MAGELLAN FINANCIAL GROUP LIMITED

ACN 108 437 592

NOTICE OF EXTRAORDINARY GENERAL MEETING
&
EXPLANATORY MEMORANDUM

Approvals required in order for the proposed acquisition of 100% of the securities in New Privateer Holdings Limited, and the subsequent internalisation of the Management Services Agreement between Magellan Financial Group Limited and NPH Funds Pty Limited, to proceed.

Date of meeting:	29 January 2008
Time:	4.00 pm
Place:	Magellan Investor Presentation Room, Level 7, 1 Castlereagh Street Sydney, New South Wales

The Independent Directors of Magellan Financial Group Limited recommend that shareholders vote in favour of all the resolutions at the Extraordinary General Meeting.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to what you should do, please consult your investment, financial or other professional adviser.

Important information

This document is a Notice of Extraordinary General Meeting and contains the resolutions that will be voted upon at the Extraordinary General Meeting on 29 January 2008. The resolutions relate to shareholder approvals that are being sought in relation to the proposal referred to on the cover of this document, and which are described in more detail in this document.

You should read this Notice of Meeting carefully, including the Explanatory Memorandum and Independent Expert's Report which form part of it, before you decide whether and how to vote on the resolutions. If you are in doubt as to what you should do, please consult your investment, financial or other professional adviser.

If you are unable to vote in person at the Extraordinary General Meeting, please complete the enclosed proxy form and return it by 4.00pm on 27 January 2008 in accordance with the instructions.

The information outlined in this Notice of Meeting is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

Defined Terms

Certain terms used in this Notice of Meeting are defined in the Glossary found on page 44.

Independent Expert's Report

Grant Thornton Corporate Finance Pty Limited has prepared the Independent Expert's Report set out in Annexure A, and takes responsibility for that report. None of MFG, its officers, its employees or its advisers assume any responsibility for the accuracy and completeness of the information contained in the Independent Expert's Report except to the extent of information given to Grant Thornton Corporate Finance Pty Limited by any of those persons.

Forward Looking Statements

Some of the statements appearing in this Notice of Meeting may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which MFG and NPH operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of MFG, its officers, its employees, its advisers or any person named in this booklet with their consent or any person involved in the preparation of this Notice of Meeting makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any such statement. The forward looking statements in this Notice of Meeting reflect views held only as at the day before this Notice of Meeting.

This Notice of Meeting is dated 28 December 2007.

Details of Extraordinary General Meeting

Time:	4.00 pm
Date:	29 January 2008
Location:	Magellan Investor Presentation Room, Level 7, 1 Castlereagh Street, Sydney

Key Dates

4.00 pm on 27 January 2008	Last time and date for receipt of proxy forms
4.00 pm on 27 January 2008	Time and date for establishing entitlement to vote at Extraordinary General Meeting
4.00pm on 29 January 2008	Extraordinary General Meeting

Contact Information

If you have any questions in relation to the Extraordinary General Meeting, please call David Simpson or Leo Quintana at MFG on +61 2 8114 1888.

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LETTER TO MAGELLAN FINANCIAL GROUP SHAREHOLDERS

28 December 2007

Dear Shareholder,

Enclosed with this letter is a Notice and Explanatory Memorandum for an Extraordinary General Meeting of Magellan Financial Group Limited (***MFG***) to be held on 29 January 2008 at Magellan's Investor Presentation Room, Level 7, 1 Castlereagh Street, Sydney, commencing at 4.00 pm.

The purpose of the meeting is to consider and, if thought fit, approve a number of resolutions which must be passed in order for the proposed acquisition by MFG of New Privateer Holdings Limited (***NPH***), an ASX-listed company, and the internalisation of the existing Management Services Agreement between MFG and NPH Funds Pty Limited (***NPH Funds***) (together, the ***Proposal***), to proceed.

Background

The background to the Proposal is as follows:

- Under the terms of the existing Management Services Agreement between MFG and NPH Funds dated 21 November 2006 (***MSA***), MFG is required to pay NPH Funds a quarterly base fee of 0.3125% of the market capitalisation of MFG, and annual performance fees calculated by reference to total shareholder return to MFG shareholders over the relevant period. Essentially total shareholder return is the increase in market capitalisation of MFG over the relevant period plus dividends and other entitlements over the period less any new capital raised during the period.
- Depending on the MFG share price at the time the annual performance fee is calculated, significant performance fees may become payable to NPH Funds over the life of the MSA. MFG cannot terminate the MSA until 21 November 2016 (except for cause) and, upon such termination after 21 November 2016, MFG is required to pay NPH Funds a cash amount equal to 12 times the most recent annual base fee and annual performance fee.
- NPH Funds is a company 60% owned by NPH and 40% owned by a company controlled by Hamish Douglass, the Chairman of MFG.
- NPH shareholders include:
    - Chris Mackay, the Deputy Chairman of MFG, who has, through his investment company, an approximate 36% shareholding in NPH (equivalent to approximately 55% on a fully diluted basis); and
    - Hamish Douglass, who has, through his investment company, an approximate 2% shareholding (on a fully diluted basis) in NPH.

- On a fully diluted basis, Chris Mackay and Hamish Douglass would therefore together have an approximate 74.2% indirect economic interest in NPH Funds.
- In August this year, Hamish Douglass and Chris Mackay advised the Boards of MFG and NPH that they did not wish to participate in any performance fees under the MSA, and that ultimately MFG would seek to simplify the arrangements between MFG, NPH Funds, NPH and Hamish Douglass and Chris Mackay. Work was then commenced on developing a proposal which would allow them to forego that participation, while at the same time recognising the legitimate interest of other shareholders in NPH (approximately 25.8% indirect economic interest on a fully diluted basis) in maintaining their economic interest in the MSA.
- The outcome of this work was the announcement by MFG on 5 October 2007 of a proposal to make takeover offers for all of the securities in NPH and, if those offers are successful, MFG would then acquire the 40% of NPH Funds held by Hamish Douglass' investment company. NPH and NPH Funds would then be wholly owned subsidiaries of MFG, and the MSA would be fully internalised. These offers were formally made on 5 December 2007. The proposal was subsequently revised following discussions between MFG and NPH, which resulted in the previous offers for NPH securities being withdrawn (with ASIC's consent) and replaced with a revised proposal that was announced jointly by MFG and NPH on 10 December 2007.

Key Elements of the Proposal

The key elements of the Proposal are:

- The consideration being offered by MFG under the takeover offer for NPH Shares (which were despatched to NPH shareholders on 24 December 2007), per NPH Share, is 1.95 MFG Ordinary Shares plus 0.33 MFG 2016 Options
- The consideration being offered by MFG under the takeover offer for NPH Second Options (also despatched on 24 December 2007), per NPH Second Option, is 3 MFG 2011 Options.

