	556,690	558,012	459,789
Net profit before tax and performance fees	$'000	212,274	470,575	526,616	477,048	376,182
Shareholder Value						
Diluted EPS	cps	100.0	206.9	144.6	218.3	213.1
Adjusted diluted EPS[1]	cps	95.5	216.6	225.0	241.5	205.9
Total dividends paid	cps	116.7	179.0	211.2	214.9	185.2
Closing share price (ASX code: MFG)[2]	$	9.49	12.92	53.86	58.01	51.00
KMP Remuneration						
Total KMP remuneration:[3]						
Fixed compensation[4]	$'000	4,628	6,165	6,197	6,052	5,568
Variable compensation[5]	$'000	5,838	7,358	4,772	5,164	3,153
		10,466	13,523	10,969	11,217	8,721
Number of KMP for the year		11	11	11	10	10
Growth rates						
Net profit after tax	%	-52%	44%	-33%	5%	78%
Adjusted net profit after tax	%	-56%	-3%	-6%	20%	35%
FM net profit before tax	%	-54%	-13%	0%	21%	39%
FM net profit before tax and performance fees	%	-55%	-11%	10%	27%	29%
Diluted EPS	%	-52%	43%	-34%	2%	75%
Adjusted diluted EPS	%	-56%	-4%	-7%	17%	33%
Total KMP remuneration	%	-23%	23%	-2%	29%	-34%
Dividends paid	%	-35%	-15%	-2%	16%	38%
Total KMP remuneration as % of net profit after tax	%	6%	4%	4%	3%	2%

1 Adjustments are made for strategic, non-recurring, non-cash or unrealised items to provide additional meaningful information (refer to section 1.4.1 of the Directors' Report and note 2 in the financial statements for the breakdown of these items).
2 As at 30 June.
3 As reported in historical Annual Reports and has not been adjusted for changes to KMP.
4 Fixed compensation comprises salary, superannuation and leave benefits outlined in section 3.5.
5 Variable compensation comprises cash bonuses, retention incentives, termination benefits and other benefits outlined in section 3.5.

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

Hamish McLennan
Chairman

Sydney
18 August 2023

Building a better
working world

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Auditor's independence declaration to the Directors of Magellan Financial Group Limited

As lead auditor for the audit of the financial report of Magellan Financial Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Magellan Financial Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
18 August 2023

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June

	Note	2023 $'000	2022 $'000
Revenue			
Management fees	4	**327,647**	588,594
Performance fees	4	**11,524**	11,472
Services fees	4	**2,600**	4,040
Advisory fees		**1,230**	1,536
Dividend and distribution income		**34,697**	17,600
Interest income		**13,770**	422
Net change in the fair value of financial assets and liabilities:			
Realised		**(11,207)**	19,353
Unrealised		**50,497**	(92,937)
Net foreign exchange gain		**892**	3,450
Total revenue and other income		**431,650**	553,530
Expenses			
Employee expenses		**92,121**	88,654
Non-Executive Director fees		**1,096**	503
Fund administration and operational costs		**14,857**	20,642
Information, technology and data		**8,695**	8,183
Marketing		**1,962**	2,349
Professional services fees		**4,038**	4,366
Travel and entertainment		**1,224**	924
Depreciation and amortisation		**6,036**	7,142
Foreign and withholding taxes		**175**	351
Expenses/(benefits) related to strategic initiatives	2	**26,576**	(22,592)
Finance costs		**1,503**	2,227
Other expenses		**5,089**	3,833
Total expenses		**163,372**	116,582
Share of after tax profit/(loss) of associates	8	**(12,453)**	8,381
Net gain/(loss) on dilution of interests in associates		**(255)**	17,002
Net gain on disposal of interests in associates		**-**	33,655
Net profit before tax		**255,570**	495,986
Income tax expense	5	**(72,915)**	(112,975)
Net profit after tax		**182,655**	383,011
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		**1,289**	3,344
Other comprehensive income for the year, net of tax		**1,289**	3,344
Total comprehensive income for the year		**183,944**	386,355
Basic earnings per share (cents per share)	3	**100.0**	206.9
Diluted earnings per share (cents per share)	3	**100.0**	206.9

The Consolidated Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position

As at 30 June

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents		**373,445**	419,922
Loans and receivables	10	**58,271**	66,270
Financial assets	7	**1,666**	1,650
Prepayments		**982**	994
Other assets		**1,289**	724
Total current assets		**435,653**	489,560
Non-current assets			
Loans and receivables	10	**26,482**	31,901
Financial assets	7	**420,643**	379,438
Associates	8	**149,587**	162,295
Property, plant and equipment		**420**	592
Right-of-use assets	11	**7,507**	9,560
Intangible assets	9	**108,780**	111,287
Net deferred tax asset	5	**45,843**	49,849
Other assets		**4,059**	6,919
Total non-current assets		**763,321**	751,841
Total assets		**1,198,974**	1,241,401
Current liabilities			
Payables	12	**11,535**	15,478
Employee benefits	13	**36,090**	31,401
Financial liabilities	14	**159,855**	133,349
Income tax payable		**12,773**	18,483
Lease liabilities	11	**2,608**	2,585
Total current liabilities		**222,861**	201,296
Non-current liabilities			
Employee benefits	13	**5,975**	3,316
Provisions		**72**	62
Lease liabilities	11	**7,564**	9,967
Total non-current liabilities		**13,611**	13,345
Total liabilities		**236,472**	214,641
Net assets		**962,502**	1,026,760
Equity			
Contributed equity	16	**632,323**	671,716
Reserves	17	**330,697**	317,758
Retained earnings		**(518)**	37,286
Total equity		**962,502**	1,026,760

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June

	Note	Contributed equity $'000	Profits reserve $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Opening balance at 1 July 2022		**671,716**	**313,233**	**1,283**	**3,242**	**37,286**	**1,026,760**
Net profit after tax for the year		**-**	**-**	**-**	**-**	**182,655**	**182,655**
Other comprehensive income for the year		**-**	**-**	**-**	**1,289**	**-**	**1,289**
Total comprehensive income for the year		**-**	**-**	**-**	**1,289**	**182,655**	**183,944**
Issue of shares:							
On exercise of MFG 2027 Options	16	**6**	**-**	**-**	**-**	**-**	**6**
Shares bought back on-market and cancelled	16	**(39,487)**	**-**	**-**	**-**	**-**	**(39,487)**
Transaction costs, net of tax	16	**(27)**	**-**	**-**	**-**	**-**	**(27)**
Dividends paid	19	**-**	**(212,655)**	**-**	**-**	**-**	**(212,655)**
SPA expense	16	**115**	**-**	**-**	**-**	**-**	**115**
Share-based payment expense	18	**-**	**-**	**3,846**	**-**	**-**	**3,846**
Transfer (from retained earnings)/to profits reserve	24	**-**	**220,459**	**-**	**-**	**(220,459)**	**-**
Closing balance at 30 June 2023		**632,323**	**321,037**	**5,129**	**4,531**	**(518)**	**962,502**
Opening balance at 1 July 2021		607,849	345,089	-	(102)	36,598	989,434
Net profit after tax for the year		-	-	-	-	383,011	383,011
Other comprehensive income for the year		-	-	-	3,344	-	3,344
Total comprehensive income for the year		-	-	-	3,344	383,011	386,355
Issue of shares:							
Under Dividend Reinvestment Plan ("DRP")	16	52,335	-	-	-	-	52,335
Under share purchase agreements ("SPA")	16	19,731	-	-	-	-	19,731
On exercise of MFG 2027 Options	16	99	-	-	-	-	99
Shares bought back on-market and cancelled	16	(7,796)	-	-	-	-	(7,796)
Transaction costs, net of tax	16	(709)	-	-	-	-	(709)
Dividends paid	19	-	(414,179)	-	-	-	(414,179)
SPA expense	16	207	-	-	-	-	207
Share-based payment expense	18	-	-	1,283	-	-	1,283
Transfer (from retained earnings)/to profits reserve	24	-	382,323	-		(382,323)	-
Closing balance at 30 June 2022		671,716	313,233	1,283	3,242	37,286	1,026,760

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Management and services fees received		**376,491**	661,808
Performance fees received		**120**	31,991
Advisory fees received		**1,191**	1,384
Dividends and distributions received		**15,500**	14,987
Interest received		**11,312**	1,053
Finance cost payments		**(1,569)**	(2,227)
Tax payments		**(73,941)**	(113,917)
Payments to suppliers and employees		**(142,452)**	(158,314)
Payments of transaction costs related to strategic initiatives		**(71)**	(2,139)
Net cash from operating activities	6	**186,581**	434,626
Cash flows from investing activities			
Proceeds from the sale of financial assets and liabilities		**34,016**	43,832
Purchases of financial assets and liabilities		**(17,414)**	(42,694)
Proceeds from the sale of associates		**-**	136,858
Purchases of associates		**-**	(2,985)
Purchases of property, plant and equipment		**(112)**	(261)
Net returns/(placements) of cash on term deposits		**(16)**	-
Net cash from/(used in) investing activities		**16,474**	134,750
Cash flows from financing activities			
Proceeds from share issuances, net of transaction costs		**(29)**	23,035
Proceeds from repayment of share purchase plan loans		**3,478**	3,120
Dividend payments	19	**(211,118)**	(381,819)
Lease payments		**(2,501)**	(2,390)
Shares bought back on-market	16	**(40,439)**	(6,890)
Net cash used in financing activities		**(250,609)**	(364,944)
Net increase/(decrease) in cash and cash equivalents		**(47,554)**	204,432
Effects of exchange rate changes on cash and cash equivalents		**1,077**	3,913
Cash and cash equivalents at the beginning of the year		**419,922**	211,577
Cash and cash equivalents at the end of the year		**373,445**	419,922

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2023

Overview

Magellan Financial Group Limited (the "Company" or "MFG") is a for-profit entity that is incorporated and domiciled in Australia. The Company is listed on the Australian Securities Exchange (ticker code: MFG).

The principal activities of the Company and its subsidiaries (the "Group") are described in the segment information in note 2. This financial report was authorised for issue in accordance with a resolution of the Directors on 18 August 2023 and the Directors have the power to amend and reissue this financial report.

1. Basis of Preparation

This general purpose financial report is presented in Australian dollars and has been prepared in accordance with the *Corporations Act 2001* (Cth), Australian Accounting Standards ("AASB") and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. It also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This financial report has been prepared on a going concern basis and under the historical cost convention except for the measurement of financial assets and liabilities at fair value through profit or loss. All amounts in this financial report are rounded to the nearest thousand dollars ($'000) in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless stated otherwise.

1.1. Accounting Policies

The accounting policies adopted in the preparation of this financial report are contained within the notes to which they relate. The policies adopted in the preparation of this financial report are consistent with those of the previous financial year.

The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at the reporting date. No accounting standards, interpretations or amendments that have been issued are expected to have a material impact on the Group's financial statements.

1.2. Critical Accounting Estimates and Judgements

In applying the Group's accounting policies, a number of estimates and assumptions have been made concerning the future. 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. As a result, actual results could differ from those estimates.

The main areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the financial statements are:

- Determination of significant influence over associates for which the Group holds less than a 20 percent voting interest (refer to note 8);
- Estimation of useful lives and impairment of intangible assets including goodwill (refer to note 9); and
- Classification of interests held in funds for which the Group provides management services (refer to note 20).

1.3. Foreign Currency Translation

Both the functional and presentation currency of the Group is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the Reuters London 4pm exchange rates at the reporting date. The fair values of financial assets where denominated in a foreign currency are translated to Australian dollars using the Reuters London 4pm exchange rates at reporting date. Foreign currency exchange differences relating to financial assets are included in net changes in fair value in the Consolidated Statement of Profit or Loss and Comprehensive Income. All other foreign currency exchange differences are presented separately in the Consolidated Statement of Profit or Loss and Comprehensive Income as net foreign exchange gains/(losses).

1.4. Goods and Services Tax ("GST")

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

Notes to the Financial Statements

For the year ended 30 June 2023

1.5. Expenses

Expenses are recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income on an accruals basis at the fair value of the consideration paid or payable for services rendered. Certain costs, such as depreciation of property, plant and equipment and amortisation of intangible assets, are charged evenly over the useful life of the asset.

Employee expenses include salaries, wages, allowances and annual and long service leave, together with the cost of other benefits provided to employees such as bonuses, share purchase loans and options. The Group makes some performance awards to employees that are deferred over a specified vesting period. The cost of such awards is charged to the Consolidated Statement of Profit or Loss and Comprehensive Income over the vesting period.

Information regarding the Directors' remuneration is included in the Remuneration Report commencing on page 27.

1.6. Impairment of Non-Financial Assets

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

1.7. Structured Entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Group has determined that the funds for which it acts as Responsible Entity or Investment Manager (as set out in note 2) and the funds in which it invests (as set out in note 7) are not structured entities. In making this assessment the decision-making rights of the Group, as Responsible Entity or Investment Manager, as well as the various rights afforded to investors in the funds, including the right to remove the Investment Manager and redeem holdings, have been taken into consideration.

Notes to the Financial Statements

For the year ended 30 June 2023

2. Segment Information

The Group's business activities are organised into the reportable operating segments listed below for internal management purposes.

Funds Management

The Funds Management segment provides investment funds management services to high net worth and retail investors in Australia and New Zealand, and to institutional investors globally. Funds Management activities include:

- Providing investment research and administrative services to certain clients;
- Providing investment management and sub-advisory services under client mandates; and
- Acting as Responsible Entity/Trustee ("RE") and/or Investment Manager ("IM") for the following funds (collectively the "Magellan Funds"):

Australian funds	RE	IM
Magellan Global Fund	✓	✓
Magellan Global Fund (Hedged)	✓	✓
Magellan Global Equities Fund (Currency Hedged)	✓	✓
Magellan Infrastructure Fund	✓	✓
Magellan Infrastructure Fund (Unhedged)	✓	✓
Magellan Infrastructure Fund (Currency Hedged)	✓	✓
Magellan High Conviction Fund	✓	✓
Magellan High Conviction Trust	✓	✓
MFG Core Infrastructure Fund[3]	✓	✓
MFG Core International Fund[3]	✓	✓
MFG Core ESG Fund[3]	✓	✓
Magellan Sustainable Fund	✓	✓
Magellan Global Wholesale Fund	✓	✓
Magellan Energy Transition Fund	✓	✓
Airlie Australian Share Fund[4]	✓	✓
Airlie Concentrated Share Fund[4]	✓	✓
Airlie Small Companies Fund[4]	✓	✓

International funds	IM
MFG Global Fund[1]	✓
MFG Select Infrastructure Fund[1]	✓
MFG Global Sustainable Fund[1]	✓
Frontier MFG Global Equity Fund[2]	✓
Frontier MFG Core Infrastructure Fund[2]	✓
Frontier MFG Select Infrastructure Fund[2]	✓
Frontier MFG Global Sustainable Fund[2]	✓

[1] Funds authorised under the European Commission (Undertakings for Collective Investment in Transferable Securities ("UCITS")).
[2] Collectively, the Frontier MFG Funds.
[3] Collectively, the Core Series Funds.
[4] Collectively, the Airlie Funds.

Fund Investments

The Fund Investments segment comprises the Group's direct investment in certain Magellan Funds and a select portfolio of listed Australian and international equities.

Associate Investments

The Associate Investments segment comprises a portfolio of selective investments in businesses in which the Group has a strategic interest.

Corporate

The Corporate segment principally comprises the Group's treasury management activities, corporate development and strategy activities and the costs associated with governance and corporate management. The combined income tax consequences of the Group are reported in the Corporate segment, with the exception of deferred income tax arising from changes in the value of financial assets and associates, which are reported in the relevant segment.

No operating segments have been aggregated to form the above reportable operating segments and inter-segment revenues and expenses (where applicable) have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 30 June 2023

Segment Financial Results

30 June 2023	Funds Management $'000[1]	Fund Investments $'000	Associate Investments $'000	Corporate $'000	Total $'000
Segment revenue					
Management fees	**327,647**	**-**	**-**	**-**	**327,647**
Performance fees	**11,524**	**-**	**-**	**-**	**11,524**
Services and advisory fees	**3,830**	**-**	**-**	**-**	**3,830**
Dividend and distribution income	**-**	**34,697**	**-**	**-**	**34,697**
Interest income	**1,218**	**11**	**1,155**	**9,585**	**11,969**
Net change in the fair value of financial assets and liabilities:					
Realised	**-**	**(11,207)**	**-**	**-**	**(11,207)**
Unrealised	**-**	**50,497**	**-**	**-**	**50,497**
Net foreign exchange gain/(loss)	**885**	**16**	**-**	**(9)**	**892**
Total segment revenue and other income	**345,104**	**74,014**	**1,155**	**9,576**	**429,849**
Segment expenses					
Employee expenses	**86,124**	**-**	**-**	**62**	**86,186**
Non-Executive Director fees	**319**	**-**	**-**	**777**	**1,096**
Other expenses	**34,881**	**106**	**-**	**4,505**	**39,492**
Total segment expenses	**121,324**	**106**	**-**	**5,344**	**126,774**
Share of after tax profit/(loss) of associates	**-**	**-**	**(12,453)**	**-**	**(12,453)**
Total segment operating profit before tax	**223,780**	**73,908**	**(11,298)**	**4,232**	**290,622**
Other comprehensive income					
Exchange differences on translation of foreign operations	**1,289**	**-**	**-**	**-**	**1,289**
Other comprehensive income, before tax	**1,289**	**-**	**-**	**-**	**1,289**
Total comprehensive income, before tax	**225,069**	**73,908**	**(11,298)**	**4,232**	**291,911**

[1] Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, Magellan Asset Management Limited ("MAM"), and US controlled entities, within the Funds Management segment.

Reconciliation of Segment Operating Profit Before Tax to Statutory Net Profit After Tax

	Note	30 June 2023 $'000	30 June 2022 $'000[1]
Total segment operating profit before tax		**290,622**	431,896
Add back:			
Amortisation of intangible assets[2]		**(3,580)**	(4,585)
Net non-cash remeasurement of SPA loans		**(795)**	(3,291)
Non-cash employee share option expense		**(3,846)**	(1,283)
Net gain on dilutions and disposals of interests in associates	8	**(255)**	50,657
Net (expenses)/benefits related to strategic initiatives:			
MGF Partnership Offer and Bonus MGF Option Issue	14	**(26,575)**	22,961
Commitment to Magellan FuturePay		**(1)**	(369)
Total benefits/(expenses) related to strategic initiatives		**(26,576)**	22,592
Statutory net profit before tax for the year		**255,570**	495,986
Income tax expense		**(72,915)**	(112,975)
Statutory net profit after tax for the year		**182,655**	383,011

[1] Prior period segment operating profit before tax has been restated to exclude non-cash employee share option expense of $1,283,000 on a basis consistent with the current reporting period.

[2] Amortisation expense relates to intangible assets recorded on acquisition of Airlie Funds Management ("Airlie") and Frontier Partners Inc, Frontegra Strategies LLC and Frontegra Asset Management Inc (collectively, the "Frontier Group").