Internalisation Proposal

If the Takeover Offers are successful so that MFG owns 100% of NPH, MFG intends to then internalise the MSA between NPH Funds and and MFG (the ***Internalisation Proposal***) by acquiring the 40% shareholding in NPH Funds owned by Hamish Douglass' investment company in return for the issue of MFG Ordinary Shares and a new class of shares, MFG Class B Shares. The Class B Shares carry no rights to distributions but have certain rights to convert to MFG Ordinary Shares. The consideration has been structured to exclude any compensation for possible performance fees under the MSA. The terms of this acquisition are summarised in section 1.4 of the Explanatory Memorandum.

Resolutions required to be passed by MFG Shareholders for the Proposal to proceed

The takeover offers by MFG for NPH securities and the Internalisation Proposal are conditional on, amongst other things, all of resolutions referred to in the enclosed Notice being passed at the extraordinary general meeting of MFG to be held on 29 January 2008.

All of the resolutions must be passed in order for the Proposal to proceed. Please note that even if all of the resolutions are passed, the transactions referred to in the resolutions will only proceed if the other conditions of the takeovers offers for NPH shares are satisfied or waived (see section 1.3 of the Explanatory Memorandum for a description of those other conditions).

Independent Directors' recommendation

The Independent Directors (those MFG Directors other than Chris Mackay and Hamish Douglass) unanimously recommend that you vote in favour of all the resolutions. Unless all of the resolutions are passed the Proposal will not proceed. In recommending shareholders vote in favour of all the resolutions, the Independent Directors consider that:

- the terms of the acquisition of the NPH Shares held by Mr Mackay are fair to the non-associated shareholders of MFG. This has been confirmed by the Independent Expert. In arriving at this conclusion the Independent Directors consider that the consideration being offered to Mr Mackay is worth less than the value of his NPH Shares being acquired;

- the terms of the acquisition of Mr Douglass' 40% interest in NPH Funds are fair to the non-associated shareholders of MFG. This has been confirmed by the Independent Expert. In arriving at this conclusion the Independent Directors believe that consideration being offered to Mr Douglass is worth less than the value of his 40% interest in NPH Funds and note that the terms of the Class B Shares are less favourable to Mr Douglass than his economic interest in the Management Services Agreement;

- acquiring NPH and NPH Funds and internalising the Management Services Agreement will simplify the group structure and will facilitate the future development of Magellan Financial Group.

The Independent Directors have also considered additional benefits not specifically addressed by the Independent Expert accruing to MFG in recommending that you vote in favour of all the resolutions.

The Independent Directors believe that the Independent Expert has assessed the value of NPH and NPH Funds as stand alone entities and has not assessed their value as wholly-owned subsidiaries of MFG. For example, the Independent Expert has deducted from the value of NPH and NPH Funds capitalised corporate costs totalling $2.4 million and deferred tax liabilities totalling $6.2 to 6.9 million, which will be effectively eliminated on acquisition. In addition, the Independent Expert has not included in its valuation of NPH and NPH Funds value for any franking credits that would be generated by NPH or NPH Funds. The Independent Directors believe that that these franking credits are valuable to Shareholders and will effectively be captured by MFG via the elimination of the fees payable under the MSA.

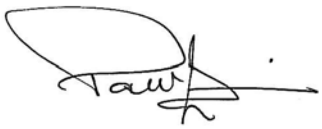
Independent Expert's Report

MFG has engaged Grant Thornton Corporate Finance Pty Limited to prepare an independent expert's report in relation to the Proposal. Grant Thornton Corporate Finance Pty Limited has concluded that the proposed acquisition of Mr Mackay's shareholding in NPH is fair and reasonable to the non-associated shareholders of MFG and the proposed acquisition of Mr Douglass' interests in NPH Funds is fair and reasonable to the non-associated shareholders of MFG. A copy of the Independent Expert's Report forms Annexure A to this Notice of Meeting.

I recommend that you read the Notice of Meeting, Explanatory Memorandum and Independent Expert's Report in full. If you cannot attend the meeting on 29 January 2008, you can still vote by completing and signing the proxy form attached and returning it to the address on the form on or before 4.00 pm on 27 January 2008.

If you have any questions, please call David Simpson or Leo Quintana at MFG on +61 2 8114 1888.

Yours sincerely



Paul Lewis
Independent Director
Magellan Financial Group Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

Magellan Financial Group Limited (***MFG***) gives notice that an Extraordinary General Meeting of MFG will be held at Magellan's Investor Presentation Room, Level 7, 1 Castlereagh Street, Sydney on 29 January 2008, commencing at 4.00 pm. The Explanatory Memorandum attached to this Notice of Meeting describes in more detail the matters to be considered. Defined terms in this Notice of Meeting have the meanings given to those terms in the Glossary on page 44.

1. Items of Business

Resolution 1 – Acquisition by MFG of NPH Shares held by Chris Mackay and entities controlled by him (each a related party of MFG)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"***THAT,*** *subject to and conditional upon Resolutions 2 to 7 being passed, the acquisition by MFG of any NPH Shares held by Chris Mackay (whether held individually or jointly with another person) and/or his controlled entities Magellan Equities Pty Limited and Naumov Pty Limited under the Takeover Offers, be approved for the purposes of ASX Listing Rule 10.1.*"

Resolution 2 – Acquisition by MFG of the shares in NPH Funds held by an entity controlled by Hamish Douglass (a related party of MFG)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"***THAT,*** *subject to and conditional upon Resolutions 1 and Resolutions 3 to 7 being passed, the acquisition by MFG of the 40% shareholding in NPH Funds held by Midas Touch Investments Pty Limited, an entity controlled by Hamish Douglass, on the terms and conditions described in the Explanatory Memorandum forming part of this Notice of Meeting, be approved for the purposes of ASX Listing Rule 10.1.*"

Resolution 3 – Issue of MFG Ordinary Shares and MFG Class B Shares to an entity controlled by Hamish Douglass (a related party of MFG)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"***THAT,*** *subject to and conditional upon Resolutions 1 to 2 and Resolutions 4 to 7 being passed, the issue of MFG Ordinary Shares and MFG Class B Shares (the later having the terms of issue set out in Annexure C to this Notice of Meeting) in consideration for the acquisition by MFG of the 40% shareholding in NPH Funds held by Midas Touch Investments Pty Limited, an entity controlled by Hamish Douglass, on the terms and conditions described in the Explanatory Memorandum forming part of this Notice of Meeting, be approved for the purposes of ASX Listing Rule 10.11.*"

Resolution 4 – Amendment of MFG Constitution to include Class B Share terms of issue

To consider and, if thought fit, to pass the following resolution as a special resolution:

"THAT, subject to and conditional upon Resolutions 1 to 3 and Resolutions 5 to 7 being passed, the Constitution of MFG be amended by:

(a) inserting at the end of Article 5(a) the words: "Without limiting the foregoing, the Company may by resolution of the Board issue Class B Shares on the terms set out in Annexure A of this Constitution"; and

(b) inserting as a new Annexure A the terms of issue of the MFG Class B Shares on the terms set out in Annexure C to this Notice of Meeting."

Resolution 5 - Consolidation or subdivision of MFG Class B Shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"***THAT,*** *subject to and conditional upon Resolutions 1 to 4 and Resolutions 6 and 7 being passed, any consolidation or subdivision of MFG Class B Shares that occurs prior to their conversion into MFG Ordinary Shares, in accordance with the terms of issue of the MFG Class B Shares set out in Annexure C to this Notice of Meeting, be approved for the purposes of section 254H of the Corporations Act, with such consolidation or subdivision (as applicable) occurring immediately before 12.01 am on the relevant Conversion Date (as that term is defined in the terms of issue of MFG Class B Shares)."*

Resolution 6– Selective reduction of capital

To consider and, if thought fit, to pass the following resolution as a special resolution for the purposes of section 256C(2)(a) of the Corporations Act:

"***THAT,*** *subject to and conditional upon Resolutions 1 to 5 and Resolution 7 being passed and to NPH and NPH Funds becoming wholly-owned subsidiaries of MFG, MFG be authorised (but not obligated) to reduce its share capital by cancelling all MFG Ordinary Shares held by NPH and all of the MFG Ordinary Shares held by NPH Funds in return for a capital payment to be determined by the Board of MFG (but not in excess of the market price of MFG Ordinary Shares at the time)."*

Resolution 7– Selective buy-back of shares

To consider and, if thought fit, to pass the following resolution as a special resolution for the purposes of section 257D(1) of the Corporations Act:

"***THAT,*** *subject to and conditional upon Resolutions 1 to 6 being passed and to NPH and NPH Funds becoming wholly-owned subsidiaries of MFG, MFG be authorised (but not obligated) to offer to buy-back all of the MFG Ordinary Shares held by NPH and all of the MFG Ordinary Shares held by NPH Funds for a consideration to be determined by the Board of MFG (but not in excess of the market price of MFG Ordinary Shares at the time) and, if any such offer is accepted, to enter into a buy-back agreement on the terms set out in Annexure D to this Notice of Meeting, provided that any such agreement is entered into, and any buy-back pursuant to that agreement occurs, within 12 months after the date of this approval."*

2. Voting entitlements

MFG has determined that for the purposes of voting at the Meeting, MFG Ordinary Shares will be taken to be held by those persons recorded in MFG's register of shareholder as at 4.00 pm on 27 January 2008.

3. Voting exclusions

The following voting exclusions apply:

Resolution	Voting exclusions
Resolution 1 Acquisition by MFG of NPH Shares held by Chris Mackay and entities controlled by him (each a related party of MFG)	MFG will disregard any votes cast on this resolution by Chris Mackay, Magellan Equities Pty Limited and Naumov Pty Limited and their respective associates (who include Hamish Douglass and his controlled entities)
Resolution 2 Acquisition by MFG of the 40% shareholding in NPH Funds held by an entity controlled by Hamish Douglass (a related party of MFG)	MFG will disregard any votes cast on this resolution by Midas Touch Investments and its associates (who include Hamish Douglass, Chris Mackay and their respective controlled entities)
Resolution 3 Issue of MFG Ordinary Shares and MFG Class B Shares to Midas Touch Investments, an entity controlled by Hamish Douglass (a related party of MFG)	MFG will disregard any votes cast on this resolution by Midas Touch Investments and its associates (who include Hamish Douglass, Chris Mackay and their respective controlled entities)
Resolution 4 Amendment of MFG Constitution to include the Class B Share terms of issue	MFG will disregard any votes cast on this resolution by Midas Touch Investments and its associates (who include Hamish Douglass, Chris Mackay and their respective controlled entities)
Resolution 5 Consolidation or subdivision of MFG Class B Shares	MFG will disregard any votes cast on this resolution by Midas Touch Investments and its associates (who include Hamish Douglass, Chris Mackay and their respective controlled entities)
Resolution 6 Selective reduction of capital	If NPH and NPH Funds are to receive consideration for the cancellation of their shares, they and their and their respective associates cannot cast any votes in favour of this resolution. MFG will disregard any votes so cast.

Resolution	Voting exclusions
Resolution 7 Selective buy-back of shares	NPH, NPH Funds and their respective associates cannot cast any votes in favour of this resolution. MFG will disregard any votes so cast.

However, MFG need not disregard a vote under Resolutions 1 to 3 if:

(a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Proxy Form accompanying and forming part of this Notice of Meeting specifies that the Chairman of the Meeting is appointed as proxy if a Shareholder does not appoint another person to act as the Shareholder's proxy or the Chairman is appointed proxy by default.

4. PROXIES

A MFG Ordinary Shareholder entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies, who need not be members of MFG. Where more than one proxy is appointed, each proxy should be appointed to represent a specified percentage or specified number of the MFG Ordinary Shareholder's voting rights. If the appointments do not specify the percentage of number of votes that each proxy may exercise, each proxy may exercise half the votes. Fractions of votes will be disregarded.

A Proxy Form accompanies and forms part of this Notice of Meeting. To be valid, the completed Proxy Form must be lodged at least 48 hours before the time for holding the Meeting (ie. by no later than 4.00 pm on 27 January 2008 by one of the following methods:

- **delivering** the Proxy Form to the office of MFG's Share Registry: mailing it to: Level 7, 207 Kent Street, Sydney NSW 2000, Australia;
- **mailing** the Proxy Form to Registries Limited, PO Box R67, Royal Exchange NSW 1223, Australia;
- **faxing** the Proxy Form to +61 2 9279 0664 (within Australia) or +61 2 9279 0664 (outside Australia); or
- **online** at www.investorserve.com.au and follow the instructions.

Further directions for the proper completion of the Proxy Form are printed on the reverse side of the Proxy Form.

5. VOTING BY ATTORNEY

A MFG Ordinary Shareholder entitled to attend and vote at the Meeting may appoint an attorney to vote at the Meeting. Attorneys should bring an original or certified copy of the power of attorney to the Meeting.

6. CORPORATIONS

A corporation that is a MFG Ordinary Shareholder or a proxy may elect to appoint a representative in accordance with the Corporations Act, in which case MFG will require written proof of the representative's appointment, which must be lodged with or presented to MFG before the Meeting.

7. REGISTRATION

Any MFG Ordinary Shareholder attending the Meeting in person should bring the personalised Proxy Form accompanying and forming part of this Notice of Meeting with them to facilitate registration. A MFG Ordinary Shareholder who does not bring the Proxy Form will still be able to attend the Meeting, but at registration MFG's representatives will need to undertake a verification of identity. Registration will commence at 3.30 pm on the day of the Meeting.