Notes to the Financial Statements

For the year ended 30 June 2023

Segment Financial Results (continued)

30 June 2022[1]	Funds Management $'000[2]	Fund Investments $'000	Associate Investments $'000	Corporate $'000	Total $'000
Segment revenue					
Management fees	588,594	-	-	-	588,594
Performance fees	11,472	-	-	-	11,472
Services and advisory fees	5,576	-	-	-	5,576
Dividend and distribution income	-	17,600	-	-	17,600
Interest income	99	1	739	367	1,206
Net change in the fair value of financial assets and liabilities:					
Realised	-	19,353	-	-	19,353
Unrealised	-	(92,937)	-	-	(92,937)
Net foreign exchange gain/(loss)	3,396	54	-	-	3,450
Total segment revenue and other income	609,137	(55,929)	739	367	554,314
Segment expenses					
Employee expenses	85,433	-	-	26	85,459
Non-Executive Director fees	314	-	-	189	503
Other expenses	40,060	205	-	4,572	44,837
Total segment expenses	125,807	205	-	4,787	130,799
Share of after tax profit/(loss) of associates	-	-	8,381	-	8,381
Total segment operating profit before tax	483,330	(56,134)	9,120	(4,420)	431,896
Other comprehensive income					
Exchange differences on translation of foreign operations	3,344	-	-	-	3,344
Other comprehensive income, before tax	3,344	-	-	-	3,344
Total comprehensive income, before tax	486,674	(56,134)	9,120	(4,420)	435,240

1 Segment operating profit before tax for the year ended 30 June 2022 has been restated to exclude non-cash employee share option expense of $1,283,000 on a basis consistent with the current reporting period.

2 Includes elimination of income and expense under the transfer pricing agreements between MFG's wholly-owned subsidiary, MAM, and US controlled entities, within the Funds Management segment.

Segment Assets and Liabilities

	Funds Management $'000	Fund Investments $'000	Associate Investments $'000	Corporate $'000	Total $'000
30 June 2023					
Financial assets	**1,666**	**419,948**	**695**	**-**	**422,309**
Associates	**-**	**-**	**149,587**	**-**	**149,587**
Other assets	**223,612**	**(27,942)[1]**	**(823)[1]**	**432,231**	**627,078**
Total liabilities	**(62,858)**	**-**	**-**	**(173,614)**	**(236,472)**
Net assets	**162,420**	**392,006**	**149,459**	**258,617**	**962,502**
30 June 2022					
Financial assets	1,650	378,743	695	-	381,088
Associates	-	-	162,295	-	162,295
Other assets	249,813	(20,351)[1]	(1,821)[1]	470,377	698,018
Total liabilities	(60,947)	-	-	(153,694)	(214,641)
Net assets	**190,516**	**358,392**	**161,169**	**316,683**	**1,026,760**

1 Reflects tax liabilities within the Group's net deferred tax asset.

Notes to the Financial Statements

For the year ended 30 June 2023

3. Earnings Per Share

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

	30 June 2023	30 June 2022
Basic and diluted EPS		
Net profit attributable to shareholders ($'000)	**182,655**	383,011
Weighted average number of shares for basic and diluted EPS ('000)	**182,569**	185,125
Basic and diluted EPS (cents)	**100.0**	206.9

The outstanding MFG 2027 Options and the outstanding options issued to certain employees under the MFG Employee Share Option Plan (refer to notes 16 and 18) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2023. However, these options could potentially dilute basic earnings per share in the future.

4. Revenue

The Group's primary source of revenue is fee income from investment management activities. Fee income includes management, services and performance fees.

Management Fees

Management fees are based on an agreed percentage of the value of funds under management. Management fee revenue, determined in accordance with Investment Management Agreements for mandates and Constitutions for managed funds, is recognised as the service is provided and at the amount the Group is entitled to receive.

	30 June 2023 $'000	30 June 2022 $'000
Magellan Global Fund	**142,029**	212,610
Magellan Global Fund (Hedged)	**8,329**	17,618
Magellan Global Equities Fund (Currency Hedged)	**1,851**	3,749
Magellan Infrastructure Fund	**25,100**	29,333
Magellan Infrastructure Fund (Unhedged)	**10,045**	11,515
Magellan Infrastructure Fund (Currency Hedged)	**8,457**	9,174
Magellan High Conviction Fund	**3,538**	7,243
Magellan High Conviction Trust	**7,213**	12,067
MFG Core Infrastructure Fund	**1,301**	1,464
MFG Global Fund	**3,908**	15,501
MFG Select Infrastructure Fund	**2,209**	2,733
Frontier MFG Funds	**8,884**	25,089
Airlie Funds	**3,137**	2,468
Other funds and mandates	**101,646**	238,030
Total management fees	**327,647**	588,594

Services Fees

Services fees arise from providing investment research and administrative services to MFF Capital Investments Limited as well as research and advisory services under other mandates. Services fees are recognised when the relevant service is provided and it is probable that the fee will be collected.

Performance Fees

Performance fees may be earned from certain funds and mandates. The Group's entitlement to a performance fee is dependent on outperformance of certain hurdles over an agreed performance measurement period. These hurdles may be index relative (including in some cases a fixed percentage above an index), absolute return or both absolute return and index relative. In addition, performance fees are generally subject to either a high-water mark arrangement or a deficit clause, which ensures that fees are not earned more than once on the same performance. The high-water mark is the Net Asset Value ("NAV") per unit at the end of the most recent measurement period for which the Group was entitled to a performance fee, less any intervening income (including capital distributions). Performance measurement periods vary across funds and mandates and are typically one, three, six or 12 month periods. The measurement period for all Magellan funds is six months ending 30 June and 31 December each year.

Performance fee arrangements give rise to variable consideration and fees are only recognised where it is highly probable that a significant reversal of such revenue will not occur in future periods, being when any uncertainty related to outperformance is resolved. Performance fees are therefore typically recognised at the end of the performance period.

	High watermark unit price ($)[1]	30 June 2023 $'000	30 June 2022 $'000
Based on performance relative to both market index and absolute return hurdle			
Magellan Global Fund (Open/Closed Class)	2.6375/1.9335	**10,802**	104
Magellan Global Fund (Hedged)	1.3986	**93**	13
Magellan Global Equities Fund (Currency Hedged)	2.7588	**18**	2
Magellan Infrastructure Fund	1.3077	**18**	5,336
Magellan Infrastructure Fund (Unhedged)	1.8620	**546**	1,838
Magellan Infrastructure Fund (Currency Hedged)	2.8788	**3**	1,648
Magellan Sustainable Fund	2.7572	**32**	-
Based on performance relative to absolute return hurdle			
Magellan High Conviction Fund (Class A/B)	2.1973/1.3496	**-**	791
Magellan High Conviction Trust	1.7335	**-**	1,052
MFG High Conviction Master Fund	-	**-**	680
Based on performance relative to a market index and/or absolute return hurdle			
Other funds and mandates	various	**12**	8
Total performance fees		**11,524**	11,472

1 The high watermark as at 30 June 2023 and adjusted for distributions. The high watermark is the Net Asset Value ("NAV") per unit at the end of the most recent calculation period for which the Group was entitled to a performance fee, less any intervening income (including capital distributions).

Management, Services and Performance Fees by Investor Type

	30 June 2023 $'000	30 June 2022 $'000
Management and services fees		
Retail	**234,791**	345,324
Institutional	**95,456**	247,311
Performance fees		
Retail	**11,523**	10,590
Institutional	**1**	881
Total management, services and performance fees	**341,771**	604,106
Total Retail	**246,314**	355,914
Total Institutional	**95,457**	248,192
Total management, services and performance fees	**341,771**	604,106

Management, Services and Performance Fees by Geographic Location

	30 June 2023 $'000	30 June 2022 $'000
Australia & New Zealand	**272,280**	404,976
United Kingdom & Europe	**20,919**	97,925
North America	**27,911**	80,232
Asia	**20,661**	20,973
Total management, services and performance fees	**341,771**	604,106

Dividend and Distribution Income

Dividend and distribution income is recognised when it is declared and the Group's right to receive payment is established.

Interest Income

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

5. Taxation

Reconciliation of Income Tax Expense

	30 June 2023 $'000	30 June 2022 $'000
Net profit before tax	**255,570**	495,986
Prima facie income tax expense at 30%	**(76,671)**	(148,796)
Effect of amounts which are non-deductible/(assessable) in calculating taxable income:		
Concessional tax rate on offshore banking unit ("OBU")	**9,031**	32,358
Share of profit/(losses) of associates	**(2,814)**	5,870
Non-assessable income and non-deductible expenses	**(1,419)**	(1,274)
US state and local taxes (net of tax credits)	**(113)**	(310)
Differences in overseas tax rates	**(213)**	(35)
Imputed interest, expense and allowances relating to SPA loans	**(239)**	(988)
(Under)/over provision of prior year income tax	**(477)**	200
Income tax expense	**(72,915)**	(112,975)

Components of Income Tax Expense

	30 June 2023 $'000	30 June 2022 $'000
Current income tax (expense)/benefit	**(68,094)**	(121,263)
Deferred income tax expense/(benefit)	**(4,018)**	8,433
Differences in overseas tax rates	**(213)**	(35)
US state and local taxes (net of tax credits)	**(113)**	(310)
(Under)/over provision of prior year income tax	**(477)**	200
Income tax expense	**(72,915)**	(112,975)

Offshore Banking Unit

MAM, a controlled entity of MFG and a member of the Australian tax consolidated group, was declared an OBU on 31 July 2013. Assessable offshore banking ("OB") income derived from the Group's OB funds management and advisory activities provided to clients outside of Australia and New Zealand, net of costs, is subject to a concessional tax rate of 10% and is determined with reference to current Australian tax legislation definitions of assessable OB income, exclusive OB deductions and general OB deductions.

In September 2021, the *Treasury Laws Amendment (2021 Measures No. 2) Bill 2021* received Royal Assent. This legislation abolishes the OBU regime and removes the concessional tax rate of 10% applying to certain Group income and expenses from 1 July 2023. This change does not result in any financial impact on the Group for the 2023 financial year, but will result in the Group paying higher income tax in Australia from 1 July 2023, which in turn will generate additional franking credits available to frank the Group's dividends to shareholders (all other variables being equal).

For the year ended 30 June 2023, the Company's effective tax rate was 28.5% (June 2022: 22.8%), which includes tax paid (net of tax credits in foreign jurisdictions). This rate is below the Australian company tax rate of 30% primarily as a result of MAM's qualifying OB income, net of costs. The impact of the OBU concessional tax rate during the year ended 30 June 2023 is a benefit of $9,031,000 in the income tax expense recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income (June 2022: $32,358,000).

Reconciliation of Net Deferred Tax Asset/(Liability)

		Charged to		
	30 June 2023 $'000	Equity $'000	Profit $'000	30 June 2022 $'000
Financial assets held at fair value	**(28,538)**	-	(7,632)	(20,906)
Accruals and provisions	**63,375**	-	11,598	51,777
Investment in associates	**(824)**	-	998	(1,822)
Business-related costs deductible over 5 years	**11,830**	12	(8,982)	20,800
Net deferred tax asset/(liability)	**45,843**	12	(4,018)	49,849

At 30 June 2023, deferred tax assets of $9,702,000 (June 2022: $6,887,000) relating to the Group's share of post-tax losses from associates have not been recognised in the Consolidated Statement of Financial Position.

Tax Consolidation

MFG and its wholly owned Australian subsidiaries have formed a tax consolidated group for income tax purposes. The entities in the tax consolidated group are party to a tax sharing agreement, which limits the joint and several liability of the subsidiaries in the case of a default of MFG. These entities are also party to a tax funding agreement under which each subsidiary has agreed to compensate MFG for the amount of tax calculated as though the subsidiary were a tax paying entity. MFG, as head entity, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The amounts are measured as if each entity in the tax consolidated group were a standalone taxpayer in its own right. The subsidiary tax balances are transferred to MFG via inter-company transactions and recognised as related party tax payables or receivables.

During the financial year, income tax liabilities of $61,213,000 (June 2022: $122,746,000) were assumed by MFG of which $6,591,000 remained receivable from other entities under the tax funding agreement as at the reporting date (June 2022: $5,687,000).

There is also a US tax consolidated group for income tax purposes which includes several US based entities.

Income Tax

Income tax expense/benefit is the tax payable/receivable on the current year’s taxable income adjusted by changes in deferred tax assets and liabilities. Taxable profit differs from net profit reported in the Consolidated Statement of Profit or Loss and Comprehensive Income as some items of income or expense are assessable or deductible in years other than the current year and some items are never assessable or deductible.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in comprehensive income or directly in equity. In this case, the tax is recognised in comprehensive income or equity respectively.

Current Tax

Current tax assets or liabilities are amounts receivable or payable in relation to income taxes attributable to taxable profits of the current or prior financial years, less income tax instalments paid. The tax rates and laws used to calculate current taxes are those that are enacted or substantively enacted as at the reporting date.

Deferred Tax

Deferred tax balances represent amounts that will become payable or recoverable in future accounting periods. They arise when there are temporary differences between the tax bases of the Group's assets and liabilities and the related accounting values. Deferred tax is not recognised if it arises from the initial recognition of goodwill, from an asset or liability in a transaction other than a business combination which affects neither taxable income nor accounting profit or from investments in subsidiaries, associates and foreign operations when the timing of reversal can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise the temporary differences and losses. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the tax benefit will be realised.

Notes to the Financial Statements

For the year ended 30 June 2023

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and for which the tax consolidated group intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax legislation that has been enacted or substantively enacted at the reporting date.

6. Reconciliation of Operating Cash Flows

The below table provides a reconciliation of net profit after tax, which is based on accounting rules, to operating cash flows.

	30 June 2023 $'000	30 June 2022 $'000
Net profit after tax	**182,655**	383,011
Adjustments for non-cash items of profit or loss:		
Net change in the fair value of financial assets and liabilities:		
Unrealised	**(50,497)**	92,937
Recorded as dividend and distribution income	**(448)**	(745)
Share of (profit)/loss of associates	**12,453**	(8,381)
Net gain on dilution of interest in associates	**255**	(17,002)
Net gain on disposal of interests in associates	**-**	(33,655)
Depreciation and amortisation expense	**6,036**	7,142
Net foreign exchange (gain)/loss	**(892)**	(3,450)
Non-cash remeasurement of SPA loans	**795**	3,291
Share-based payment expense	**3,846**	1,283
Adjustments for which cash effects are investing activities:		
Realised changes in the fair value of financial assets and liabilities	**11,207**	(19,353)
Dividends and distributions reinvested	**(18,078)**	(1,342)
Adjustments for operating asset and liability movements:		
(Increase)/decrease in receivables	**10,183**	49,521
(Increase)/decrease in prepayments	**12**	358
(Increase)/decrease in net deferred tax asset	**4,365**	(8,433)
Increase/(decrease) in payables and provisions	**30,445**	(17,469)
Increase/(decrease) in income tax payable	**(5,710)**	6,907
Effects of exchange rates on cash and cash equivalents	**(46)**	6
Net cash from operating activities	**186,581**	434,626

Cash and cash equivalents comprise cash at bank and short term deposits with a maturity of 90 days or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Term deposits with maturities greater than 90 days from inception date are classified as financial assets (refer to note 7).

Notes to the Financial Statements

For the year ended 30 June 2023

7. Financial Assets

	30 June 2023 $'000	30 June 2022 $'000
Term deposits - at amortised cost[1]	**1,666**	1,650
Total current financial assets	**1,666**	1,650
Investments - fair value through profit or loss		
Magellan Funds[2]		
Airlie Small Companies Fund[3]	**1,932**	-
Magellan Energy Transition Fund[4]	**1,611**	-
Magellan Global Equities Fund (Currency Hedged)	**21,123**	19,850
Magellan Global Fund - Open Class[5]	**167,236**	153,875
Magellan Global Fund - Closed Class[6,7]	**82,318**	55,518
Magellan Global Fund (Hedged)	**908**	839
Magellan Global Wholesale Fund	**1,061**	908
Magellan High Conviction Fund	**10,280**	8,654
Magellan High Conviction Trust	**39,914**	34,212
Magellan Infrastructure Fund (Currency Hedged)	**11,819**	12,660
Magellan Sustainable Fund	**5,520**	4,760
Magellan Wholesale Plus Global Fund	**9,361**	9,079
Magellan Wholesale Plus Infrastructure Fund	**6,241**	6,334
MFG Core International Fund	**12,022**	10,175
MFG Core ESG Fund	**11,886**	9,857
MFG Global Sustainable Fund	**2,060**	1,655
Frontier MFG Core Infrastructure Fund	**8,718**	8,526
Frontier MFG Global Sustainable Fund	**18,880**	15,290
Frontier MFG Global Plus Fund	**-**	11,594
Magellan FuturePay	**-**	9,454
Total investments in Magellan Funds	**412,890**	373,240
Seed investments		
MC Fund	**1,014**	795
Portfolios - securities by domicile of primary stock exchange:		
United States	**5,449**	4,184
Europe and United Kingdom	**595**	524
Total seed investments	**7,058**	5,503
Unlisted entities	**695**	695
Total non-current financial assets	**420,643**	379,438

1 Held with a major Australian bank and pledged against bank guarantees in respect of the Group's lease obligations. Should the Group fail to make its lease payments, the bank can apply the deposits in settlement of the amount paid to the lessor under the guarantees.

2 At 30 June 2023, MFG held the following investments: Airlie Small Companies Fund 69.7% (June 2022: nil), Magellan Energy Transition Fund 96.6% (June 2022: nil), Magellan Global Equities Fund (Currency Hedged) 17.6% (June 2022: 12.3%), Magellan Global Fund Open Class 2.4% and Closed Class 3.4% (June 2022: 1.6% and 2.8%), Magellan Global Fund (Hedged) 0.2% (June 2022: 0.1%), Magellan Global Wholesale Fund 13.8% (June 2022: 99.9%), Magellan High Conviction Fund 5.7% (June 2022: 3.8%), Magellan High Conviction Trust 8.9% (June 2022: 6.4%), Magellan Infrastructure Fund (Currency Hedged) 1.6% (June 2022: 1.4%), Magellan Sustainable Fund 74.6% (June 2022: 64.3%), Magellan Wholesale Plus Global Fund 2.0% (June 2022: 1.3%), Magellan Wholesale Plus Infrastructure Fund 5.1% (June 2022: 4.0%), MFG Core International Fund 48.9% (June 2022: 66.0%), MFG Core ESG Fund 80.4% (June 2022: 79.7%), MFG Global Sustainable Fund 1.6% (June 2022: 1.2%), Frontier MFG Core Infrastructure Fund 1.2% (June 2022: 0.9%) and Frontier MFG Global Sustainable Fund 39.6% (June 2022: 30.7%).