By order of the Board

Dated: 28 December 2007

David Simpson
Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice of Extraordinary General Meeting of Magellan Financial Group Limited to be held at Magellan's Investor Presentation Room, Level 7, 1 Castlereagh Street, Sydney on 29 January 2008, commencing at 4.00 pm. It contains information relevant to the resolutions to be considered at the Extraordinary General Meeting.

Defined terms in this Explanatory Memorandum have the meanings given to those terms in the Glossary on page 44.

1. The Proposal

1.1 The Proposal

On 5 October 2007, MFG announced a proposal to make takeover offers for all of the securities in NPH and, if those offers are successful, MFG would then acquire the 40% of NPH Funds held by Hamish Douglass' investment company. NPH and NPH Funds would then be wholly owned subsidiaries of MFG, and the MSA would be fully internalised. These offers were formally made on 5 December 2007. The proposal was subsequently revised following discussions between MFG and NPH, which resulted in the previous offers for NPH securities being withdrawn (with ASIC's consent) and replaced with a revised proposal that was announced jointly by MFG and NPH on 10 December 2007.

The announcement stated that the revised proposal was recommended by the NPH directors, subject to NPH's independent expert determining that the revised takeover offer for NPH Shares is fair and reasonable.

The Bidder's Statement containing the terms of the Takeover Offers (for NPH Shares and NPH Second Options) was lodged by MFG with ASIC on 20 December 2007 and sent to NPH Shareholders and NPH Second Optionholders on 24 December 2007. The Bidder's Statement can be downloaded from MFG's website at www.magellangroup.com.au. Any Shareholder wishing to obtain a printed copy can do so by contacting MFG on +61 2 8114 1888.

The purpose of the Extraordinary General Meeting is to consider and, if thought fit, approve a number of resolutions which must be passed in order for the Takeover Offers to become unconditional, and for the Proposal to proceed.

1.2 Background to the Proposal

The background to the Proposal is as follows:

(a) Under the terms of the existing Management Services Agreement between MFG and NPH Funds dated 21 November 2006 (MSA), MFG is required to pay NPH Funds:

(i) a quarterly base fee of 0.3125% of the market capitalisation of MFG; and

(ii) an annual performance fee of up to 15% of the total shareholder return over the prior financial year, subject to performance hurdles which relate to the percentage total shareholder return over that period (note that the first calculation of the performance fee occurs shortly after 30 June 2008 based on percentage total shareholder return over the period from 21 November 2006, the date of the MSA, to 30 June 2008). Total shareholder return is essentially the increase in market capitalisation of MFG over the period plus dividends and other entitlements over the period less any new capital raised during the period.

(b) Depending on the MFG share price at the time the annual performance fee is calculated, significant performance fees may become payable to NPH Funds over the life of the MSA. MFG cannot terminate the MSA until 21 November 2016 (except for cause) and, upon such termination after 21 November 2016, MFG is required to pay NPH Funds a cash amount equal to 12 times the most recent annual base fee and annual performance fee (if any).

(c) NPH Funds is a company 60% owned by NPH, an ASX listed company, and 40% owned by a company controlled by Hamish Douglass, the Chairman of MFG.

(d) NPH Shareholders include:

(i) Chris Mackay, the Deputy Chairman of MFG, who has, through his investment company, an approximate 36% shareholding in NPH (equivalent to approximately 55% on a fully diluted basis); and

(ii) Hamish Douglass, who has, through his investment company, an approximate 2% shareholding (on a fully diluted basis) in NPH.

(e) On a fully diluted basis, Chris Mackay and Hamish Douglass would therefore together have an approximate 74.2% indirect economic interest in NPH Funds.

(f) In August this year, Hamish Douglass and Chris Mackay advised the Boards of MFG and NPH that they did not wish to participate in any performance fees under the MSA, and that ultimately MFG would seek to simplify the arrangements between MFG, NPH Funds, NPH and Hamish Douglass and Chris Mackay. Work was then commenced on developing a proposal which would allow them to forego that participation, while at the same time recognising the legitimate interests of other shareholders in NPH (approximately 25.8% indirect economic interest on a fully diluted basis) in maintaining their economic interest in the MSA. The original proposal, as announced on 5 October 2007, represents the outcome of this work.

1.3 Takeover Offers for NPH

(a) Key Elements of the Takeover Offers

The Key elements of the Takeover Offers are:

(i) MFG is offering to acquire all of the NPH Shares for a consideration per NPH Share of 1.95 MFG Ordinary Shares plus 0.33 of an MFG 2016 Option.

(ii) MFG is also offering to acquire all of the NPH Second Options for a consideration per NPH Second Option of 3 MFG 2011 Options.

(iii) If following the Offers, MFG has acquired 100% of NPH, MFG will acquire the 40% shareholding in NPH Funds owned indirectly by Hamish Douglass' investment company in return for the issue of a MFG Ordinary Shares and a new class of shares, MFG Class B Shares, the latter of which carry no rights to distributions but have certain rights to convert to MFG Ordinary Shares.

(iv) Following completion of the acquisitions, NPH and NPH Funds would be direct or indirect wholly-owned subsidiaries of MFG and the MSA would therefore be fully internalised, while former NPH and NPH Funds shareholders will hold securities in MFG.

(v) Chris Mackay's investment company has irrevocably agreed to let lapse all of its 6.992 million NPH First Options by not exercising them prior to their expiration on 31 December 2007. This commitment is subject to NPH's independent expert determining that the Share Offer is fair and reasonable.

An announcement will be made to the ASX on or before 31 December 2007 as to whether this conditions has been met.

The effect of the lapse of Mr Mackay's investment company's options is to reduce the aggregate consideration that would otherwise be payable by MFG and increase the value of, and the value offered for, each remaining NPH security. This was necessary because of the different views on value between the parties and was motivated by Mr Hamish Douglass' and Mr Chris Mackay's perception of the benefits of a simpler structure and their concern to seek to enhance the positions of the shareholders of both MFG and NPH.