3 MFG seeded the fund with $2,000,000 on 30 March 2023.

4 MFG seeded the fund with $1,400,000 on 30 January 2023.

5 MFG sold 3,454,813 units for $8,281,334 during the year.

6 MFG purchased 8,428,685 units for $11,933,472 during the year.

7 At 30 June 2023, MFG held 8,379,927 MGF Options (June 2022: 8,379,927 MGF Options).

Notes to the Financial Statements

For the year ended 30 June 2023

Reconciliation of Financial Assets Carrying Value

	30 June 2023 $'000	30 June 2022 $'000
Current		
Opening balance at 1 July	**1,650**	1,650
Cash placed on term deposit	**1,666**	1,650
Matured term deposits	**(1,650)**	(1,650)
Closing balance	**1,666**	1,650
Non-current		
Opening balance at 1 July	**379,438**	452,523
Acquisitions	**35,478**	43,474
Disposals	**(34,011)**	(43,603)
Changes in value of accrued distributions	**448**	745
Net change in fair value		
Realised	**(11,207)**	19,308
Unrealised	**50,497**	(93,009)
Closing balance	**420,643**	379,438

Classification and Measurement

Financial assets are recognised initially at fair value on the date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's receivables, loans and term deposits. The carrying value of financial assets at amortised cost is adjusted for impairment under an expected credit loss model (refer to note 22).

All other financial assets are measured at fair value through profit or loss with future changes in the value of such assets recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income. The change in fair value of financial assets does not include dividend and distribution income.

Financial assets are classified as non-current assets unless management intends to dispose of the assets within 12 months of reporting date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group no longer holds substantially all the risks and rewards of ownership.

8. Associates

Associates are entities in which the Group has an investment and over which it has significant influence, but not control, through participation in financial and operating policy decisions. The Group accounts for associates using the equity method.

Under the equity method, investments are initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the associate's profit or loss and other comprehensive income. The Group's share of the associate's profit or loss and other comprehensive income is included in the Consolidated Statement of Profit or Loss and Comprehensive Income. Dividends received from an associate are accounted for as a reduction to the carrying value of the investment.

At each reporting date, the Group applies judgement to determine whether there is any indication that the carrying value of associates may be impaired. If an associate is deemed to be impaired, the carrying value is reduced to the investment's recoverable amount. This reduction is recognised as an impairment charge in the Consolidated Statement of Profit or Loss and Comprehensive Income.

		Ownership interest		Investment carrying value	
Associate	**Industry**	**2023 %**	**2022 %**	**30 June 2023 $'000**	**30 June 2022 $'000**
Barrenjoey Capital Partners Group Holdings Pty Ltd ("Barrenjoey")[1]	Financial services	**36**	36	**123,857**	133,240
FinClear Holdings Ltd ("FinClear")[2,3]	Financial services	**16**	16	**25,730**	29,055
				149,587	162,295

1 Barrenjoey is an Australian-based financial services firm providing corporate and strategic advisory, capital market underwriting, research, prime brokerage and fixed income services. The Group's voting interest in Barrenjoey is 4.99%.

2 FinClear is an Australian-based provider of technology, trading infrastructure and exchange market-access services to wealth, stockbroking, platform and fintech customers. The Group's voting interest in FinClear is equal to its ownership interest.

3 Ownership interest reflects the Group's current entitlement and excludes the impact of any potential dilution arising from unexercised options issued by FinClear.

Key Judgement

Through representation on the board of directors of each associate, the Group participates in financial and operating policy decisions. As a result, the Group is deemed to have significant influence despite holding less than 20% of the voting rights of the entities.

Transactions with Associates

The Group provides Barrenjoey with up to $50,000,000 of unsecured working capital finance. During the year ended 30 June 2023 an aggregate of $25,000,000 was drawn in varying amounts (June 2022: $45,000,000) and all borrowings were subsequently repaid in full. Interest income in respect of these borrowings amounted to $1,155,000 (June 2022: $739,000). The facility was undrawn at 30 June 2023.

During the year ended 30 June 2023, the Group received brokering services in respect of MFG's on-market share buy-back programme. The Group paid Barrenjoey $15,000 in brokerage fees for the year ended 30 June 2023 (June 2022: $9,000).

During the year ended 30 June 2022, the Group received the following additional services from Barrenjoey:

- DRP underwriting services in respect of the dividend declared for the six month period ended 30 June 2022. As part of the DRP underwrite, Barrenjoey was issued 586,056 ordinary MFG shares, all of which were subsequently transferred to relevant MFG shareholders. The Group paid Barrenjoey fees of $46,000 in connection with the underwriting service.
- Arranging services in respect of the Group's disposal of its interest in GYG to a trust managed by Barrenjoey on behalf of investors. The Group paid Barrenjoey $3,079,000 in arranging fees during the year ended 30 June 2022. As part of the transaction, the Group executed an agreement with Barrenjoey which would see the Group receive further consideration of up to $6,117,000, net of $125,000 in related arranging fees, subject to the performance of GYG and the realisation of the investment by the managed trust.

Notes to the Financial Statements

For the year ended 30 June 2023

Associates' Financial Information

The tables below provide summarised financial information of the Group's associates aggregated on an industry classification basis. The information reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts (except where indicated). As required by the equity method of accounting, amounts have been amended to reflect adjustments made by the Group, including fair value adjustments and modifications for differences in accounting policies.

Summarised Statement of Financial Position

	Financial services		Consumer services		Total	
	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000
Current assets	**5,327,211**	5,296,420	**-**	-	**5,327,211**	5,296,420
Non-current assets	**177,327**	93,404	**-**	-	**177,327**	93,404
Current liabilities	**(4,565,796)**	(4,520,696)	**-**	-	**(4,565,796)**	(4,520,696)
Non-current liabilities	**(730,702)**	(622,817)	**-**	-	**(730,702)**	(622,817)
Net assets	**208,040**	246,311	**-**	-	**208,040**	246,311
Group's interest in net assets	**59,367**	71,675	**-**	-	**59,367**	71,675
Goodwill and transaction costs	**90,220**	90,620	**-**	-	**90,220**	90,620
Investment carrying amount	**149,587**	162,295	**-**	-	**149,587**	162,295

Summarised Statement of Profit or Loss and Comprehensive Income

	Financial services		Consumer services		Total	
	30 June 2023 $'000	30 June 2022 $'000	30 June 2023 $'000	30 June 2022 $'000[1]	30 June 2023 $'000	30 June 2022 $'000
Revenue	**293,111**	273,536	**-**	139,536	**293,111**	413,072
Profit or loss from continuing operations	**(44,559)**	45,580	**-**	3,267	**(44,559)**	48,847
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**(44,559)**	45,580	**-**	3,267	**(44,559)**	48,847
Group's share of associates' after tax profit/(loss)	**(12,453)**	7,965	**-**	416	**(12,453)**	8,381
Dividends received from associates	**-**	-	**-**	-	**-**	-

[1] Amounts presented in consumer services for the year ended 30 June 2022 reflect the period from 1 July 2022 to 30 April 2022 as the Group's interest in Guzman y Gomez (Holdings) Ltd was divested in May 2022.

Notes to the Financial Statements

For the year ended 30 June 2023

9. Intangibles

Intangible assets comprise goodwill and customer relationships resulting from the acquisition of Airlie and the Frontier Group.

	30 June 2023			30 June 2022		
	Customer relationships $'000	Goodwill $'000	Total $'000	Customer relationships $'000	Goodwill $'000	Total $'000
At cost	**25,853**	**106,251**	**132,104**	25,743	105,288	131,031
less: accumulated amortisation and impairment	**(23,324)**	-	**(23,324)**	(19,744)	-	(19,744)
Total intangible assets	**2,529**	**106,251**	**108,780**	5,999	105,288	111,287
Movements:						
Opening balance at 1 July	**5,999**	**105,288**	**111,287**	10,222	102,840	113,062
Amortisation expense	**(3,580)**	**-**	**(3,580)**	(4,585)	-	(4,585)
Net foreign exchange differences	**110**	**963**	**1,073**	362	2,448	2,810
Closing balance	**2,529**	**106,251**	**108,780**	5,999	105,288	111,287

Customer Relationships

Customer relationships reflect existing agreements with clients and relationships with unitholders in the case of the Magellan Funds. They are definite life assets with useful lives based on the following expected client attrition profile:

- Airlie - 5 years
- Frontier Group - 7 years

Customer relationship assets are recognised at fair value at the date of acquisition and amortised to profit or loss on a straight-line basis over the useful lives stated above.

Goodwill

Goodwill arises when consideration paid for a business exceeds the fair value of the identifiable net assets acquired or liabilities assumed at the date of acquisition. The Group's goodwill represents the value of expected synergies from the acquisitions of Airlie and the Frontier Group, as well as the value of their respective workforces. Goodwill has an indefinite life. It is initially recognised at cost at the date of a business acquisition and subsequently measured at cost less any accumulated impairment.

Impairment

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may not be recoverable. In addition, impairment tests for all assets are performed when there is an indication of impairment. All of the Group's goodwill is allocated to one cash generating unit ("CGU"), being the Funds Management segment ("FM CGU"). The recoverable amount of the FM CGU has been determined by taking a value-in-use approach which calculates the net present value of the CGU’s estimated future pre-tax cash flows.

Key Estimates and Judgements

Judgement is applied to assess the estimated useful life of intangible assets, the presence of indicators of impairment and the recoverable amount of goodwill and customer relationship assets. Determination of the recoverable amount of goodwill requires the application of significant judgement when making assumptions about the future cash flows of the FM CGU, including the reasonableness of applied growth and discount rates.

In the Group's goodwill impairment testing, estimated future cash flows are based on financial budgets approved by the Directors for a period of one year. Cash flows for the years beyond the approved budget period have been extrapolated assuming FUM flows, net of fund performance, at an average annual growth rate of 3.0% (June 2022: 5.0%). In estimating net FUM flows, management have considered external forecasts of long-term global equity market returns. A perpetuity growth rate of 2.5% (June 2022: 3.0%) was used to derive a terminal value and a pre-tax discount rate of 12.5% (June 2022: 12.4%) was applied to net cash flows.

In forecasting cash flows over the assessment period, the current economic conditions and the Funds Management segment performance were considered. Management is of the view that no reasonably possible change to a key assumption would cause the recoverable amount of goodwill to fall short of the carrying amount. As such there is no impairment of goodwill at 30 June 2023.

10. Loans and Receivables

	30 June 2023 $'000	30 June 2022 $'000
Current		
Fees receivable	**53,223**	64,081
Distributions receivable from Magellan Funds	**225**	221
Other receivables	**1,187**	352
Loans issued under share purchase agreements:		
Current employees	**2,759**	663
External parties[1]	**877**	953
	58,271	66,270
Non-current		
Loans issued under share purchase agreements:		
Current employees	**7,839**	14,346
External parties[1]	**18,643**	17,555
Total loans and receivables	**84,753**	98,171

[1] External parties include Non-Executive Directors, employees of associates and former employees of the Group.

Fees Receivable

Fees receivable comprise uncollected management, performance and services fees. These amounts are initially recognised at the fair value of the amounts to be collected. An impairment analysis is performed at each balance date to determine whether a loss allowance should be recognised for expected credit losses. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The Group applies the simplified approach for trade receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

Receivables of $3,870,000 were past due at 30 June 2023 (June 2022: $3,521,000). Based on the credit quality of the Group's clients (including Magellan Funds) and no historical credit losses, there were no provisions for expected credit losses recognised during the year (June 2022: nil).

Share Purchase Agreements

The Group has entered into arrangements with certain of its employees, Non-Executive Directors and employees of associates ("participants") under which participants were offered financial assistance, in the form of a full recourse interest free loan ("SPA loan"), to purchase MFG shares (referred to as "Share Purchase Agreements" or "SPA"). The arrangements were entered into with the intention of aligning the interest of SPA participants more closely with those of MFG shareholders.

Each SPA loan is generally secured by the MFG shares that were issued to the relevant participant under the SPA. Any outstanding balance at the end of the SPA loan term must be repaid by the participant and an employee participant who ceases to be employed by the Group must repay the total amount owing under the SPA loan within three months of the cessation of their employment, or within such longer period as determined by the Board.

Shares issued under each SPA were issued at the fair market value of those shares, which was calculated as the volume weighted average price of traded shares on the five business days prior to the relevant offer date.

Shares issued under an SPA have the same rights as all other MFG ordinary shares except that they are subject to a holding lock which remains in place for as long as the relevant SPA loan remains outstanding. Following full repayment of an SPA loan, the holding lock and any security over the shares issued under the SPA are released and the participant has unrestricted access to their shares.

SPA loans to employees and Non-Executive Directors are subject to the Group's Share Purchase Plan (“SPP”) Rules. During the year ended 30 June 2022, the terms relating to the repayment of SPA loans by employees of the Group were varied in accordance with the SPP Rules. The variations did not amend the full recourse nature of the SPA loans. Rather the variations, which were intended to provide greater flexibility to assist employees with the repayment of their SPA loan(s), included the following:

- an extension of the maximum loan term from 10 to 15 years;
- removal of the requirement for loan repayments to be made from an employee's annual cash bonus;

- allowing voluntary loan repayments by participants with MFG retaining the absolute discretion to determine the allocation of loan repayments where multiple loans are held by the participant so as to ensure appropriate security over the outstanding loan is retained by the Group. For the same reason, where an employee has more than one SPA loan, dividends are not aggregated but rather repayment occurs by applying the dividends received from the shares issued under each SPA loan to that particular SPA loan; and
- a requirement that an after-tax cash retention incentive (refer to note 13) received by an employee participant with an outstanding SPA loan be applied to reduce that participant's outstanding SPA loan.

The SPP was suspended in February 2022 and there have been no new SPA loans entered into since that time.

At 30 June 2023, the weighted average duration of the SPA loans was 6.2 years, with individual terms ranging from 0.2 years to 13.4 years (June 2022: weighted average duration of 6.9 years, with individual terms ranging from 1.5 years to 14.4 years). The five largest individual loans represent 49% of the closing loan balance at 30 June 2023, and are all held with external parties.

Reconciliation of SPA Loans

	30 June 2023		30 June 2022	
	Number of shares	SPA loans $'000	Number of shares	SPA loans $'000
Opening balance at 1 July	**1,378,354**	**33,517**	1,196,445	25,458
Loan issuances	**-**	**-**	566,503	15,029
Modification adjustment	**-**	**-**	-	(350)
Imputed interest income/(expense)	**-**	**1,801**	-	(233)
Repayments - cash	**-**	**(3,478)**	-	(3,120)
Repayments - dividends (refer to note 19)	**-**	**(1,537)**	-	(2,892)
Expected credit losses[1]	**-**	**(185)**	-	(375)
Shares released on loan termination	**(140,972)**	**-**	(384,594)	-
Closing balance	**1,237,382**	**30,118**	1,378,354	33,517

1 Reflects an allowance for potential loan defaults recognised in accordance with the measurement requirements of AASB 9 Financial Instruments (refer to note 22 for further discussion).

Classification and Measurement

SPA loans are initially recognised at fair value, which is determined by discounting loans to their net present value using an interest rate reflective of the risk of the underlying asset at the time the loan is granted and an estimated repayment schedule. Subsequently, the loans are carried at amortised cost using the effective interest rate method and adjusted for changes in the projected repayment schedule. Changes in the carrying value of the SPA loans are recognised within interest income in the Consolidated Statement of Profit or Loss and Comprehensive Income.

The cost of providing the interest free loans to SPA participants is capitalised at inception of the loan and subsequently expensed on a straight-line basis over the expected life of the SPA loan. This cost, which reflects the foregone interest income of the Group, is recorded within employee expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income. During the year ended 30 June 2023, $2,411,000 was recognised within employee expenses (June 2022: $2,132,000).

Both the change in the carrying value of the SPA loans recorded in interest income and the cost of providing the interest free loan to participants recorded as employee expenses are non-cash items and therefore not included in the Group’s Consolidated Statement of Cash Flows. Over the life of the SPA loans, the amounts credited to interest income and the amounts recognised within employee expenses will exactly offset each other.

On variation of the SPA loan terms, the revised cash flows, reflecting the new loan maturities and repayment terms, were discounted using the effective interest rate determined at inception of the original loan. The carrying values of the SPA loan, and the related capitalised cost of providing those loans were adjusted and a net modification gain of $206,000 was recognised within interest income in the Consolidated Statement of Profit or Loss and Comprehensive Income during the year ended 30 June 2022.

The total value of MFG ordinary shares securing the SPA loans to SPA participants applying MFG’s closing share price at 30 June 2023 of $9.49 was $11,743,000 (June 2022: $17,808,000 at a share price of $12.92). An impairment analysis is performed at each reporting date to determine whether to recognise a loss allowance for potential loan defaults. During the year ended 30 June 2023, an expected credit loss allowances of $560,000 (June 2022: $375,000) has been recognised within other expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income (refer to note 22 for further discussion).

11. Leases

The Group's lease arrangements primarily comprise operating leases of office space typically for fixed periods of up to 10 years.

At commencement of a lease, the Group records a lease liability in the Consolidated Statement of Financial Position reflecting the present value of future contractual payments to be made over the lease term, discounted at the Group's incremental borrowing rate, unless an interest rate is stated within the lease. A right-of-use ("ROU") asset is also recorded at the value of the lease liability plus any initial direct costs incurred to obtain the leased asset.

Interest is accrued on the lease liability, and recognised within finance costs in the Consolidated Statement of Profit and Loss and Comprehensive Income, whilst the liability balance is reduced as lease payments are made. The ROU asset is depreciated on a straight-line basis over the shorter of the leased asset's useful life or the lease term.

The liability is remeasured upon the occurrence of certain events, such as a change in the lease term or the lease payments. The amount of any liability remeasurement is adjusted against the value of the ROU asset.

Payments associated with short term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases have a term of 12 months or less and low-value assets comprise small items of technology and office equipment.

	30 June 2023		30 June 2022	
	ROU assets $'000	Lease liabilities $'000	ROU assets $'000	Lease liabilities $'000
Opening balance at 1 July	**9,560**	**12,552**	11,497	14,600
Additions and remeasurements	**319**	**319**	323	313
Lease terminations	**(201)**	**(207)**	-	-
Lease payments	**-**	**(2,944)**	-	(2,918)
Depreciation expense	**(2,172)**	**-**	(2,270)	-
Interest expense	**-**	**450**	-	547
Net foreign exchange differences	**1**	**2**	10	10
Closing balance	**7,507**	**10,172**	9,560	12,552

The Group's undiscounted lease payments are contractually due in the following time periods:

	30 June 2023				30 June 2022			
	Within 1 year $'000	Within 2 to 5 years $'000	Beyond 5 years $'000	Total $'000	Within 1 year $'000	Within 2 to 5 years $'000	Beyond 5 years $'000	Total $'000
Lease liabilities	**2,972**	**7,984**	**-**	**10,956**	3,036	10,721	-	13,757

12. Payables

Payables represent liabilities for goods and services received prior to the end of the year which remain unpaid at the reporting date.

	30 June 2023 $'000	30 June 2022 $'000
Trade payables and accruals	**9,928**	13,456
GST and Fringe Benefits Tax payable	**1,607**	2,022
Total payables	**11,535**	15,478

Trade payables are unsecured and are recognised at the amount due to suppliers. Accruals represent amounts due for supplies and services received but not invoiced at reporting date.

13. Employee Benefits

Employee benefits comprise wages, salaries, annual and long service leave obligations, bonuses and cash retention incentives.

	30 June 2023 $'000	30 June 2022 $'000
Accrued employee entitlements	**31,841**	27,377
Leave obligations	**4,249**	4,024
Total current employee benefits	**36,090**	31,401
Accrued employee entitlements	**4,629**	1,636
Leave obligations	**1,346**	1,680
Total non-current employee benefits	**5,975**	3,316

Wages, Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, for example payroll tax.

Long Service Leave

Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service. Current liabilities are measured at the amount expected to be settled within 12 months of the reporting date. Non-current liabilities are measured as the present value of expected future payments and are expected to be paid beyond 12 months of the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service and discounted using high quality corporate bond rates at reporting date, with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Bonuses

Bonuses are recognised in respect of employee services received up to the end of the reporting period where the Group is contractually obliged or where there is past practice that has created a constructive obligation to pay the bonus under the employee bonus plan. A current liability is recorded for accrued bonuses to be paid within 12 months of reporting date. A non-current liability is recorded for accrued bonuses to be paid beyond 12 months of the reporting date.

For certain employees, a portion of their annual bonus is deferred and paid in equal instalments for a period of up to 36 months conditional on the employee being employed at the time of payment. The conditional deferred bonus paid each month is expensed in the Consolidated Statement of Profit or Loss and Comprehensive Income as incurred.

The unrecognised portion of annual bonuses payable to employees by the Group in the future is a contingent liability. At 30 June 2023, the contingent liability is $8,203,000 (June 2022: $9,766,000). Of this amount, $3,831,000 would be payable during the year ending 30 June 2024 and $4,372,000 would be payable during the years ending 30 June 2025 and 30 June 2026, subject to the vesting conditions being met.

Cash Retention Incentives

During the year ended 30 June 2022, the Group offered a retention package to employees as part of its broader employee retention program. The package included a cash incentive payable subject to satisfactory performance and continued employment up to September 2024 and September 2025. During the year ended 30 June 2023, the payment dates for these retention incentives were accelerated to be paid between September 2023 and September 2024. Where employees have a SPA loan outstanding, the cash incentive payable on those dates will firstly be directed to repayment of the outstanding loan.

Retention incentives payable in cash are recognised in respect of employee services received up to the end of the reporting period. A current liability is recorded for accrued incentives to be paid within 12 months of the reporting date. A non-current liability is recorded for accrued incentives to be paid beyond 12 months of the reporting date.

The retention incentives payable in cash for services provided by employees in future periods is a contingent liability. At 30 June 2023, the contingent liability is $5,722,000 (June 2022: $16,433,000). Of this amount, $1,390,000 would be payable during the year ending 30 June 2024 and $4,332,000 would be payable during the year ending 30 June 2025, subject to the payment conditions being met.

Notes to the Financial Statements

For the year ended 30 June 2023

14. Financial Liabilities

	30 June 2023 $'000	30 June 2022 $'000
Financial liabilities - fair value through profit or loss		
Obligation to fund the discount offered on MGF Options[1]	**159,855**	133,349
Total financial liabilities	**159,855**	133,349

[1] In January 2021, MFG committed to fund the 7.5% discount associated with options issued to MGF unitholders under the MGF Partnership Offer and the Bonus MGF Option Issue (referred to collectively as "MGF Options"). In accordance with accounting standards, the funding obligation has been recognised as a financial liability assuming all MGF Options are exercised over the three-year option term. As a result, the financial liability moves in line with changes to the NAV per MGF Closed Class Unit and reduces when MGF Options are exercised or ultimately forfeited. Any increase in the financial liability is recorded as an additional expense, and any decrease as a gain, in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Reconciliation

The movement in the carrying value of the Group's obligation to fund the MGF Options discount is as follows:

	30 June 2023 $'000	30 June 2022 $'000
Opening balance at 1 July	**133,349**	157,093
Net increase/(decrease) in liability resulting from NAV changes recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income	**26,575**	(22,961)
Exercise of MGF Options during the period	**(69)**	(783)
Closing balance as at 30 June	**159,855**	133,349

Classification and Measurement

Financial liabilities are recognised initially at fair value on the date at which the Group becomes a party to the contractual provisions of the instrument. These liabilities are subsequently measured at fair value through profit or loss if they are held for trading purposes or designated as such upon initial recognition. Changes in the value of such liabilities are recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income.

All other financial liabilities are measured at amortised cost.

Financial liabilities are classified as current unless the Group has the unconditional right to defer settlement beyond 12 months from the reporting date.

Notes to the Financial Statements

For the year ended 30 June 2023

15. Capital Management

The Board of Directors is committed to prudent capital management and a conservative approach to protect shareholder value. The Board's objectives when managing capital are to ensure that the Group continues as a going concern, has sufficient liquidity to meet its operating requirements, is able to support the payment of dividends to shareholders in accordance with the Company's dividend policy, and maintains the flexibility to retain capital if required for future business expansion. The Directors recognise and believe that the Group's core business, being funds management, is scalable over time without the need to make material additional capital investment into the business.

The Group's capital consists of contributed equity and a profits reserve which preserves the Company's capacity to pay future dividends.

The Board regularly reviews the Group's free cash flow generation, cash and cash equivalents, investments, tax and other financial factors. The Group also has access to a revolving credit facility which remains fully undrawn as at 30 June 2023 (refer to the Liquidity Risk discussion in note 22). In order to maintain an optimal capital structure, the Board may:

- vary the amount of dividends paid to shareholders;
- issue new shares;
- utilise a dividend reinvestment plan;
- increase or decrease borrowings; or
- redeem and/or sell investments.

The Group is also subject to regulatory capital requirements by virtue of an Australian Financial Services Licence ("AFSL") held by MAM. Under the AFSL, MAM must hold a minimum level of net tangible assets and cash and cash equivalents. During the 2023 financial year MAM complied with these requirements at all times.

16. Contributed Equity

	30 June 2023		30 June 2022	
	Number of securities '000	Contributed equity $'000	Number of securities '000	Contributed equity $'000
Ordinary shares				
Opening balance	**185,089**	**672,261**	183,794	607,849
Shares issued:				
On exercise of MFG 2027 Options	**-**	**6**	3	99
Under Dividend Reinvestment Plan	**-**	**-**	1,353	52,335
Under SPA	**-**	**-**	566	19,731
Shares bought back on-market and cancelled[1]	**(3,657)**	**(39,487)**	(627)	(7,796)
Transaction costs, net of tax	**-**	**(27)**	-	(164)
SPA expense	**-**	**115**	-	207
Total ordinary shares[2,3]	**181,432**	**632,868**	185,089	672,261
Options				
Opening balance	**23,216**	**(545)**	-	-
MFG 2027 Options issued 14 April 2022	**-**	**-**	23,219	-
Shares issued from exercise of options during period	**-**	**-**	(3)	-
Transaction costs of option issues, net of tax	**-**	**-**	-	(545)
Total options	**23,216**	**(545)**	**23,216**	**(545)**
Total contributed equity	**204,647**	**632,323**	208,305	671,716

1 Includes $nil in respect of share purchases that had not settled as at 30 June 2023 (June 2022: $906,000).
2 Includes 1,237,382 ordinary shares held by SPA participants (June 2022: 1,378,354). Refer to note 10 for further details.
3 Includes 725,976 ordinary shares subject to voluntary escrow which expires in respect of 98,438 shares on 2 October each year until 2025 and in respect of 430,662 shares on 23 November 2031 (or such other date determined under the terms governing the issuance of those shares).

Ordinary Shares

Ordinary shares in the capital of the Company are fully paid and entitle the holder to receive declared dividends and proceeds on winding up of the Company in proportion to the number of shares held. An ordinary share entitles the holder to one vote on a show of hands, and to one vote for each share held on a poll, either in person, or by proxy, at a meeting of the Company shareholders.

MFG 2027 Options

Each MFG 2027 Option entitles the holder to acquire one ordinary share in the Company at an exercise price of $35.00 at any time prior to 5pm (Sydney time) on 16 April 2027. The MFG 2027 Options do not confer a right to dividends. Ordinary shares issued on exercise of the options rank equally with all other ordinary shares from the date of issue and are only entitled to a dividend if such shares have been issued on or prior to the applicable record date for determining entitlements.

A total of 23,218,530 MFG 2027 Options were issued by the Company on 14 April 2022. The MFG 2027 Options are listed on the ASX (ASX Code: MFGO).

Share Buy-back

The Company has an active on-market share buy-back program to purchase up to 10 million ordinary shares. During the year ended 30 June 2023, the Group bought back and cancelled 3,657,140 shares at a cost of $39,487,000 (June 2022: 626,960 shares a total cost of $7,796,000). The shares were acquired at an average price (inclusive of transaction costs) of $10.80 per share, with prices ranging from $7.55 to $13.28. The total acquisition cost, inclusive of after-tax transaction costs, was deducted from contributed equity. The on-market buy-back program has a proposed end date of 3 April 2024.

Employee Options

Information relating to the MFG Employee Share Option Plan, including details of the options issued under the Employee Share Option Plan, options that lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 18.

17. Reserves

	30 June 2023 $'000	30 June 2022 $'000
Profits reserve		
Opening balance at 1 July	**313,233**	345,089
Transfer from retained earnings	**220,459**	382,323
Payment of dividends	**(212,655)**	(414,179)
Closing balance at 30 June	**321,037**	313,233
Share-based payments reserve		
Opening balance at 1 July	**1,283**	-
Recognised in employee expenses	**3,846**	1,283
Closing balance at 30 June	**5,129**	1,283
Foreign currency translation reserve		
Opening balance at 1 July	**3,242**	(102)
Recognised in other comprehensive income	**1,289**	3,344
Closing balance at 30 June	**4,531**	3,242
Total reserves	**330,697**	317,758

Profits Reserve

The profits reserve consists of profits transferred from MFG's accumulated retained profits that are preserved for future dividend payments. The profits reserve will reduce when dividends are paid from this reserve.

Share-based Payments Reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees under the MFG Employee Share Option Plan over the vesting period (refer to note 18).

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of the Group's US-based operations to Australian dollars.

18. Employee Share Option Plan

The MFG Employee Share Option Plan ("ESOP") was established in April 2022 as part of a broader employee engagement and retention program. Participation in the ESOP is at the Board's discretion and no individual has a contractual right to participate or to receive any guaranteed benefits.

Under the ESOP, participants have been granted options ("employee options") which vest on 1 September 2024 provided the participant has not given or been given notice of the termination of their employment. Once vested, the employee options may be exercised until 16 April 2027 provided the participant remains employed with satisfactory performance. Options are granted under the ESOP for no consideration and carry no dividend or voting rights. If exercised, each employee option is converted into one ordinary share at an exercise price of $35.00 per option.

Upon exercise of an employee option, participants can pay the exercise price in cash and be issued an equivalent number of ordinary shares or, alternatively, can elect to set off the total applicable exercise price against the market value of the equivalent number of shares that they are entitled to receive upon exercise ("cashless exercise"). Under a cashless exercise, the market value of the ordinary shares is calculated as the volume weighted average MFG share price in respect of the 10 trading days ending on the day before the exercise date.The number of ordinary shares issued to a participant who elects the cashless exercise alternative will be equivalent in value to the number of employee options exercised, multiplied by the excess of the market value of the shares over the $35.00 option exercise price.

Set out below is a summary of options granted under the ESOP:

	Number of options	Weighted average exercise price
Outstanding at 1 July 2022	8,202,500	-
Granted	835,000	$35.00
Lapsed	(2,110,000)	$35.00
Outstanding at 30 June 2023[1]	**6,927,500**	**$35.00**
Exercisable at 30 June 2023	-	-

[1] The options outstanding at 30 June 2023 have a contractual life of 3.8 years.

Fair Value

The weighted average fair value at measurement date of employee options granted during the year ended 30 June 2023 was $0.93 per option (June 2022: $1.51 per option). Fair value at measurement date is independently determined using a binomial tree model under the Black-Scholes-Merton framework that takes into account the exercise price, share price at grant date, price volatility of the underlying share, expected option life, dividend yield and the risk-free interest rate for the term of the option. Set out below is a summary of the model inputs for employee options granted during the current and previous reporting periods:

	2023	2022
Weighted average share price	$12.33	$16.62
Exercise price	$35.00	$35.00
Expected share price volatility[1]	45.1%	42.0%
Expected dividend yield	7.4%	7.6%
Risk-free interest rate	3.3%	2.9%
Expected option life	5.5 years	5.8 years

[1] Expected price volatility is based on historic volatility over a period commensurate with the remaining life of the options, adjusted for the impacts of extraordinary periods of volatility not expected by the Directors to occur in the future.

Classification and Measurement

Over the vesting period, the fair value of the employee options is recognised as an employee expense within the Consolidated Statement of Profit or Loss and Comprehensive Income, with a corresponding entry recognised in the share-based payments reserve within equity. Where an option holder ceases to be an employee before their employee option(s) have vested, the cumulative employee expense recognised in previous periods is reversed. There is no reversal of employee expense for vested options that subsequently lapse or expire unexercised.

The total share-based payment expense recorded in respect of options issued under the ESOP for the year ended 30 June 2023 is $3,846,000 (June 2022: 1,283,000).

19. Dividends

	Cents per share	Franking %[1]	Total $'000	Date Paid
During the year ended 30 June 2023				
Prior year final dividend paid	**65.0**	80%	**120,308**	6 September 2022
Prior year performance fee dividend paid	**3.9**	80%	**7,218**	6 September 2022
Total prior year final and performance fee dividend paid	**68.9**		**127,526**	
Interim dividend paid	**46.9**	85%	**85,129**	8 March 2023
Total dividends declared and paid during the year[2]	**115.8**		**212,655**	
During the year ended 30 June 2022				
Prior year final dividend paid	102.6	75%	188,573	23 September 2021
Prior year performance fee dividend paid	11.5	75%	21,136	23 September 2021
Total prior year final and performance fee dividend paid	114.1		209,709	
Interim dividend paid	110.1	75%	204,470	8 March 2022
Total dividends declared and paid during the year[2]	224.2		414,179	

1 At the corporate tax rate of 30%.

2 Includes dividends of $1,537,000 which were not paid in cash but rather applied directly against the balances of SPA loans (June 2022: $2,892,000) (refer to note 10). During the year ended 30 June 2022 further dividends of $29,468,000 were not paid in cash as they were delivered in shares to DRP participants.

Dividend Declared

On 18 August 2023, the Directors declared total dividends of 69.8 cents per ordinary share (85% franked at the corporate tax rate of 30%) in respect of the six months to 30 June 2023 (June 2022: 68.9 cents per ordinary share 80% franked). The total dividends comprise a Final Dividend of 35.6 cents per ordinary share, a Performance Fee Dividend of 4.2 cents per share and a Special Dividend of 30.0 cents per ordinary share (June 2022: Final Dividend of 65.0 cents per ordinary share and a Performance Fee Dividend of 3.9 cents per ordinary share).

A dividend payable to shareholders of the Company is only recognised for the amount of any dividend declared by the Directors on or before the end of the financial year, but not paid at reporting date. Accordingly, the Final Dividend, Performance Fee Dividend and Special Dividend for the six months to 30 June 2023 totalling approximately $126,639,000 are not recognised as liabilities in the 2023 financial year. The Final, Performance Fee and Special Dividend will be paid on 7 September 2023.

Imputation Credits

The Group has a total of $24,359,000 imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2022: $39,363,000 at a 30% tax rate). The amount comprises the balance of the imputation account at the end of the reporting period, adjusted for franking credits that will arise from the payment of income tax liabilities after the end of the year. The dividend declared by the Directors on 18 August 2023 will be partially franked out of existing franking credits, or out of franking credits arising from the payment of income tax.

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For the year ended 30 June 2023

20. Subsidiaries

	Country of incorporation/ Principal place of business	% equity interest[1]	
		30 June 2023	30 June 2022
Magellan Asset Management Limited	Australia	**100**	100
Magellan FuturePay Pty Limited[2]	Australia	-	100
Magellan Capital Partners Pty Limited	Australia	**100**	100
Magellan Capital Partners No. 2 Pty Limited	Australia	**100**	100
Magellan Capital Partners No. 3 Pty Limited[2]	Australia	-	100
Magellan Capital Partners No. 4 Pty Limited	Australia	**100**	100
MFG Services LLC[3]	United States of America	**100**	100
Frontier North American Holdings Inc.[4]	United States of America	**80**	80
Frontier Partners Inc.	United States of America	**100**	100
Frontegra Strategies LLC	United States of America	**100**	100
Frontegra Asset Management Inc.	United States of America	**100**	100
MFG High Conviction Master Fund GP LLC[2]	United States of America	-	100

1 The proportion of ownership interest is equal to the proportion of voting power held.
2 Legal entity has been deregistered during the year ended 30 June 2023.
3 MFG Services LLC ("MFGS") is a service company and provides MAM with investment research and distribution services.
4 Frontier North American Holdings Inc. ("FNAH") is the US holding company of the Frontier Group. FNAH is 20% owned by a former shareholder of the Frontier Group. MFG has a call option over the remaining 20% of the issued share capital of FNAH, the acquirer of the Frontier Group and a controlled entity of MFG. The minority shareholder of FNAH, Mr Bill Forsyth, holds a put option over his interest in the issued share capital of FNAH. The options can be exercised by either party during the period 1 January 2026 to 31 March 2026, at an exercise price based on a multiple of annualised average earnings for a specified period. In addition to the above, MFG holds a further call option to purchase the remaining 20% of the issued share capital of FNAH for $1. This option can be triggered at any time prior to 31 December 2025 in certain circumstances. At the date of this report, the Group has no expectation that this call option would be triggered. The Group has determined that it has a present ownership interest in the non-controlling interest of FNAH.

Inset names in the above table indicate that shares are held by the company listed immediately above it in the table. All material subsidiaries have a 30 June reporting date. Transactions between MAM and foreign entities are subject to transfer pricing arrangements.

The Group's investments in other entities are set out in notes 7 and 8.

Key Judgement

Certain subsidiaries of the Group provide fiduciary and/or investment management services to funds in which the Group holds an economic interest. Such interests are not considered to be interests in controlled entities and consequently have been recognised in the Consolidated Statement of Financial Position as financial assets held at fair value through profit or loss. This classification involves the use of judgement in assessing whether the Group controls each relevant fund, including consideration of the nature and significance of various factors such as the exposure of the Group to variability of returns, compensation to which Group entities are entitled, the scope of the Group entities' decision-making authority and the rights held by third parties to remove the Group entities as Responsible Entity/Trustee or Investment Manager.

Principles of Consolidation

The consolidated financial report of the Group comprises the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, is exposed to variable returns from its involvement in the entity and has the ability to affect those returns. Assets, liabilities, income and expenses of a subsidiary are included from the date the Group gains control until the date control ceases. All inter-entity assets, liabilities, equity, income, expenses and cash flows relating to transactions within the Group are eliminated in full on consolidation. When necessary, adjustments are made to the results of subsidiaries to bring them into line with the Group's accounting policies.