(b) Terms and Conditions of Takeover Offers

The Takeover Offers are concurrent off-market takeover offers under Chapter 6 of the Corporations Act to acquire all of the NPH Shares (ie. the Share Offer) and NPH Second Options (ie. the Options Offer). The consideration being offered under the Takeover Offers is set out in section 1.3 above. The Takeover Offer for NPH Shares is subject to a number of conditions, in addition to a condition requiring that the Resolutions set out in this Notice and Explanatory Memorandum are passed at the meeting of MFG Ordinary Shareholders. If those conditions are not satisfied or waived by the end of the Offer period, the Proposal (including the transactions referred to in the Resolutions) will not proceed. Those other conditions can be summarised as follows:

(i) Before the end of the Share Offer period, MFG and its associates:

(A) have relevant interests in at least 90% of the NPH Shares and have acquired (whether under the Share Offer or otherwise) at least 75% of the NPH Shares which MFG offered to acquire under the Share Offer; and

(B) have relevant interests in at least 90% of the NPH Second Options and have acquired (whether under the Options Offer or otherwise) at least 75% of the NPH Second Options which MFG has offered to acquire under the Options Offer;

(i) NPH undertakes no material acquisitions or divestments or commitments prior to the end of the Share Offer period;

(ii) NPH confirms in its Target's Statement certain financial information relating to NPH;

(iii) NPH does not pay any dividends prior to the end of the Share Offer period;

(iv) That Mr. Mackay's investment company does not exercise the 6,992,705 NPH First Options that it holds before their expiration; and

(v) there are no prescribed occurrences in relation to NPH.

MFG may choose to waive any of the conditions to which the Share Offer is subject. If these conditions are not satisfied or waived then the Share Offer will not proceed.

The Options Offer is subject to the condition that the conditions of the Share Offer are satisfied or waived. MFG may choose to waive this condition.

The Takeover Offers commenced on 24 December 2007 and will close on 15 February 2008 (unless extended in accordance with the Corporations Act). As the Takeover Offers comprise a Share Offer and a separate Options Offer, MFG may decide to extend the offer period for one but not the other.

As set out above, the Bidder's Statement containing the terms of the takeover offers can be downloaded from MFG's website at www.magellangroup.com.au. Any Shareholder wishing to obtain a printed copy can do so by contacting MFG on +61 2 8114 1888.

1.4 Internalisation Proposal

(a) Acquisition of 40% shareholding in NPH Funds

If, following the Takeover Offers, MFG has been successful in acquiring all of the NPH Shares and NPH Second Options, MFG intends to internalise the MSA between NPH Funds and MFG by acquiring the 40% shareholding in NPH Funds from Midas Touch Investments (an entity controlled by Hamish Douglass) for a consideration which excludes any compensation for possible performance fees under the MSA.

(b) Share Purchase Agreement

On 20 November 2007, MFG and Midas Touch Investments entered into a conditional Share Purchase Agreement under which MFG has agreed to purchase, and Midas Touch Investments has agreed to sell, all of the shares in NPH Funds held by Midas Touch Investments (representing 40% of all the NPH Funds shares) for the following consideration:

(i) the issue of 5,844,799 MFG Ordinary Shares, which is equal to Midas Touch Investments' effective 40% economic interest in:

(A) the 12,606,006 MFG Ordinary Shares and 6,300,601 MFG 2009 Options held by NPH Funds less the estimated net other liabilities as at 31 December 2007 of NPH Funds, being $3,202,111 and with no value ascribed to the MSA; and

(B) the issue of 10,200,000 MFG Class B Shares, the terms of which are set out in Annexure C and summarised below.

For the purposes of the Share Purchase Agreement, the assumed value of an MFG Ordinary Share provided as consideration is $1.73, being the average VWAP of MFG Ordinary Shares for the 20 day period immediately following the announcement by MFG on 5 October 2007, and the assumed value of MFG 2009 Options is $1.06, being the average VWAP of MFG 2009 Options for the 20 day period immediately following MFG's announcement of its original proposal on 5 October 2007. The estimated net other liabilities as at 31 December 2007 of NPH Funds has been formulated on the basis of the 31 October 2007 unaudited management accounts of NPH Funds with an estimate forward to 31 December 2007 (taking into account the estimated management fee under the MSA through to that date).

The Share Purchase Agreement, and therefore completion of the Internalisation Proposal is conditional upon approval of the agreement by MFG Ordinary Shareholders (which cannot be waived) and upon MFG acquiring 100% of the NPH Shares and NPH Second Options (which can only be waived with the agreement of Midas Touch Investments and MFG). If those conditions are satisfied and/or waived, the Internalisation Proposal will be completed promptly after the close of the Takeovers Offers and completion of compulsory acquisition.

(c) Terms of MFG Class B Shares

The proposed terms for the MFG Class B Shares which will be provided to Midas Touch Investments as part of the consideration for the purchase by MFG of Midas Touch Investments' 40% shareholding in NPH Funds are set out in Annexure C. In summary, the rights are as follows:

(i) no entitlement to receive dividends;

(ii) conversion into MFG Ordinary Shares on the first business day after 21 November 2016 in accordance with the conversion formula set out in Annexure B;

(iii) the MFG Class B Shares will convert into only one MFG Ordinary Share on the first business day after 21 November 2016 if, before 1 July 2012:

(A) Mr Douglass ceases to be a director or employee of MFG or a subsidiary of MFG, other than through death or incapacity; or

(B) Mr Douglass' employment has been terminated on the grounds of wilful misconduct, negligence or fraud.

1.5 Employment of Hamish Douglass and Chris Mackay

As a result of the acquisition of NPH and the 40% shareholding in NPH Funds, NPH Funds will be wholly owned by MFG. Hamish Douglass and Chris Mackay will then become employees of MFG's wholly-owned subsidiary, MAM. Currently Messrs Douglass or Mackay are directors of MAM and MFG and they do not receive any remuneration from MAM or MFG. The proposed terms of employment for Messrs Douglass and Mackay are that each will be paid an annual salary of $250,000 plus the right to an annual bonus of up to $250,000. The performance criteria for the bonus will be set by the Board of MFG.

In addition, Chris Mackay and Hamish Douglass have agreed to re-commit to their current exclusivity arrangements with MFG until at least 1 July 2012. Under the current arrangements, as set out in an Exclusivity Deed dated 21 November, 2006, each of NPH, NPH Funds, Chris Mackay and Hamish Douglass have undertaken not to, for the terms of the MSA, invest in a funds management business within Australia and New Zealand. This restraint does not apply in respect of any investment in shares in a company, interests in a managed investment scheme or other interests in any entity which represent less than 10% of the shares in that company, interests in that managed investement scheme or other interest in any other entity respectively. The restraint will cease to apply to Chris in the event that he and his controlled entities hold less than 10% of the NPH Shares. Therefore, if the Takeover Offers are successful, the restraint would no longer apply to Chris. Separately, the restraint will cease to apply to Hamish in the event that he and his controlled entities hold less than 10% of the shares in NPH Funds. Therefore, if the Internalisation Proposal is implemented, the restraint would no longer apply to Hamish.

It was considered appropriate and desirable that, if the Proposal is implemented, these restraints continue to apply to Chris and Hamish for a specified period. It was agreed that the restraints would continue to apply until at least 1 July 2012, which is the earliest time at which the MSA can be terminated by MFG.