Foreign Subsidiaries

On consolidation, the assets and liabilities of foreign subsidiaries whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the reporting date. Exchange differences arising on translation are recognised in comprehensive income and accumulate in the foreign currency translation reserve within equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Notes to the Financial Statements

For the year ended 30 June 2023

21. Related Parties

MFG is the ultimate parent entity of the Group. The related parties of the Group include its subsidiaries, associates, key management personnel ("KMP"), close family members of KMP and any entity controlled by those entities.

Transactions with Related Parties

Management and performance fees from investment funds managed by subsidiaries of the Group are set out in note 4.

Transactions with associates are set out in note 8.

Other transactions that occurred between entities in the Group are fully eliminated on consolidation of the Group and include:

	30 June 2023 $'000	30 June 2022 $'000
Revenue recognised by parent entity		
Dividends[1]	**185,278**	411,795
Reimbursed expenses	**274**	300
Expenses recognised by parent entity		
Expense reimbursements	**71**	38
Equity contributions to/(from) subsidiaries		
Cash	**25,095**	(94,604)
Transactions between subsidiaries at international transfer prices		
Service fees and recharged expenses	**8,838**	25,068

[1] Comprising dividends from MAM of $170,000,000 and Magellan Capital Partners No. 2 of $15,278,000 (June 2022: $388,000,000 from MAM and $23,795,000 from Magellan Capital Partners No. 3).

All transactions with related parties are conducted on standard commercial terms and conditions. Receivable and payable balances at year end are unsecured and will be settled in cash. No guarantees have been given or received between entities in the Group.

KMP Remuneration

	30 June 2023 $'000	30 June 2022 $'000
Short-term benefits	**7,180**	9,330
Post-employment benefits	**188**	144
Termination benefits	**432**	2,903
Long-term benefits	**1,440**	201
Share-based payments	**367**	35
Other benefits	**859**	910
Total KMP remuneration	**10,466**	13,523

The KMP of the Group are listed in section of the Remuneration Report and the remuneration of each KMP is included in section of the Remuneration Report.

22. Financial Instrument Risk Management

The Group's operating and investing activities expose it to various forms of financial instrument risk including:

- the risk that money owed to the Group will not be received (*credit risk*);
- the risk that the Group may not have sufficient cash available to pay its creditors as they fall due (*liquidity risk*); and
- the risk that the value of financial assets and liabilities will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (*market risk*).

The Board has an approved risk management framework including policies, procedures and limits and uses different methods to measure and manage these risks that are discussed in detail throughout this note.

The Group's primary exposure to financial instrument risk is derived from the financial instruments that it holds as principal. In addition, due to the nature of the business, the Group's exposure extends to the impact on investment management and other fees that are determined as a percentage of funds under management and are therefore impacted by the financial instrument risk exposures of the Group's clients. This note deals only with the primary exposure of the risks from the Group's holding of financial instruments and not the secondary exposure impacting the Group's revenue.

The investment portfolios of funds managed by MAM are monitored on a daily basis in accordance with the investment objectives and mandates of those funds. Further details of the risk management objectives and policies applied in respect of the Group's managed funds can be found in their product disclosure statements ("PDS") and in the case of the Frontier MFG Funds, in their prospectuses.

Credit Risk

Credit risk refers to the risk that a counterparty will fail to meet its contractual obligations resulting in financial loss to the Group. Market prices generally take counterparty credit into account and therefore the risk of loss is implicitly provided for in the carrying value of financial assets and liabilities held at fair value.

The Group's maximum exposure to credit risk is the carrying amount of all cash and cash equivalents, financial assets, receivables and SPA loans recognised in the Consolidated Statement of Financial Position as well as the value of any undrawn loan commitments which are accessible to counterparties at the reporting date.

Additionally, MAM in its capacity as Trustee and Responsible Entity of the Magellan Funds (as set out in note 2) has appointed The Northern Trust Company ("NT") as custodian. NT is required to comply with the relevant provisions of the *Corporations Act 2001* (Cth), applicable ASIC regulatory guides and Regulatory Instruments relating to registered managed investment scheme property arrangements with custodians. As at 30 June 2023, the credit quality of NT's senior debt is rated by Standard and Poor's as A+ and by Moody's as A2 (June 2022: A+ and A2 respectively).

Cash and Cash Equivalents

The Group minimises its credit risk by ensuring cash and term deposits are held with high credit quality financial institutions as determined by a recognised rating agency. As at 30 June 2023, the Group's cash and term deposits were held with major Australian and international banks rated no lower than AA-by Standard & Poor's or Aa3 by Moody's (June 2022: AA- and Aa3, respectively).

Financial Assets

The Group mitigates its credit risk by ensuring the majority of its financial assets are held with Magellan Funds for which MAM is the Trustee or Responsible Entity.

MFG has entered into an International Prime Brokerage Agreement ("IPBA") with Merrill Lynch International ("MLI"), a subsidiary of Bank of America. The services provided by MLI under the IPBA include clearing and settlement of transactions, securities lending and acting as custodian for MFG's investment assets. The IPBA with MLI is in a form that is typical of prime brokerage arrangements. MFG 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. In the event of MLI becoming insolvent, MFG would rank as an unsecured creditor and, to the extent MLI has exercised a right-of-use over MFG's securities, MFG may not be able to recover such equivalent securities in full. In addition, cash which MLI holds or receives on behalf of MFG is not segregated from MLI's own cash and may be used by MLI in the course of its business. In the event of MLI becoming insolvent, MFG would rank as an unsecured creditor and may not be able to recover the cash in full. At 30 June 2023 and 30 June 2022, MFG held a negligible cash balance with MLI.

Loans and Receivables

The Group manages credit risk by regularly monitoring receivables and SPA loan balances.

Fee receivables arise as a result of the Group's investment management activities and are typically paid between 15 and 45 days of being invoiced. These counterparties generally do not have an independent credit rating and the Group assesses credit quality taking into account each debtor's financial position, past experience and other available credit risk information. Historically, default levels have been insignificant and unless a client has withdrawn its funds, there is an ongoing relationship between the Group and the client.

SPA loans are secured by the MFG shares that were issued to participants under the SPA and by the MFG 2027 Options that were issued to SPA participants in respect of those shares. Additionally, whilst the SPA loan is outstanding, the Group is entitled to both the dividends received from the secured shares and 100% of the after-tax cash retention bonuses paid to employees in September 2023 and September 2024 in repayment of the relevant participant's outstanding SPA loan amount.

The Group's credit exposure in relation to SPA loans is therefore limited to any shortfall represented by the difference between the face value of SPA loans and the aggregate value of the MFG shares, MFG 2027 Options, dividends and after-tax cash retention bonuses securing those loans for each SPA participant. At 30 June 2023, the total SPA loan shortfall was $15,406,000 (June 2022: $11,614,000). As the SPA loans are full recourse, the Group is entitled to recover any shortfall from the SPA participant.

Expected credit losses ("ECL") are estimates of the shortfalls expected to result from defaults over the relevant timeframe. Given the long-term nature of the SPA loans, the Group estimates ECLs over the life of the financial instruments. For an SPA loan, the ECL is calculated by multiplying the shortfall amount to which the Group is exposed by the assessed probability of default. As historically there has never been a default of an SPA loan, the Group determines the default probabilities to apply to SPA loans having regard to the default probabilities published by the major Australian banks in respect of retail lending.

At 30 June 2023, the Group applied probabilities of default to its SPA loans ranging from 3% to 4.5% (June 2022: 2.5% to 4%) resulting in an aggregate recognised allowance for ECLs of $560,000 (June 2022: $375,000). For each 1% increase in the applied probability of default, the Group's total allowance for ECLs would increase by $154,000.

Undrawn Loan Commitments

The Group has provided Barrenjoey with up to $50,000,000 of working capital finance under an unsecured revolving facility that matures in September 2023.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations in a timely manner or may be forced to sell financial assets at a value which is less than their worth.

The Group manages liquidity risk by monitoring rolling cash flow forecasts in order to maintain sufficient cash reserves to meet future obligations and regulatory capital requirements. Additionally, the Group has access to an undrawn credit facility (discussed below) and liquid equity investments held in the Fund Investments portfolio.

As at 30 June 2023, the Group had an obligation to settle trade creditors and other payables of $11,535,000 (June 2022: $15,478,000) within 30 days (refer to note 12). A further obligation of $12,773,000 (June 2022: $18,483,000) is payable between 30-150 days for the Group’s tax instalment and final income tax payment. On 7 September 2023, $126,639,000 is expected to be paid in respect of the Final and Performance Fee dividend (refer to note 19). Finally, the Group's obligation to fund the discount offered on MGF options (refer to note 14) is classified as a current liability because the Group has no control over when options might be converted by the holders of those instruments. The Group had cash of $373,445,000 (June 2022: $419,922,000) and a further $54,635,000 (June 2022: $64,654,000) of receivables to cover these liabilities.

The Group's reported current assets of $435,653,000 and current liabilities of $222,861,000 result in a net current asset surplus of $212,792,000. Accordingly, the Group has sufficient liquid funds and current assets to meet its current liabilities.

The Group has access to a $150,000,000 floating rate facility provided by a major Australian bank which may be drawn at any time up to 19 February 2024. Commitment fees apply when the facility is undrawn. For the year ended 30 June 2023, these commitment fees amounted to $1,055,000 (June 2022: $1,680,000) and were recognised within finance costs.

At 30 June 2023, the facility was undrawn and all financial covenants were complied with during the year.

Market Risk

The value of the Group's financial assets and liabilities is exposed to movements in market prices, foreign exchange rates and interest rates.

Price Sensitivity

The value of investments held in the Fund Investments portfolio (refer to note 7) changes as a result of movements in equity prices in local currency (caused by factors specific to the individual stock or the market as a whole), exchange rate movements, or a combination of both. Additionally, certain financial liabilities held by the Group change as a result of movements in the estimated unit prices of the funds to which they relate.

Over the past 10 financial years, the annual performance of the MSCI World Net Total Return Index has ranged between +39% and -14% (in USD) and +28% and -6% (in AUD). The past performance of markets is not always a reliable guide to future performance, and MFG's Fund Investments portfolio does not attempt to mirror the global indices, however this wide range of historic movements in the indices provides an indication of the magnitude of equity price movements that could occur within the portfolio.

For illustrative purposes, an increase of 10% in market prices would have had the following impact on the recorded value of the Group's financial instruments:

	30 June 2023 $'000	30 June 2022 $'000
Financial assets at fair value through profit or loss	**29,445**	26,561
Financial liabilities at fair value through profit or loss	**(12,678)**	(7,101)
Impact on net profit after tax/other comprehensive income and equity	**16,767**	19,460

A decrease of 10% in market prices would have an equal but opposite impact on net profit, comprehensive income and equity.

Foreign Exchange Sensitivity

The Group holds the following types of financial assets and liabilities for which fair value changes arise as a result of movements in foreign exchange rates:

- Cash and term deposits denominated in a foreign currency;
- Financial assets denominated in a foreign currency (refer to note 7) as well as related dividend/distribution receivables and outstanding settlements for sales/purchases;
- Management and performance fees receivable denominated in a foreign currency; and
- Payables denominated in a foreign currency.

The Group's foreign currency transactions are primarily conducted in the following currencies: United States dollars, British pounds, Euros and New Zealand dollars.

For illustrative purposes, if the Australian dollar strengthened by 10% relative to each currency to which the Group had an exposure, with all other variables held constant, the impact on net profit after tax and equity would have been:

	30 June 2023			30 June 2022		
	Increase/(decrease)			Increase/(decrease)		
	USD $'000	GBP $'000	Other $'000	USD $'000	GBP $'000	Other $'000
Cash and cash equivalents	**(418)**	**(7)**	**(2)**	(626)	(6)	(15)
Financial assets	**(2,285)**	**(5)**	**(33)**	(2,895)	(11)	(42)
Receivables	**(1,007)**	**(45)**	**-**	(1,694)	(234)	(1)
Payables	**95**	**3**	**22**	132	4	18
Employee benefits	**19**	**-**	**-**	17	-	-
Lease liabilities	**20**	**-**	**2**	8	-	5
Total impact on net profit after tax and equity	**(3,576)**	**(54)**	**(11)**	(5,058)	(247)	(35)

A decrease of 10% in the Australian dollar relative to each currency would have an equal but opposite impact on net profit after tax and equity.

The Group has indirect exposure to foreign currency via its investment in funds that are denominated in both Australian dollars, such as the Group's Australian funds, and US dollars, such as the Group's international funds (refer to note 2). This is because the underlying investment portfolios of these funds comprise equities predominantly denominated in foreign currencies and with operating exposure to global currencies. As a result, the fair values of these funds are influenced by currency movements. The sensitivity analysis disclosed above disregards the indirect impact of the foreign currency movement on the underlying fund portfolios.

In addition to its investments, the Group's management and performance fees are also indirectly exposed to fluctuations in foreign currency where fees are invoiced in a different currency to the underlying funds under management. As at 30 June 2023, approximately 74% of the Group's funds under management was exposed to movements in the Australian dollar relative to other currencies (June 2022: 76%).

Interest Rate Sensitivity

The Group's primary exposure to interest rate movements relates to its cash and term deposits. Term deposits are of relatively short duration and their fair value would not be materially affected by changes in interest rates.

Cash and cash equivalents held by the Group are predominantly held with Australian financial institutions and the value of cash balances is sensitive to the RBA cash rate. The Group does not hold any financial assets or liabilities for which a change in value as a result of interest rate movements would impact on the Group's recorded net profit or equity.

Fair Value Disclosures

The Group classifies financial assets and liabilities that are measured at fair value into the following three levels, as prescribed under the accounting standards, to provide an indication about the reliability of the inputs used in determining fair value:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Fair value is based on the closing price of the security as quoted on the relevant exchange.
- Level 2: valuation techniques using market observable inputs either directly or indirectly. The Group invests in unlisted funds which in turn invest in liquid securities quoted on major stock exchanges. Fair value is estimated using the redemption price provided by the unlisted fund.
- Level 3: valuation techniques using unobservable inputs such as is required where the Group invests in unlisted entities or unlisted funds which in turn invest in unlisted entities.

The table below presents the Group's financial assets and liabilities measured at fair value according to the fair value hierarchy:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2023				
Magellan Fund investments[1]	**351,838**	**61,052**	**-**	**412,890**
Seed portfolios	**6,044**	**1,014**	**-**	**7,058**
Unlisted entities[2]	**-**	**-**	**695**	**695**
Financial liabilities at fair value through profit or loss	**-**	**(159,855)**	**-**	**(159,855)**
Total financial assets and liabilities at fair value	**357,882**	**(97,789)**	**695**	**260,788**
30 June 2022				
Magellan Fund investments[1]	310,361	62,879	-	373,240
Seed portfolios	4,708	795	-	5,503
Unlisted entities[2]	-	-	695	695
Financial liabilities at fair value through profit or loss	-	(133,349)	-	(133,349)
Total financial assets and liabilities at fair value	315,069	(69,675)	695	246,089

1 Fair value is determined by reference to the fund's redemption unit price at reporting date and is categorised in level 2 given inputs into the redemption unit price are directly observable from published price quotations.

2 Comprises a shareholding in an unlisted company for which management has assessed the investment cost is a reasonable approximation of fair value at reporting date.

There were no transfers between any fair value hierarchy levels during the years ended 30 June 2023 and 30 June 2022. The Group's policy is to recognise transfers into and out of hierarchy levels as at the end of the reporting period.

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

23. Commitments and Contingent Assets and Liabilities

Commitments

The Group has extended loan commitments to certain related parties, which remain undrawn at the reporting date (refer to note 22). All other commitments relate to non-cancellable payments under short term and low value lease agreements as set out below:

	30 June 2023 $'000	30 June 2022 $'000
Within one year	**18**	21
Later than one year but no later than five years	**49**	-
More than five years	**-**	-
Total	**67**	21

Contingent Assets and Liabilities

The Group has contingent assets and liabilities in respect of the following items:

- *Dividend Reinvestment Plans of Magellan Funds*: In accordance with the terms of a deed entered into with MAM as responsible entity of Magellan Global Fund ("MGF"), the Group has agreed to pay MGF an amount equal to the MGF DRP discount. As a result, the Group has a contingent liability where MGF offers a discount to the NAV per unit on units issued under the MGF DRP in future periods. The quantum of the contingent liability is determined at each MGF distribution date and the amount is currently equal to a 7.5% discount to the NAV per unit multiplied by the number of units participating in the MGF DRP. It is not practical to estimate the future cost to the Group as there is uncertainty as to the level of participation in the MGF DRP, the NAV per unit and whether the MGF DRP will be offered.
- *Deferred proceeds in respect of GYG divestment:* refer to note 8
- *Deferred conditional bonuses and cash retention incentives*: refer to note 13.

24. Parent Entity Information

	30 June 2023 $'000	30 June 2022 $'000
Assets		
Current assets	**302,166**	353,212
Non-current assets	**846,216**	792,123
Total assets	**1,148,382**	1,145,335
Liabilities		
Current liabilities	**189,519**	158,729
Non-current liabilities	**-**	-
Total liabilities	**189,519**	158,729
Net assets	**958,863**	986,606
Equity		
Contributed equity	**632,696**	672,090
Reserves	**326,167**	314,516
Retained earnings	**-**	-
Total equity	**958,863**	986,606
Net profit after income tax expense for the year	**220,459**	382,323
Total comprehensive income for the year	**220,459**	382,323

Notes to the Financial Statements

For the year ended 30 June 2023

The financial information for the parent entity, MFG, has been prepared on the same basis as the Group's consolidated financial statements, except for investments in subsidiaries. Investments in subsidiaries are accounted for at cost less impairment expense, in the financial statements of the parent entity. Dividends received from subsidiaries are recognised in the parent entity's profit or loss rather than being deducted from the carrying amount of the investment.

Contingent Assets and Liabilities

At 30 June 2023, MFG has a contingent liability in respect of the dividend reinvestment plan of MGF (refer to note 23).

25. Auditor Remuneration and Independence

	30 June 2023 $'000	30 June 2022 $'000
Australia - Ernst & Young		
Fees for audit and review of statutory financial reports of:		
MFG Group and controlled entities	**156**	175
Magellan Funds in Australia	**303**	294
	459	469
Fees for regulatory audits required to be performed by the auditor	**9**	9
Fees for other audit related assurance services[1]	**88**	83
Fees for other services:		
Taxation compliance services[2]	**150**	151
Taxation advisory services[3]	**25**	149
	175	300
Total Australia	**731**	861
Overseas - Ernst & Young, Plante Moran		
Fees for audit of statutory financial report of:		
Frontegra Strategies LLC	**23**	19
Magellan Funds in Ireland	**72**	64
	95	83
Fees for other services:		
Taxation advisory services[4]	**50**	66
	50	66
Total overseas	**145**	149
Total auditor remuneration	**876**	1,010
Percentage of total auditor remuneration paid as non-audit fees to the Group's auditors	**35.7%**	44.5%

1 Comprises various assurance services (ICR audits, debt covenant audit, compliance plan review, GS007 controls review) required under legislation, regulation or contractual arrangements which the Board determines are best provided by the auditor of the Group's statutory financial reports.
2 Comprises reviews of the income tax returns of both the Group and the Magellan Funds and reviews of the annual unitholder distributions of the Magellan Funds.
3 Comprises transfer pricing reviews and withholding tax advice.
4 Comprises assistance with the UK and German tax calculations and lodgements for MFG Investment Fund plc.

Independence and Non-Audit Services

The Group's external auditors are Ernst & Young and Plante Moran and the Audit & Risk Committee ("the Committee") has responsibility for monitoring the independence and objectivity of the external auditors. All auditors confirmed their independence during 2023 and prior to issuing their opinions on financial reports. In addition, no Committee member has a connection with the external auditors.

A key factor in ensuring auditor independence is the Committee's consideration of the non-audit services performed by the auditors. The Committee preserves independence and objectivity by maintaining a policy on the engagement of non-audit services provided by an auditor and restricts the auditor to providing services that are closely related to the audit. Every audit and non-audit service is considered and approved in writing by the Committee, or the Committee's Chairman acting as a delegate. This is based on a written recommendation from management. There is no delegation of approval provided to management for any engagement provided by the auditor. Particular consideration is also given to where the Group's auditor also performs services for the Group's associates and/or key third party providers, for example fund administrators and custodians. Where this occurs, the Group ensures the signing audit partner is not common to both parties. Approval is provided before work commences and reported to the Committee at the next scheduled meeting of the Committee along with details regarding the nature of the service, quantum of fee and projected total non-audit fees for the financial year. This is undertaken in addition to the auditor confirming that no prohibited non-audit services have been provided.

The Committee considers there may be circumstances where the auditor may hold specific expertise, know-how or company knowledge which provides a compelling benefit to the Group through its appointment. In the current and prior financial year, non-audit services provided by Ernst & Young were routine tax services, namely the review of the income tax returns of the Group and the Magellan Funds and the annual distributions of the Magellan Funds, ad hoc assistance with lodging foreign withholding tax registrations in Taiwan and routine tax surveillance reviews. The view was that Ernst & Young's appointment in fact offered greater risk management by providing a higher level of detection of risks or errors given its holistic and detailed understanding of the Group and current issues along with the tax partner being an industry leader.

Other non-audit services not required by regulation mainly comprises assurance services in respect of a review of controls and compliance plan and an audit of the indirect cost ratios for the Magellan Funds. The Committee considered these services were most appropriately performed by Ernst & Young as they support the statutory audits as well as provide the external auditor with relevant insights on aspects of the Group's Australian business and are not considered to present a risk to auditor independence.

It is important to note that the Magellan Funds do not incur audit or non-audit fees and therefore unitholders of the Magellan Funds do not incur this additional cost. Rather those fees are paid by the Responsible Entity of the Funds, MAM, a wholly owned entity of the Group. As a result, this significantly increases non-audit fees reported by the Group and these will continue to increase in future years when new funds are launched or the negotiated fee rate increases.

Subject to the Group's external auditors maintaining independence, the Committee considers it is most important to ensure that the highest level of risk management is provided to the Group and, where possible, that the services are delivered efficiently for the benefit of the Group's shareholders. The Committee does not view auditor independence as a binary matter and therefore does not believe a fixed 50% threshold of non-audit fees exceeding total audit fees is the only relevant consideration when determining if non-audit services are excessive and, by inference, whether auditor independence is at risk.

Oversight of External Auditors

A key part of the Committee's work consists of overseeing the relationship with the Group's external auditors, including safeguarding independence and approving non-audit fees and their appointment.

Ernst & Young was appointed external auditor of the Australian entities and Irish funds in 2008. The external audit was last put out to tender in 2018, which aligned to the auditor's 10 year anniversary, and Ernst & Young was reappointed as auditor as it scored highest across all requirements and the Board was satisfied that appropriate safeguards were in place to ensure the required independence of Ernst & Young. The next external audit tender will take place within 10 years of Ernst & Young's re-appointment. Ms Clare Sporle has served as lead audit partner since August 2019. In accordance with the *Corporations Act 2001* (Cth), the next rotation of the lead partner is planned to occur after the completion of the 30 June 2024 financial year audit.

Plante Moran was appointed auditor of a US subsidiary in 2012 and was reappointed as auditor in 2022 following a tender process involving the incumbent and two additional US-based accounting firms.

As there is no contracted tenure with the Group's external auditors, an audit tender can be called at any time.

26. Subsequent Events

Other than the items noted below, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Dividend

Refer to note 19 for details of the dividend declared in respect of the six months ended 30 June 2023.

Funds Under Management

On 4 August 2023, the Group announced on the ASX announcements platform that its funds under management was $39.2 billion as at 31 July 2023.

Directors' Declaration

For the year ended 30 June 2023

In the Directors' opinion,

a. the financial statements and notes set out on pages 45 to 81 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

   ii. complying with Accounting Standards, the *Corporations Regulations 2001* (Cth), International Financial Reporting Standards as disclosed in note 1 and other mandatory professional reporting requirements; and

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.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the year ended 30 June 2023.

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

Hamish McLennan
Chairman

Sydney
18 August 2023

Ernst & Young
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Sydney NSW 2000 Australia
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Independent auditor's report to the members of Magellan Financial Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Magellan Financial Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023 and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) together with the ethical requirements that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Management and performance fee revenue

Why significant	How our audit addressed the key audit matter
The Group's key revenue streams are management and performance fees earned by Magellan Asset Management Limited (MAM), a consolidated subsidiary, through the investment management agreements in place with third parties and Magellan Funds. For the year ended 30 June 2023, management fees were $327,647,000 and performance fees were $11,524,000 which equates to 75.91% and 2.7% of total revenue and other income respectively as disclosed in Note 4 to the financial report. Revenue from management and performance fees is earned and calculated in accordance with the Investment Management Agreements and Constitutions of the funds. Performance fees are dependent on the portfolio outperforming certain hurdles and are only recognised in the statement of profit or loss and comprehensive income when MAM's entitlement to the fee is highly probable, which is at the end of the relevant performance period. Due to the quantum of these revenue streams and the impact that the variability of market-based returns can have on the recognition and earning of performance fees, this was considered a key audit matter.	Our procedures included: ▸ Recalculating management fees, on a sample basis, in accordance with contractual arrangements; ▸ Assessing the performance fees recognised for the year from funds and mandates, on a sample basis, and assessing whether they met the relevant recognition criteria per the requirements of the relevant Australian Accounting Standard. This included assessing the inputs into the calculation model, its clerical accuracy and examining the methodology applied in accordance with contractual arrangements; and ▸ Assessing the adequacy of the disclosures included in Note 4 to the financial report in accordance with Australian Accounting Standards.

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2. Investments in associates

Why significant	How our audit addressed the key audit matter
As at 30 June 2023, the Group's associates were $149,587,000 which account for 12.48% of total assets. The equity accounted share of loss from associates was $12,453,000. The Group classifies investments in entities over which it has determined to have significant influence as associates in the statement of financial position and applies equity method accounting in line with AASB 128 *Investments in Associates and Joint Ventures*. The Group's accounting for its associates, including the determination that the Group has significant influence over the entities, equity method accounting and impairment assessments was considered a key audit matter due to the quantitative impact on the Group's financial statements.	Our procedures included: ▸ Evaluating the Group's assessment of significant influence over the investments, and the relevant accounting treatment and presentation thereon; ▸ Testing the appropriateness of the equity accounting for the Group's investments in associates. We issued audit instructions to the auditors of the associates where required, covering matters significant to the Magellan audit. We performed a review of the auditor's final report to assess whether procedures were performed in accordance with instructions and the conclusion reached was appropriate for the purposes of our audit; ▸ Evaluating the Group's assessment of impairment indicators for their investments in associates; and ▸ Assessing the adequacy of the disclosures included in Note 8 and Note 21 in accordance with Australian Accounting Standards.

3. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
The Group has a significant investment portfolio consisting of listed equities and investments in Magellan Funds. As at 30 June 2023, the value of these non-current financial assets, as disclosed Note 7 to the financial report totalled $420,643,000, which equates to 35.1% of the total assets held by the Group. As disclosed in Note 7 to the financial report, the Group's investments are classified as 'financial assets at fair value through profit or loss' ("FVTPL") in line with AASB 9 *Financial Instruments*.	Our procedures included: ▸ Obtaining and assessing the assurance reports on the controls of the funds' administrator in relation to investment management services and evaluating the auditor's opinion, their competence, objectivity and the results of their procedures; ▸ Agreeing all investment holdings to third party sources at 30 June 2023; ▸ Agreeing the fair value of investments in the portfolio held at 30 June 2023 to independent pricing sources for listed securities/funds. For unlisted funds, on a sample basis, we agreed

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Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore the valuation of the investment portfolio was a key audit matter.	the investment prices to available redemption information; and ▸ Assessing the adequacy of the disclosures included in Note 7 and Note 22 to the financial report in accordance with Australian Accounting Standards.

4. Goodwill impairment assessment

Why significant	How our audit addressed the key audit matter
The group has goodwill of $106,251,000 as at 30 June 2023. Goodwill has been recognised as a result of the Group's historical acquisitions, representing the excess of the purchase consideration over the fair value of assets and liabilities acquired. On acquisition date, the goodwill has been allocated to the applicable Cash Generating Units ("CGUs"). Goodwill is required to be tested for impairment on at least an annual basis. The determination of recoverable amount requires judgement on the part of management in both identifying and then calculating the value of the relevant CGUs. Recoverable amounts are based on management's view of variables and market conditions such as future price and assets under management growth rates, the timing of future operating expenditure, and the most appropriate discount and long-term growth rates. Accordingly, it was considered a key audit matter.	Our audit procedures included the following: ▸ Assessing the Group's determination of the CGUs to which goodwill is allocated; ▸ Assessing managements methodology used in the impairment model to calculate the recoverable amount of each CGU; ▸ Agreeing the projected cash flows used in the impairment models to the Board approved plan of the Group; ▸ Considering the accuracy of historical cash flow forecasts; ▸ Comparing the Group's implied growth rate assumption to comparable companies; ▸ Assessing managements methodology and assumptions used in the determination of the discount rate, including comparison of the rate to market benchmarks; ▸ Testing the mathematical accuracy of the impairment model for each CGU; ▸ Assessing the Group's sensitivity analysis and evaluating whether any reasonable foreseeable change in assumptions could lead to a material impairment; and ▸ Assessing the adequacy of the disclosures included in Note 9 in accordance with Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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working world

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

For the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 45 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Magellan Financial Group Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Clare Sporle
Partner
Sydney
18 August 2023

Corporate Sustainability and Responsibility Report

For the year ended 30 June 2023

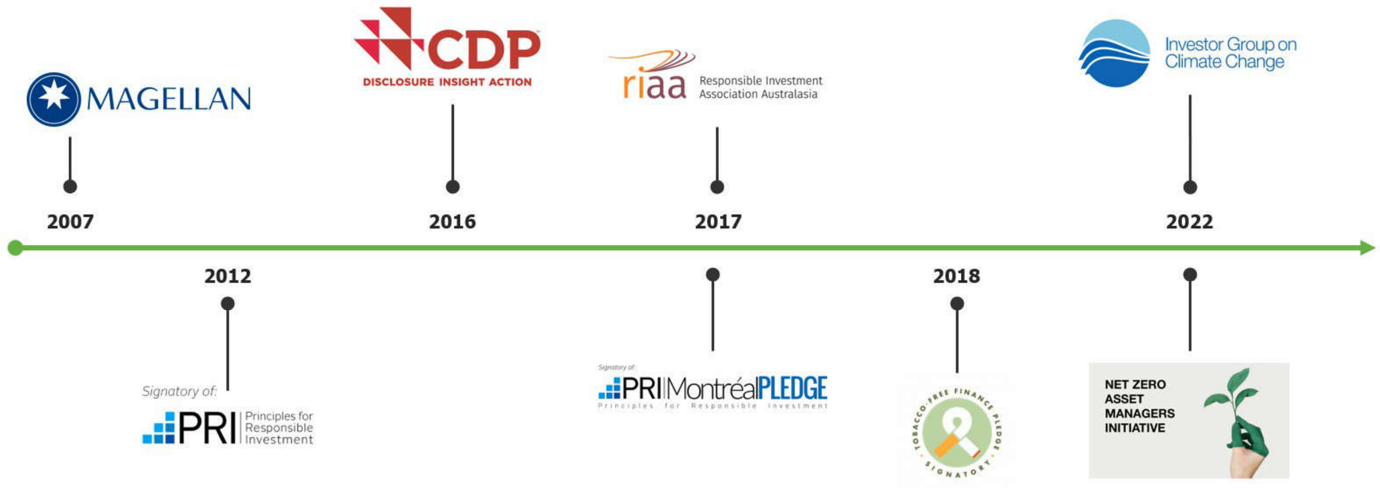
Magellan is committed to acting responsibly and ethically in all areas of its business. Magellan seeks to engender a culture of building trust with everyone who does business with the Group. As an asset manager, responsible investment is part of our investment process and commitment to clients. We outline our sustainability priorities and activities for 2023 in the following sections: Environment, People, Community, Cybersecurity and Privacy, and Modern Slavery.

Responsible Investment

Magellan is committed to responsible investment. At Magellan, we believe that successful investing is about identifying, and owning for the long-term, companies that can sustainably generate excess returns on capital for years to come. As long-term owners we aim to act as responsible stewards of our clients' investments by integrating Environmental, Social and Governance (ESG) issues into our investment process, exercising our proxy voting rights and having open dialogue with portfolio companies on a broad range of issues. Magellan's Responsible Investment Principles, which are available on the Group's website, outline and summarise Magellan's approach to responsible investing, ESG integration, engagement and proxy voting. We also enhanced our public reporting on engagement and voting outcomes for the year in our inaugural annual stewardship reports, including case studies where we have seen positive outcomes. In addition, we are focussed on investor education with sustainability themed 'Magellan In The Know' podcasts and 'Magellan Minutes'.

Magellan is a signatory to a number of industry initiatives and associations that support our commitment to responsible investment, transparency to stakeholders and ability to elevate key company and industry issues such as climate change. In the last 12 months, we have been focused on our commitments under the Net Zero Asset Manager initiative including firm wide and portfolio specific targets supported by a climate specific stewardship (engagement and voting) strategy.

By joining these collaborative initiatives, our company and industry research is enhanced, our clients benefit from broader stakeholder perspectives and our voice is made louder by joining with others that have similar long-term objectives.



Active Stewardship

Magellan's long-term investment horizon gives us the opportunity to engage with companies over an extended period on issues that are important to protecting and creating shareholder value. Magellan aims to engage with portfolio companies on a broad range of themes identified by the ESG Team that investment analysts assess as material to those companies within our proprietary ESG risk and opportunities assessment framework.

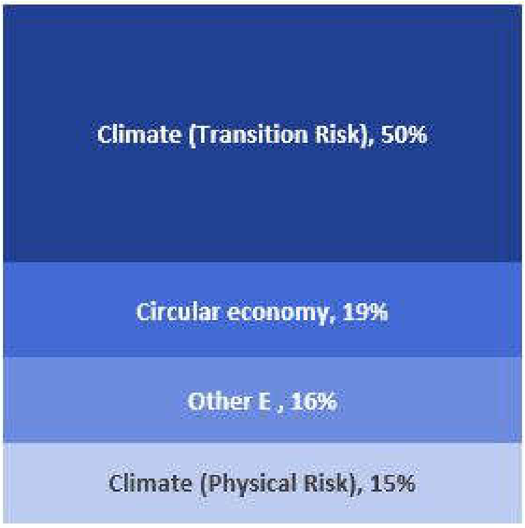
ESG issues are considered to be a natural component of Magellan's investment process, as gaining a robust understanding of these issues is a key part to assessing the outlook for future cash flow generation, the risks and opportunities facing investors. Magellan's investment process seeks to identify high quality companies and places lower value on pro-cyclical companies in the resource, materials and oil and gas sectors. This approach is a natural filter which tends to reduce exposure to carbon intensive companies. Magellan maintains an ESG Policy, which outlines how ESG issues are incorporated into Magellan's investment analysis framework and investment process.

Engagement has two primary objectives, both of which are designed to have a positive impact on shareholder returns over time:

1. **Risk assessment, management and opportunities**: To better understand the risks and opportunities over time. As long-term investors, we build up knowledge and insight, which we discuss and challenge during engagements. These learnings often deepen our understanding within and across industries.
2. **Influence**: To encourage and support change to a company's approach or the setting of targets. As long-term investors, we build constructive relationships which better enable us to drive positive change at the company.

During the financial year ended 30 June 2023, Magellan engaged with 171 companies across more than 500 engagements on a number of material ESG topics. These are highlighted in the graphic below. Stewardship reports for each strategy include a more detailed analysis of voting and engagement and are reported on the Magellan website.

ENVIRONMENT



Environmental issues discussed in our engagements in FY23.

There was a continued focus on climate transition risk with discussions on company climate strategy, including targets. These engagements included meetings with the company as well as formal letters. This engagement was a key input into the assessment of the company's alignment to Net Zero as part of the Net Zero asset manager initiative.

Circular economy was also a focus with the European Commission announcing new rules around packaging and waste.

SOCIAL

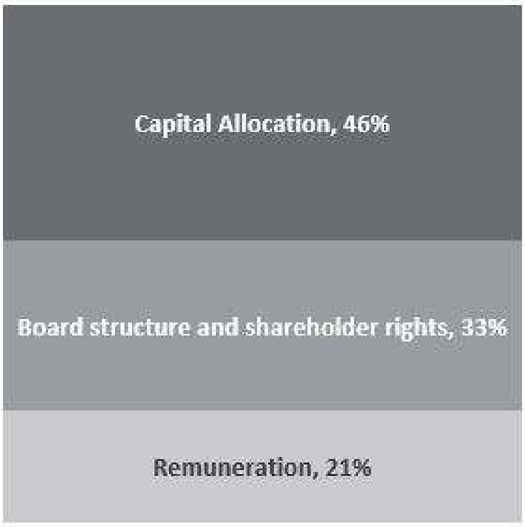
Social issues discussed in our engagements in FY23.

The Social Licence to operate was a key focus or the perceptions of the customers, community and other stakeholders of whether a company is meeting their expectations has become important to build and maintain trust. If not managed well, it can impact a brand, sales or increase regulation.

Labour management including retention of employees, safety and pay equity were discussed across a variety of industries.

For the tech sector, data privacy and product safety continue to be a focus.

GOVERNANCE



Governance issues discussed in our engagements in FY23.

In FY23, the majority of 'Governance' related engagements were on capital allocation and alignment to shareholders.

Proxy voting season increases the engagement on Board independence, diversity and skills. We also focus on whether the executive remuneration structure meets our Corporate Governance Principles.