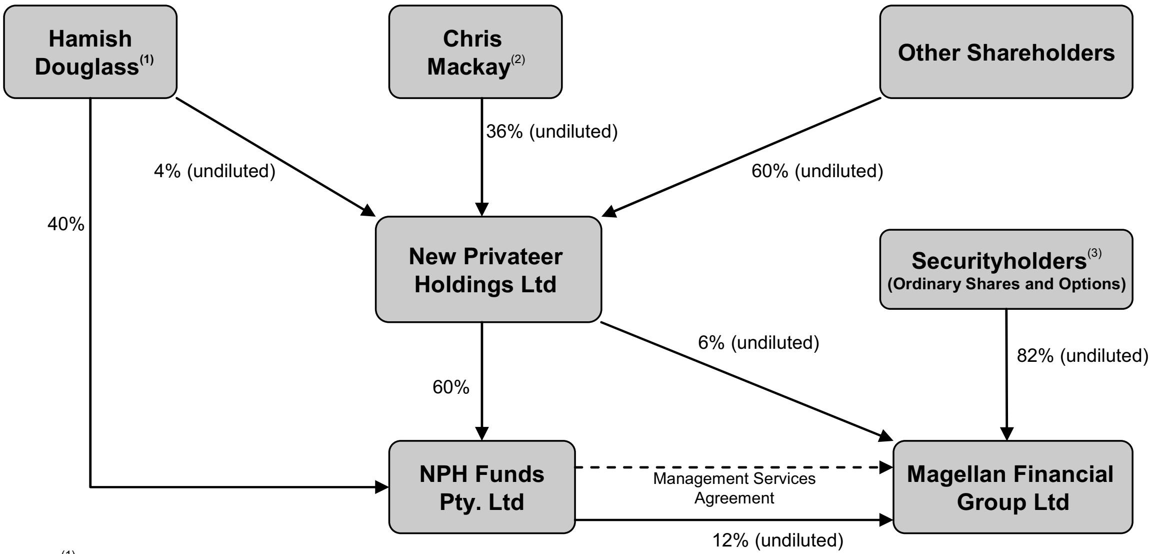
1.6 MFG Group Structure

Below are diagrams showing:

(a) the current ownership structure of MFG, NPH and NPH Funds; and

(b) the ownership structure of MFG, NPH and NPH Funds upon successful completion of the Proposal.

Magellan Financial Group
Pre-offer Corporate Structure

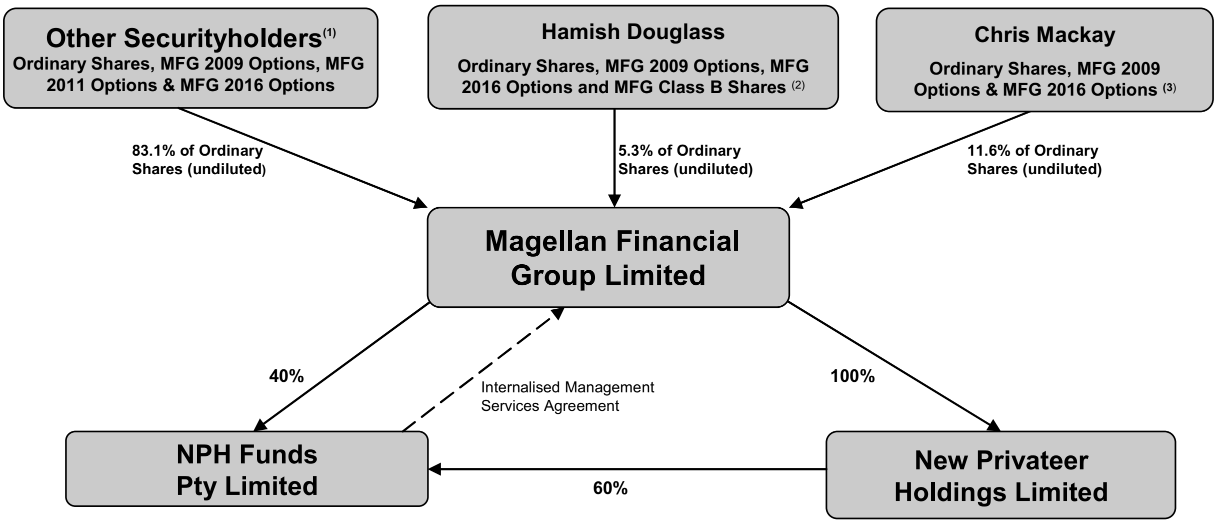


(1) Held by an entity controlled by Mr. Douglass.

(2) Held by an entity controlled by Mr. Mackay. This means that Mr. Mackay would have voting power of 55% in NPH if all holders (including Mr Mackay's investment company) were to exercise all of their NPH First Options and NPH Second Options.

(3) Includes Mr. Mackay's and Mr. Douglass' holdings of MFG Ordinary Shares and MFG 2009 Options (see section 8.1).

Magellan Financial Group
Post-offer and Internalisation Corporate Structure



(1) Includes former NPH Shareholders.

(2) These MFG Securities will be held by the investment company controlled by Mr Douglass.

(3) There MFG Securities will be held be the investment company controlled by Mr Mackay and includes Mr Mackay's 3% of MFG 2009 Options and 33.1% of the MFG 2016 Options.

Note: The Post-Offer and Internalisation Corporate Structure has been prepared on the basis that:

- the Offers are successful and MFG acquires 100% of the NPH Shares and NPH Second Options;
- the Internalisation Proposal is implemented;
- the respective MFG Ordinary Shareholdings of NPH (6%) and NPH Funds (12%) have been cancelled
- the assumptions in section 3.4(a) apply; and
- on the basis of the NPH securities on issue as at 18 December 2007.

1.7 Hamish Douglass' and Chris Mackay's relevant interests in MFG shares pre and post implementation of the Proposal

(a) Current relevant interests and voting power

As at the date of this Explanatory Memorandum, Hamish Douglass has a relevant interest in 39,311 MFG Ordinary Shares and 3,934 MFG 2009 Options (excluding his deemed relevant interest in MFG shares and options held by NPH Funds).

As at the date of this Explanatory Memorandum, Chris Mackay has a relevant interest in 1,392,711 MFG Ordinary Shares and 619,272 MFG 2009 Options (excluding his deemed relevant interests in MFG shares and options held by NPH and NPH Funds).

As Hamish Douglass and Chris Mackay are currently associates in relation to MFG for the purposes of the Corporations Act, each of their voting power in MFG (as defined in the Corporations Act) will include the relevant interests of the other in voting shares in MFG. As at the date of this Notice and Explanatory Memorandum, each of Hamish Douglass and Chris Mackay has voting power of approximately 1.3% of MFG excluding deemed relevant interests in MFG Ordinary Shares held by NPH and NPH Funds, and approximately 18% of MFG including deemed relevant interests in MFG Ordinary Shares held by NPH and NPH Funds.