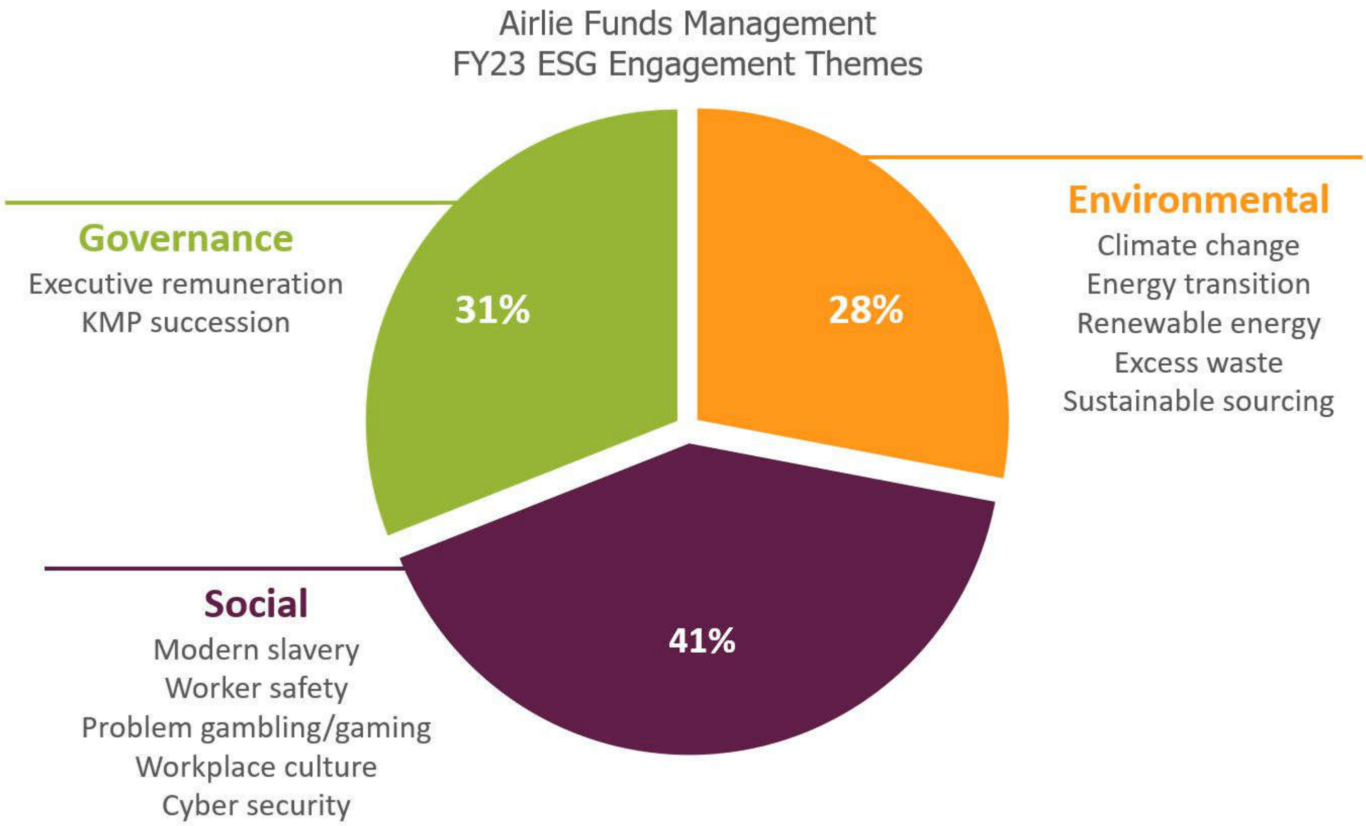
Note: The level of engagement reflects the importance of a particular risk to the company and sub-industry. In addition, the level of engagement on ESG issues is also considered in the context of the relative size of Magellan's investment.

Corporate Sustainability and Responsibility Report

For the year ended 30 June 2023

Magellan's Australian Equities business, Airlie Funds Management, also maintains a set of Responsible Investment Principles, an ESG Policy and a Proxy Voting Policy which outline how the Airlie Investment Team integrate ESG risks and opportunities into their investment decision making and how it acts as a responsible owner by engaging with portfolio companies and voting proxies. Consideration of ESG issues is a component which is implicit in Airlie's investment philosophy and selection process with the aim to account for all relevant ESG issues in the same balanced way it does other key risks facing a company. These policies can be found on the Airlie website: www.airliefundsmanagement.com.au.

During the financial year ended 30 June 2023, Airlie engaged with portfolio companies on a range of material ESG issues which are summarised below. There was a continued focus on the key issues of climate change and energy transition, modern slavery and executive remuneration.



Proxy Voting

At Annual and Extraordinary General Meetings, Magellan is typically tasked by its strategies' clients to vote on meeting agenda items on their behalf. These proxy votes, on behalf of our investors, are incredibly important and underpin the strongest of our stewardship powers – the power to vote for or against agenda items, which may result in specific changes within a company. When votes are exercised diligently, they can enhance client returns. Given this importance, we do not outsource our voting, rather we consider all voting matters in house. We undertake proxy voting with the same deep due diligence as other aspects of our investment process.

Magellan maintains a Proxy Voting Policy and a set of Corporate Governance Principles which outline its approach to proxy voting and engagement with portfolio companies. A summary of Magellan's proxy voting for the period ended 30 June 2023 is provided below:

Corporate Sustainability and Responsibility Report

For the year ended 30 June 2023

Category[1]	In line with Company Recommendation	Against Company Recommendation
Board Related (2,224)	99%	1%
Compensation (593)	94%	6%
Shareholder Proposals (198):	78%	22%
- Environmental (31)	81%	19%
- Social (84)	93%	7%
- Governance (83)	63%	37%
Capital Management (207)	99%	1%
Audit/Financials (424)	98%	2%
Other (167)	11%	89%

1 Statistics based on ballots that are not subject to re-registration requirements.

Airlie recognises corporate governance is an important part of share ownership and that Airlie has a responsibility to act with the best interests of clients in mind. One way Airlie represents its clients in matters of corporate governance is through the proxy voting process. A summary of Airlie's proxy voting for the period ended 30 June 2023 is provided below:

Category[1]	In line with Company Recommendation	Against Company Recommendation
Board Related (144)	94%	6%
Compensation (107)	90%	4%
Shareholder Proposals (14):	100%	0%
- Environmental (7)	100%	0%
- Social (1)	100%	0%
- Governance (6)	100%	0%
Capital Management (1)	100%	0%
Audit/Financials (10)	90%	10%
Changes to Company Statutes (7)	86%	14%
Other (3)	100%	0%

1 May not add to 100% as Management do not provide a recommendation for all resolutions.

Environment

Magellan understands the importance of mitigating its impact on the environment and is committed to environmental sustainability.

Magellan has been a member of the 'Principles of Responsible Investment' ("PRI") since 2012 and Responsible Investment Association Australasia ("RIAA") since 2017. In 2022 Magellan extended its commitment to managing climate risk and became a member of the Investor Group on Climate Change ("IGCC") and the Net Zero Asset Manager initiative ("NZAMi").

As part of the Net Zero Asset Manager's commitment, *"in line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition. In this context, Magellan commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner."*

The last year has focused on assessing the alignment of our portfolio companies to net zero using the Net Zero Investment Framework (NZIF). This analysis supports the development of targets which have been submitted to the Net Zero Asset Manager initiative.

- We have set a 2030 target for assets to be managed in line with the attainment of net zero emissions by 2050 or sooner.
- We have developed a climate focused, stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with an ambition for all assets under management to achieve net zero emissions by 2050 or sooner.
- We commit to review targets at minimum every 5 years, and monitoring progress against these targets annually.

Magellan aims to align its reporting to the Task Force on Climate-related Financial Disclosures (TCFD) through CDP and as part of the commitment to the Net Zero Asset Manager initiative.

Magellan's Board has ultimate oversight over risk management and compliance including setting Magellan's risk appetite in relation to key risks, including environmental risk. The Board considers the Group's appetite for environmental risk on at least an annual basis as part of its periodic review of Magellan's risk management framework. In 2023, Magellan adopted a new Risk Management Framework for climate related risks and opportunities.

Strategy

In 2023, Magellan launched an Energy Transition investment strategy to provide investors with a platform to invest in opportunities arising from the long term energy transition thematic. The strategy provides clients with access to a portfolio of global companies that are economically leveraged to the energy transition, have the capacity to deliver tangible environmental impact by advancing the transition to a net-zero economy, and exhibit exceptional quality, as assessed by Magellan.

This follows the development of Magellan's Sustainable strategies in 2016 which offer investors the opportunity to invest in a high quality, attractive risk-adjusted return focused portfolio with materially lower carbon factor risk than global markets. In September 2016, the first of a series of Sustainable investment strategies that implement a proprietary low carbon overlay were launched including the Global Sustainable strategy, followed by a Core ESG strategy in December 2020.

Climate change is an increasingly important issue for global companies and investors, with the potential to affect business models through government regulation (e.g. carbon pricing), technology and changes in consumption patterns. Importantly, there are also significant opportunities for companies to profitably deploy capital into areas that meet the needs of a decarbonising world. These factors directly and indirectly impact the relative cost of companies' products and services, customer demand and pricing power.

Risk Management

Identification of climate related risks

Environmental risks are identified at both the corporate/business strategy level and at the investment level (i.e. the companies held in Magellan's investment portfolios).

At the corporate level, Magellan aims to ensure that, where possible, business operations are conducted in an environmentally sustainable way. Within environmental risk, Magellan has identified the following three areas where Magellan's environmental footprint lies:

- Premises: Primarily Magellan's head office in Sydney together with the regional offices in Australia and New Zealand. Consideration may also be given to premises occupied by the Group's subsidiaries where applicable.
- Energy: Primarily energy usage across all Magellan offices.
- Business travel: Primarily travel undertaken by the Investment and Distribution Teams for engagement with investee companies and meetings with existing and prospective clients.

At the investment level, Magellan integrates climate considerations into investment and ownership decisions. Magellan and Airlie's Investment Team have responsibility for identifying material climate related risks and opportunities as well as their impact within investment portfolios as part of their investment process. The ESG Team actively collaborates with analysts in the assessment of climate related risks and opportunities.

Assessment of climate related risks

At the corporate level, Magellan's energy usage and air travel mileage (from trips recorded by Magellan's travel agent) are provided to an independent consultancy to calculate Magellan's Scope 1, 2 and 3 greenhouse gas emissions.

Given the nature of Magellan's business and as a services firm of 115 employees, with approximately 83% of employees based in the head office in Sydney, Magellan has a relatively small environmental footprint.

As noted above, there are three main areas where Magellan's environmental footprint lies – premises, energy and business travel. Magellan aims to ensure that, where possible, business operations are conducted in an environmentally sustainable way. For example, Magellan's head office is a 4.5-star NABERS[3] rated office building. Magellan also continues to build awareness amongst its employees and focuses on areas where it can make an impact, including recycling and minimising printing.

Magellan is a signatory to the CDP climate change program. CDP holds the largest global collection of self-reported climate change, water and forest-risk data in an effort to transform the way the world does business to prevent dangerous climate change and protect

[3] NABERS is a national rating system that measures the environmental performance of Australian buildings, tenancies and homes. NABERS is managed nationally by the NSW Office of Environment and Heritage, on behalf of Commonwealth, state and territory governments.

natural resources. Magellan is also a member of the Investor Group on Climate Change (IGCC) and has also become a signatory to the Net Zero Asset Managers Commitment.

Greenhouse Gas ("GHG") emissions by Scope (metric tonnes CO2e)

	Calendar Year 2018	Calendar Year 2019	Calendar Year 2020	Calendar Year 2021	Calendar Year 2022
Scope 1	0	0	0	0	0
Scope 2	135	139	122	113	60
Total GHG emissions	135	139	122	113	60
Total per employee	1.07	1.07	0.90	0.81	0.50
Total per A$ million of revenue	0.3	0.2	0.2	0.1	0.2

As outlined in the table above, Magellan's GHG emissions are relatively small, particularly on a per employee and per A$ million of revenue basis. Magellan's Scope 1 & 2 emissions intensity for calendar year 2022 of 0.2 tonnes CO2e per A$ million dollars of revenue puts Magellan among the lowest emissions intensity companies globally.

Within Magellan's Funds Management business, as discussed in the section titled "Responsible Investment", Magellan considers Environmental issues as a natural component of its investment process, particularly where such issues may impact the future cash flows of the companies in which it is invested. Research reports compiled by the Investment Team include a discussion of climate change risks and opportunities facing companies, if material, and includes a company's emissions intensity. If a material risk is identified, the Investment Team will incorporate cash flow impacts (either to capital expenditure or earnings margins) to reflect the cost to the company of addressing or remediating the exposure. In general, the majority of Magellan's investment universe is less likely to be exposed to material transition risks, however, there are some companies in the infrastructure, industrials and transportation sectors which have a greater exposure to transition risks. These risks will be incorporated into Magellan's assessment of future cash flows when transition risks are assessed likely and material.

In 2023, as part of Magellan's commitment to the Net Zero Asset Manager Initiative (NZAMi), we have enhanced the assessment of alignment to net zero for all investee companies utilising the net zero investment framework (NZIF). Where an investee company does not have a net zero target, science-based targets or a credible strategy, we will prioritise engagement, particularly for the high emitting sectors.

The Investment team is responsible for developing the climate strategy and engagement objectives. Progress of portfolio companies towards climate related objectives is monitored by the ESG Team. In addition, Investment Team analysts monitor portfolio companies for new climate targets and a credible strategy.

Engagement with portfolio companies is important to assess the credibility of their targets and understand any technological challenges in committing to these targets.

Further, within the Airlie investment process, when assessing company specific risks and opportunities associated with climate change, the Airlie Investment Team considers factors such as emissions intensity, physical and transition risks as well as the quality and credibility of the company's climate change mitigation activities within its assessment of business quality. Additionally, the Airlie Investment Team will test a company's stated transition plan, the costs of the plans and include carbon prices when incorporating the risks and opportunities as part of the valuation process. As part of Magellan's commitment under the Net Zero Asset Manager initiative, Airlie will implement a stewardship and engagement strategy which includes an escalation and voting policy.

Metrics and Targets

In May 2017, Magellan became a signatory of the PRI's Montreal Pledge. Under the Pledge, Magellan commits to measure and publicly disclose the carbon footprint of its actively managed investment portfolios which are outlined in the table below:

	Carbon footprint as at 30 June 2023 (tonnes CO2e per $US million revenue)[1]
Magellan Global Fund	61
Magellan Sustainable Fund	23
Magellan High Conviction Fund	146
Magellan Infrastructure Fund	694
Airlie Australian Share Fund	98
MFG Core International Fund	67
MFG Core ESG Fund	23
MFG Core Infrastructure Fund	946
US Sustainable Strategy	26
Airlie Small Companies Fund	39
Magellan Energy Transition Fund	582

[1] Portfolio carbon intensities are calculated using the weighted average carbon intensity method.

Note: Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission. The Fund's carbon intensity score is calculated using MSCI data. In a limited number of circumstances, where data is not available or Magellan deems it appropriate, manual adjustments are made to the MSCI carbon intensity score for certain investments held by the Fund.

It is important to note that the above reported carbon intensities are at a point in time, and that over time these could lie within a range of intensities, depending on the strategy, the investment universe and relative valuations within that universe. Much higher carbon intensities do not, of themselves, indicate companies exposed to higher decarbonisation risks. Indeed, the opposite could be true – for example, regulated utilities companies that currently have fossil fuel power generation would likely report high carbon intensity, but these utilities could be investing substantial capital expenditure into renewable energy sources and earning an attractive regulated return on those investments. Over time, these utilities could show material reductions in their carbon intensity as renewables become an increasing part of their energy generation mix.

As part of the Net Zero Asset Manager initiative, Magellan commits to the following goals and targets:

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM').
- By 2030, set a target for AUM to be managed in line with the attainment of net zero emissions by 2050. Magellan will review its interim target at least every five years and track progress annually. This target has been submitted to the Net Zero Asset Manager initiative.
- Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all AUM to achieve net zero emissions by 2050 or sooner.

A working group has been established to continue to enhance Magellan's alignment to the principles of the TCFD framework and track progress against these targets.

People

As a funds management company, Magellan's people are integral to the success of the business. Magellan takes an active involvement in staff wellbeing, staff engagement and career development.

Remuneration

Magellan's Remuneration Report outlines Magellan's approach and philosophy to employee compensation. The remuneration philosophy is centred on fair compensation for performance and contribution that achieves business outcomes and is underpinned by four principles:

- Promoting staff behaviour that is in the best interest of clients;
- Attracting and retaining outstanding staff;
- Building a culture that rewards performance while maintaining Magellan's reputation and mitigating risk; and
- Encouraging staff to think and act like long-term owners of the Group.

In December 2022, Magellan announced that the qualification dates for the cash retention component of the staff retention program originally announced in March 2022, would be brought forward by one year to September 2023 and September 2024 respectively, from

September 2024 and September 2025 . These payments were brought forward in order to enhance their value as incentives and allow employees to remain focused on clients and the business during a period of change, while also aligning with shareholder outcomes.

As at 30 June 2023, approximately 74% of employees had an individual shareholding in Magellan.

Magellan is focused on ensuring pay equality at the time of hire and ensuring pay equality through the employee lifecycle. Magellan conducts an annual review of employee remuneration which includes comparing employees in the same role and with the same level of experience to highlight any pay inequalities and adjusts compensation based on this review if required, so as to ensure that variances in compensation reflect the relative performance of employees.

Engagement and Retention

The continued engagement and retention of our people is critical to the success of Magellan and we actively implement a number of initiatives to promote staff engagement and retention, as well as maintaining the wellbeing of our people.

During the year, Magellan undertook an Employee Pulse Survey which was followed by a series of focus groups which allowed our employees to discuss the themes that emerged from the Survey and provide ideas and suggestions as to what they would like to see. This contributed to the next phase of engagement plans for our staff, the first of which was the launch of the refreshed Magellan values which are outlined in Magellan's Remuneration Report.

In addition to the formal Employee Pulse Survey, our managers and leaders seek regular feedback from employees and regularly engage with them to understand their thoughts and ideas.

On an annual basis, Magellan also undertakes performance reviews with all employees to discuss performance against a set of internal performance objectives and to identify development areas as well as any training requirements. While there is no formal 360 feedback at Magellan, given the relative small size by number of employees (115 employees as at 30 June 2023), we consider that there are open and transparent ways for our staff to provide feedback.

Magellan strongly believes that staff engagement and satisfaction go well beyond direct financial compensation and that the range of initiatives that Magellan provides our employees is critical to the culture that has been built across the organisation. These initiatives include:

- Additional annual leave and family leave;
- A range of wellbeing initiatives;
- Service recognition;
- Social connection; and
- Parental leave and return to work initiatives.