(b) Relevant interests and voting power post the implementation of the Proposal

Post the implementation of the Proposal (including the acquisition of the 40% shareholding in NPH Funds from Hamish Douglass' investment company):

(i) Hamish Douglass will have relevant interests (excluding any deemed relevant interest in MFG Securities held by NPH or NPH Funds) in 7,643,794 MFG Ordinary Shares, 3,934 MFG 2009 Options, 297,793 MFG 2016 Options and 10,200,000 MFG Class B Shares (giving an 8.7% ordinary shareholding on a fully diluted basis); and

(ii) Chris Mackay will have relevant interests (excluding any deemed relevant interest in MFG Securities held by NPH or NPH Funds) in 16,798,805 MFG Ordinary Shares, 619,272 MFG 2009 Options and 2,607,185 MFG 2016 Options (giving a 10.0% ordinary shareholding on a fully diluted basis).

This is calculated on the basis of the assumptions in section 3.4 of this Explanatory Memorandum and on the assumption that:

(i) the Offers are successful and MFG acquires 100% of the NPH Shares and NPH Second Options;

(ii) the respective MFG Ordinary Shareholdings of NPH (6%) and NPH Funds (12%) have been cancelled; and

(iii) Chris Mackay's investment company lets lapse the 6,992,705 NPH First Options held by his investment company, as contemplated in the joint announcement by MFG and NPH on 10 December 2007.

Post the Offers and implementation of the Internalisation Proposal, and on the basis of the assumptions above, Hamish Douglass' and Chris Mackay's relevant interests in MFG Ordinary Shares on an undiluted basis will be 5.3% and 11.6%, respectively. Messrs Douglass and Mackay believe that they will no longer be associates for the purposes of the Corporations Act as they will no longer jointly control NPH Funds and have no agreement or understanding in relation to their shareholdings in or conduct of the affairs of MFG.

1.8 Tax impact on MFG of implementing the Proposal

The tax impact on MFG of implementing the Proposal is as follows:

(a) Formation of a tax consolidated group

At some time after the acquisition of all of the interests in NPH and NPH Funds, MFG intends to elect to form a consolidated group. The effect of this will be to treat MFG and all of its Australian resident wholly owned subsidiaries as a single entity for tax purposes, with the subsidiary members effectively being treated as divisions of MFG (as head company). The consequence of this will be that any intra-group transactions between MFG, NPH and NPH Funds will be ignored for income tax purposes.

(b) Buy-back or cancellation

MFG proposes to either buy-back or cancel all of the MFG Ordinary Shares held by NPH and NPH Funds in the manner described in sections 5.6 and 5.7 below. As MFG, NPH and NPH Funds are expected to be members of the same tax consolidated group at that time, this intra-group transaction should be ignored for tax purposes and therefore there should be no tax impact for MFG.

1.9 Independent Expert's Report

MFG has engaged Grant Thornton Corporate Finance Pty Limited to prepare an independent expert's report in relation to the Proposal. Grant Thornton Corporate Finance Pty Limited has concluded that each of the following aspects of the Proposal is fair and reasonable to MFG Ordinary Shareholders whose votes are not to be disregarded:

(a) the acquisition by MFG of any NPH Shares and NPH Second Options held by Chris Mackay and entities controlled by him (each a related party of MFG) under the terms of the Takeover Offers;

(b) the acquisition by MFG of the shares in NPH Funds held by Midas Touch Investments (a related party of MFG) pursuant to the Share Purchase Agreement dated 20 November 2007; and

(c) the issue of MFG Ordinary Shares and MFG Class B Shares to Midas Touch Investments (a related party of MFG) as consideration for the acquisition of the NPH Funds shares held by Midas Touch Investments.

1.10 MFG Board processes

The Board of MFG has put in place structures and procedures to ensure that the conflict which Chris Mackay and Hamish Douglass have in relation to the Proposal has been properly managed and the interests of non-associated MFG Ordinary Shareholders are protected. These structures and procedures include the following:

(a) neither Chris Mackay or Hamish Douglass voted on the MFG Board proposal to put the resolutions in this Notice of Meeting to MFG Ordinary Shareholders or to approve this Notice of Meeting for release; and

(b) MFG has commissioned an Independent Expert's Report in relation to the Proposal.

2. Overview of NPH and NPH Funds

The principal activities of NPH are:

(a) conducting the business of an investment holding company; and

(b) investing in NPH Funds (60% owned subsidiary) which provides management services to MFG.

Any information in this Notice and Explanatory Memorandum concerning NPH and/or NPH Funds has been prepared based on a review of publicly available information (which has not been independently verified MFG does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

3. Effect of Proposal on MFG'S Financial Position

3.1 INTRODUCTION

This section provides an indication of the possible effect of the Takeover Offers and the Internalisation Proposal on the consolidated financial position of MFG. The information provided has been prepared on the basis that MFG acquires 100% of the share capital of NPH and NPH Funds, including the 40% minority interest in NPH Funds.

The information provided comprises:

(a) a consolidated pro-forma post-transaction balance sheet of MFG, which incorporates the net assets of NPH and NPH Funds that are to be acquired;

(b) a pro-forma schedule of the capital structure of MFG following the acquisitions;

(c) an explanation of the assumptions that the Directors of MFG have adopted in preparing the pro-forma consolidated balance sheet and schedule of capital structure;

(d) a discussion of the sensitivity of the pro-forma financial information to the key assumptions used in their preparation; and

(e) the potential impact of the proposed acquisitions on the profit and loss of MFG for the year ending 30 June 2008.

The directors of MFG do not consider that a pro-forma historical income statement for the post-transaction MFG Group is meaningful and accordingly, this information is not presented. The MSA did not commence until 21 November 2006, which was after the recapitalisation of the MFG Group. Further, the full year results for the year ended 2007 include the results from activities prior to the recapitalisation, which do not reflect the ongoing business of MFG.

3.2 BASIS OF PREPARATION

The consolidated pro-forma post-acquisition balance sheet of MFG is based on the following information:

(a) the audited consolidated balance sheet of MFG as at 30 June 2007 as presented in its Annual Report for that year, adjusted for material transactions or changes in fair value of assets that have occurred or are expected to occur between 1 July 2007 and the anticipated date of the completion of the acquisitions;

(b) the audited consolidated balance sheet of NPH as at 30 June 2007, as presented in its Annual Report for that year, adjusted for material transactions or changes in fair value of assets that have occurred or are expected to occur between 1 July 2007 and the anticipated date of the completion of the acquisitions; and

(c) adjustments that will arise from the acquisition of 100% of the share capital of NPH and NPH Funds and the consolidation of the post-transaction balance sheets of NPH and NPH Funds into MFG.