Additional annual leave and family leave

Magellan's annual leave policy encourages staff to take their full statutory requirement over each annual period by providing an additional week of leave if they do so. In addition, in the last financial year, three additional wellbeing leave days were provided to all staff, in recognition of the challenges that individuals had faced within the business in the recent past and to recognise the loyalty and dedication that our team had shown.

Magellan understands the importance of family and provides family leave for all permanent employees. Under family leave, if personal/sick leave has been used, employees can apply for family leave. Family leave is paid leave so employees can take time out to care for a family member or manage a family situation. The amount of family leave an employee can take will be reviewed by Magellan management on a case-by-case basis.

Magellan is committed to providing a flexible and family friendly working environment. Magellan recognises the importance of family friendly working conditions and offers a range of initiatives to support its employees not only before and after the birth/adoption of a child, but also managing broader carer's obligations. Magellan's aim is to reduce the impediments our employees face in balancing work with their personal commitments and have adopted a hybrid work environment that enables our people to have the flexibility to choose the arrangements which best suit their circumstances.

Wellbeing initiatives

Magellan provides a number of health and wellbeing initiatives available to our staff including annual flu vaccinations and annual skin checks. In addition, all staff over the age of 45 have access to an annual executive health check.

All employees have access to Magellan's Employee Assistance Program, a free counselling service available for employees and their families.

Service and other recognition

In the year where an employee achieves 10 years of service, Magellan awards a $25,000 service award to mark the significant milestone. At Magellan, we also look to acknowledge our staff members' significant milestones such as birthdays and other life events.

Social connection

At Magellan, teamwork is incredibly important to our success and ensuring that our teams feel connected to one another is critical. As such, in addition to the annual celebrations, Magellan has a social committee that is focussed on delivering the ability for our staff to connect with one another in a more informal way. The focus for the next 12 months will be to strengthen that through giving back to the community.

Parental leave and return to work

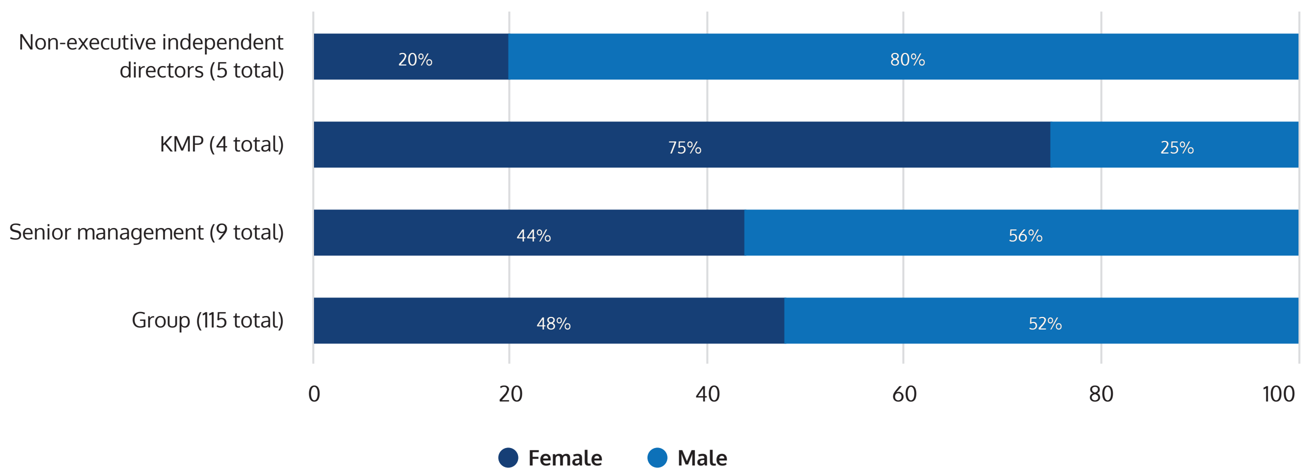
Magellan's Paid Parental Leave Policy provides up to 15 to 18 weeks (depending on the length of employment), for permanent employees who have the primary responsibility for the care of their child and who have worked for Magellan for at least 12 months continuously at the time of the birth or adoption of that child. Employees receive superannuation payments on both their paid and unpaid portion of parental leave for the first 12 months of parental leave. Employees on paid parental leave are eligible for the annual remuneration review and variable incentive whilst on leave. In addition, if an employee returns to work during the period of paid parental leave, Magellan will continue to pay the remaining period of paid parental leave in addition to their base salary and other entitlements. Magellan offers a "Keep in Touch" Program with employees who are on paid parental leave.

Magellan also offers a childcare reimbursement of up to $150 per day for primary carers for the first 26 weeks after returning to work, when returning to work within 12 months from the commencement of paid parental leave. All primary and secondary carers are entitled to a 12 month subscription to Juggle Street to source local nanny or babysitting options for their families.

Diversity

Magellan is committed to workplace diversity and recognises the value of attracting and retaining employees with different backgrounds, knowledge, experience and abilities. Magellan maintains a Workplace Diversity and Inclusion Policy that outlines the Group's commitment to diversity and inclusion in the workplace and provides a framework to achieve the Group's diversity goals for the business. The Group's policy is to recruit and manage on the basis of competence and performance regardless of age, race, gender, nationality, religion, sexuality, physical ability or cultural background. The policy can be found on Magellan's website: www.magellangroup.com.au.

The Board annually reviews the measurable objectives it sets to achieve improvement in the diversity of employees and has set objectives for female representation of 33% for independent directors, 40% for senior management (classified by Magellan as direct reports to the CEO) and 40% for the overall Group. The gender representation across the Group as at 30 June 2023 is shown below.



The Board acknowledges that gender representation of non-executive independent directors as at 30 June 2023 was below the objective set by the Board. Magellan continues to undertake the Board renewal process announced to shareholders in 2022, and expects this process to be complete by Magellan's 2023 AGM in November, at which point the Board expects gender representation of non-executive directors to be in line with its objective.

Magellan also participates in the annual Workplace Gender Equality Reporting process, which under the Workplace Gender Equality Act 2012, requires non-public sector employers with 100 or more employees to submit a report to the Workplace Gender Equality Agency ("WGEA"). Magellan's participation not only meets its Australian compliance obligations, but also contributes to the WGEA's dataset on gender equality in Australian workplaces. The process also allows us to identify gender equality issues and put action plans in place. A copy of the report can be found under the Shareholder Centre on Magellan's website: www.magellangroup.com.au.

Two years ago, Magellan introduced a Magellan Asset Management Winter Internship Program with an aim to promote, engage and attract more diverse talent into investing roles, with an initial focus being on women and candidates from diverse backgrounds. Magellan's Internship Program has been designed to provide students with an understanding of what it's like to work within Magellan's Investment Team and working life at Magellan. This year the program involved the following:

- A four-week paid internship for three students within the Investment Team; and
- A partnership with the University Network for Investing and Trading ("UNIT") on promoting Investment Management as an engaging career choice.

Magellan's intention is ultimately to rollout the Internship Program across various sector teams within Magellan's Investment Team.

Health and Safety

The health and safety of the Group's employees is of paramount importance. Magellan continues to operate in a hybrid work environment where our employees have the opportunity to connect as teams but balance their work and personal commitments. Magellan recognises individual employees have different preferences about working from home and working from the office, but also believes there is great importance for the company's culture of working together in the office. Magellan's hybrid work environment involves our employees being in the office three days a week and, in agreement with their manager, employees can choose to work from home or in the office for the remaining days of the week. Whilst working from home, the Group's employees have stayed connected via virtual communication platforms and working remotely has not changed Magellan's commitment to maintaining its high level of client service and compliance obligations.

Magellan's Workplace Conduct Policy details the Group's approach in relation to harassment in the workplace, including bullying, discrimination, sexual harassment, workplace violence and vilification, and provides procedures for dealing with complaints. On an annual basis all employees and the Board undertake training to ensure that it is clearly understood what is expected of them in terms of behaviour and conduct in the workplace. In addition, Magellan maintains a Work Health & Safety Policy which outlines the obligations and responsibilities of Magellan and its employees in respect of compliance with the Work Health & Safety regulation and to ensure that the workplace remains a safe environment for all employees.

Community

Magellan believes that an active contribution to community is important. Over the past financial year, Magellan's employees participated in Steptember raising funds for Cerebral Palsy, the J.P. Morgan Corporate Challenge, the Bloomberg Square Mile Relay, and Magellan and its employees raised money for Equality Australia during Sydney World Pride Week.

Magellan is also a participating fund manager in the Future Generation Global Investment Company Limited ("FGG"). FGG is an ASX listed investment company that invests in global equities investment strategies managed by prominent, Australian fund managers. Participating fund managers manage the capital entirely pro-bono so that 1.0% of net assets each year can be donated to Australian non-profit organisations committed to young Australians affected by mental health issues. In the 2023 financial year, this equated to approximately $0.7 million in respect of funds managed by Magellan. Magellan is a foundation member and had an allocation of 7.5% of the assets under management of FGG at 30 June 2023.

Magellan is also a Core Fund Manager to Hearts & Minds Investments. Hearts and Minds Investments Limited ("HM1") is an ASX listed investment company and as a Core Fund Manager, Magellan provides HM1 with its top three security recommendations on a quarterly basis. HM1 foregoes any investment fees and instead makes a donation equal to 1.5% of net assets each year to certain charities.

Cybersecurity and Privacy

The cybersecurity threat environment is constantly evolving and managing cyber risk is one of Magellan's highest priorities. To protect client information and corporate data, Magellan employs leading cyber security solutions and maintains a formal information security governance framework. Complementing the data protection and monitoring mechanisms it has in place, Magellan is continuously assessing its multi-layered protection measures against the ever-changing threat environment.

Magellan's Information Technology Risk Committee (ITRC) provides a key governance body to enhance the governance and oversight of Magellan's information technology risk management activities. The committee comprises key executives within Magellan and meets quarterly to discuss cybersecurity risks, controls, policies, regulatory requirements, and any changes to the environment that might affect the Group's overall cybersecurity posture. Magellan's Board is provided with regular updates on the Group's overall cybersecurity posture.

Magellan's cybersecurity defence framework is aligned to the Australian Cyber Security Centre's 'Essential Eight framework' and it has implemented all Essential Eight strategies. Magellan has also mapped its approach to the National Institute of Standards and Technology (NIST) cyber security framework. Magellan applies the principle of role-based least privilege with respect to data and systems access to ensure staff can only access the minimal data set required to perform their role. Privileges are regularly re-certified.

As an independent assessment of the Group's cybersecurity protection, Magellan engages an external consulting firm specialising in IT security to conduct annual 'penetration testing' of the Group's environment. Magellan maintains a Cybersecurity Incident Response Plan that is tested annually and contains defined security roles, responsibilities, and procedures to follow if an event should ever occur.

As part of the Group's Cybersecurity Program, all employees are required to complete cybersecurity awareness training upon joining the firm as part of their induction process and on a quarterly basis thereafter. This ensures staff are aware of cyber-attack techniques and of the need to always follow security best practices. Magellan also performs periodic social engineering tests on employees using simulated email phishing and telephone-based phishing, to test the efficacy of the Group's cyber-awareness training.

Third party risk management is a key component of Magellan's information security program. All third-party relationships undergo a rigorous security risk assessment as part of the due diligence process before being engaged. This includes an assessment of their cybersecurity posture and data privacy/data access controls. The Group repeats the technology-focused due diligence process for all critical third-party service providers on an annual basis.

Modern Slavery

Magellan published its first Modern Slavery Statement in 2021. The Statement can be found under the Responsible Investing section of Magellan's website: www.magellangroup.com.au. All staff complete annual training on modern slavery.

The investment team continue to enhance the assessment of modern slavery for the portfolio companies through training with experts, company engagement, integration of external data on industry and country risk together with company specific controversies from external data providers. This is reported in the Modern Slavery statement.

Corporate Information

As at 18 August 2023

Directors

Hamish McLennan – Chair
Robert Fraser – Deputy Chair and Chair of MAM
David George – Chief Executive Officer
David Dixon – Deputy Chair of MAM
John Eales AM
Andrew Formica
Colette Garnsey OAM

As announced by the Company on 17 August 2023, effective from 9:00am on 18 August 2023: Andrew Formica will be appointed as the Non-Executive Chair of the Company's Board, Hamish McLennan will transition to the role of Deputy Chair and Non-Executive Director and Robert Fraser will retire from the Company's Board and remain as Chair of MAM. Deborah Page will be appointed as a Non-Executive Director with effect from 3 October 2023.

Company Secretary

Marcia Venegas

Registered Office

Level 36, 25 Martin Place, Sydney NSW 2000
Telephone: +61 2 9235 4888
Email: info@magellangroup.com.au

Website

www.magellangroup.com.au

Securities Exchange Listing

Magellan Financial Group Limited shares and the MFG 2027 Options are listed on the Australian Securities Exchange (ASX: MFG and MFGO, respectively)

Corporate Governance Statement

The Corporate Governance Statement for MFG can be found at the Shareholder Centre at www.magellangroup.com.au

Auditor

Ernst & Young
200 George Street, Sydney NSW 2000

Share Registry

Boardroom Pty Limited
Level 8, 210 George Street, Sydney NSW 2000
Telephone: +61 2 9290 9600
Email: enquiries@boardroomlimited.com.au

InvestorServe is Boardroom's free, self-service website where shareholders can manage their interests online. The website enables shareholders to view share balances, change address details, view payment and tax information, update payment instructions and update communication instructions. Shareholders and option holders can register their email address at www.boardroomlimited.com.au to receive shareholder communications electronically.

Electronic delivery of CHESS holding statements and notifications

The ASX has now launched the ASX CHESS Statements Portal, giving share and option holders the ability to receive electronic notifications about their holdings. This shift away from paper-based communications may make it easier for investors to manage their holdings, and benefit the environment by reducing waste.

To access the portal and electronic notifications, investors will need their broker to opt them in. Investors should contact their broker to see if they have this service enabled. If an investor has not opted in, they will continue to receive CHESS holding statements and notifications by mail. Once an investor has opted in, investor statements and notifications will be available through the ASX CHESS Statements Portal and they will no longer receive paper statements.

Shareholder Information

As at 14 August 2023

Analysis of Holdings

Fully paid ordinary shares

Holdings ranges	Number of holders	Number of shares	Percentage of shares on issue
1-1,000	32,525	11,780,548	6.49
1,001-5,000	11,815	26,468,573	14.59
5,001-10,000	1,544	11,273,637	6.21
10,001-100,000	1,057	24,416,237	13.46
100,001 and over	84	107,492,904	59.25
Total	**47,025**	**181,431,899**	**100.00**
Number of holders with less than a marketable parcel of securities	4,337	128,984	

MFG 2027 Options

Holdings ranges	Number of holders	Number of options	Percentage of options on issue
1-1,000	48,152	5,223,847	22.50
1,001-5,000	1,283	2,626,237	11.31
5,001-10,000	193	1,389,259	5.98
10,001-100,000	276	7,760,121	33.43
100,001 and over	26	6,216,071	26.78
Total	**49,930**	**23,215,535**	**100.00**

Options issued to employees under the MFG ESOP

Holdings ranges	Number of holders	Number of options	Percentage of options on issue
1-1,000	-	-	-
1,001-5,000	4	20,000	0.29
5,001-10,000	7	70,000	1.01
10,001-100,000	65	3,487,500	50.34
100,001 and over	18	3,350,000	48.36
Total	**94**	**6,927,500**	**100.00**

Shareholder Information

As at 14 August 2023

Twenty Largest Holders

Fully paid ordinary shares **Holder Name**	**Number of shares**	**Percentage of shares on issue**
HSBC Custody Nominees (Australia) Limited	28,630,563	15.78
Magellan Equities Pty Limited	15,214,104	8.39
JP Morgan Nominees Australia Pty Limited	12,676,261	6.99
Citicorp Nominees Pty Limited	11,475,517	6.33
Netwealth Investments Limited	7,251,211	4.00
BNP Paribas Nominees Pty Ltd	4,332,001	2.39
National Nominees Limited	2,702,649	1.49
Mr David Doyle	1,500,000	0.83
Aljamat Pty Ltd	1,310,000	0.72
Citicorp Nominees Pty Limited - 143212 NMMT Ltd	1,227,957	0.68
Jash Pty Limited	1,163,886	0.64
ACE Property Holdings Pty Ltd	1,060,000	0.58
Palm Beach Nominees Pty Limited	884,207	0.49
Merrill Lynch (Australia) Nominees Pty Limited	837,367	0.46
BNP Paribas Nominees Pty Ltd - IB AU Noms Retailclient	785,598	0.43
Glenn Hargraves Investments Pty Ltd	650,000	0.36
Emmanuel Capital Pty Ltd	630,000	0.35
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	608,310	0.34
Neweconomy Com AU Nominees Pty Limited	547,451	0.30
Nulis Nominees (Australia) Limited	496,956	0.27
Total shares held by the 20 largest shareholders	93,984,038	51.80
Total ordinary shares on issue	**181,431,899**	

MFG 2027 Options **Holder Name**	**Number of options**	**Percentage of options on issue**
HSBC Custody Nominees (Australia) Limited - A/C 2	693,077	2.99
Citicorp Nominees Pty Limited	576,500	2.48
HSBC Custody Nominees (Australia) Limited	560,887	2.42
Vagabond Ventures Pty Ltd	500,000	2.15
JP Morgan Nominees Australia Pty Limited	360,880	1.55
Mr Ernst Kohler	305,420	1.32
Weth Share Trading Pty Ltd	249,578	1.08
Mrs Anjana Nandha	236,500	1.02
Mrs Bhavna Rajeshkumar Soni	225,000	0.97
Mr Mohan Singh Nandha	221,000	0.95
Q & N Investments Pty Ltd	200,436	0.86
Mr James Lindesay Napier Aitken	200,000	0.86
Mr David Doyle	187,500	0.81
Marsev Pty Limited	183,729	0.79
Aljamat Pty Ltd	163,750	0.71
Jash Pty Limited	145,486	0.63
Superhero Securities Limited	140,589	0.61
Mr Kim Manh Lam	140,455	0.61
Nota Bene Investments Pty Ltd	134,375	0.58
Netwealth Investments Limited	126,130	0.54
Total MFG 2027 Options held by the 20 largest option holders	5,551,292	23.91
Total MFG 2027 Options on issue	**23,215,535**	

Shareholder Information

As at 14 August 2023

Substantial Shareholders

Shareholder	Number of shares	Percentage of shares on issue
Chris Mackay, Magellan Equities Pty Ltd and associates[1]	17,522,248	9.66
BlackRock Group (BlackRock Inc. and subsidiaries)[2]	15,432,520	8.51

[1] Last substantial shareholder notice lodged on 2 October 2020.
[2] Last substantial shareholder notice lodged on 27 March 2023.

Voting Rights

Under the Company's Constitution, the voting rights attaching to ordinary shares at a meeting of shareholders are:

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

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

Neither the MFG 2027 Options nor options issued to employees under the MFG ESOP confer on the holder a right to receive notices of general meetings (except as may be required by law), nor any right to attend, speak at or vote at general meetings of the Company.