The transaction will be accounted for using the fair value of MFG Ordinary Shares, MFG 2009 Options, MFG 2011 Options and MFG 2016 Options as at the close of the Offers. For the purposes of presenting pro-forma information, the average VWAP of MFG Ordinary Shares and MFG 2009 Options for the 20 day period immediately following the announcement on 5 October 2007 of the intention to make the original takeover offers have been used to illustrate the effect of movements in the prices of these securities since 30 June 2007.

The financial information is provided for illustrative purposes only and is presented on an abbreviated basis. It does not include all the disclosures normally provided in an annual report prepared in accordance with Corporations Act requirements and applicable Accounting Standards.

3.3 PRE-TRANSACTION ADJUSTED BALANCE SHEETS FOR MFG AND NPH

(a) MFG

The following adjustments have been made to the audited consolidated balance sheet of MFG as presented in its 2007 Annual Report:

(i) the provision of $20 million of seed capital to two unlisted unit trusts launched by MFG on 2 July 2007;

(ii) the issue of $6.3 million of share capital to Magellan staff under an employee Share Purchase Plan. The shares have been partially funded by the granting of staff loans;

(iii) the revaluation of MFG's investment in MFF from its fair value at 30 June 2007 of 93.5c per share to its current fair value of 84.2c per share, measured as the average VWAP for the 20 day period immediately following the announcement on 5 October 2007 of the intention to make the Offers;

(iv) the revaluation of a liability required to be recognised and measured at fair value under AASB 132 from the market values of $2.20 per MFG Ordinary Share and $2.22 per MFG 2009 Option as at 30 June 2007 to indicative values of $1.73 per MFG Ordinary Share and $1.06 per MFG 2009 Option, which are based on the average VWAP for the 20 day period immediately following the announcement on 5 October 2007 of the intention to make the Offers. Further explanation of this liability can be found in note 2(i) to the MFG 2007 Annual Report; and

(v) the issue of shares as a result of the exercise of Initial Options by some option holders.

	Per 30 June 2007 Annual Report	Adjustments	Adjusted Balance Sheet as at 30 June 2007
	$M	**$M**	**$M**
Current assets			
Cash and cash equivalents	74.4	(17.9)	56.5
Other current assets	2.5	0.0	2.5
Total current assets	76.9	(17.9)	59.0
Non-current assets			
Other financial assets	24.8	17.5	42.3
Other non-current assets	3.0	5.0	8.0
Total non-current assets	27.8	22.6	50.3
Total assets	104.7	4.6	109.3
Current liabilities			
Trade creditors and other payables	(5.2)	0.0	(5.2)
Total current liabilities	(5.2)	0.0	(5.2)
Non-current liabilities			
AASB 132 accounting adjustment	(30.0)	19.7	(10.3)
Total non-current liabilities	(30.0)	19.7	(10.3)
Total liabilities	(35.2)	19.7	(15.5)
Net assets	69.5	24.3	93.8
Equity			
Issued securities	103.1	6.3	109.4
AASB132 adjustment	(34.7)	0.0	(34.7)
Contributed equity	68.4	6.3	74.7
Asset revaluation reserve	(1.2)	(1.7)	(2.9)
Retained profits / (losses)	2.3	19.7	22.0
Total equity	69.5	24.3	93.8

(b) NPH

The following adjustments have been made to the audited consolidated balance sheet of NPH as presented in its 2007 Annual Report:

(i) The exercise of 1.983 million NPH First Options held by NPH option holders that expire on 31 December 2007. The exercise price of each option is $1.25 and the holder is entitled to one NPH Share and one NPH Second Option. Mr Mackay's investment company has not exercised its 6.993 million NPH First Options prior to 31 December 2007.

(ii) The revaluation of 19.3 million MFG Ordinary Shares and 9.4 million MFG 2009 Options that are held by NPH and NPH Funds from the market values as at 30 June 2007 of $2.20 per MFG Ordinary Share and $2.22 per MFG 2009 Option to the indicative market values of $1.73 per MFG Ordinary Share and $1.06 per MFG 2009 Option, based on the average VWAP of MFG Ordinary Shares and MFG 2009 Options for the 20 day period immediately following the announcement on 5 October 2007 of the intention to make the Offers.

	Per 30 June 2007 Annual Report	Adjustments	Adjusted Balance Sheet as at 30 June 2007
	$M	$M	$M
Current assets			
Cash and cash equivalents	4.9	2.5	7.4
Trade and other receivables	0.7	0.0	0.7
Financial assets	20.9	(10.9)	10.0
Total current assets	26.5	(8.4)	18.1
Non-current assets			
Financial assets	57.7	(9.0)	48.7
Deferred tax assets	0.2	0.0	0.2
Total non-current assets	57.9	(9.0)	48.9
Total Assets	84.4	(17.4)	67.0
Current liabilities			
Trade and other payables	(0.7)	0.0	(0.7)
Bank loan	(7.5)	0.0	(7.5)
Total current liabilities	(8.2)	0.0	(8.2)
Non-current liabilities			
Deferred tax liabilities	(13.8)	6.0	(7.8)
Total non-current liabilities	(13.8)	6.0	(7.8)
Total liabilities	(22.0)	6.0	(16.0)
Net Assets	**62.4**	**(11.4)**	**51.0**
Equity			
Issued capital	26.0	2.5	28.5
Reserves	12.9	(4.7)	8.2
Retained earnings	11.6	(5.5)	6.1
Minority interests	11.9	(3.7)	8.2
Total Equity	**62.4**	**(11.4)**	**51.0**

3.4 PRO-FORMA BALANCE SHEET

(a) Assumptions

(i) All NPH shareholders select the Share Offer Consideration of 1.95 MFG Ordinary Shares and 0.33 MFG 2016 Options for each NPH Share held.

(ii) All NPH Second Optionholders will select the Option Offer Consideration of 3 MFG 2011 Options for each NPH Second Option held.

(iii) Mr Mackay's investment company will let lapse all of its 6.993 million First Options.

(iv) The number of NPH Second Options on issue at the date of completion of the acquisitions will be 2.057 million. This assumption is based on all current holders of NPH First Options, excluding Mr Mackay's investment company, exercising those options prior to their expiry on 31 December 2007 and no holders of Second Options exercising those options between 20 December 2007 and the date of completion of the acquisitions.

(v) The fair value of the MFG Securities provided as consideration under the Offers are assumed to be as follows:

MFG Security	Price per Security(1)
MFG Ordinary Shares(2)	$1.73
MFG 2009 Options(2)	$1.06
Option on MFG 2011 Option embedded in MFG 2009 Option(3)	$0.36
MFG 2011 Option immediately after issue (3)	$0.80
MFG 2016 Option(3)	$0.30
MFG Class B Shares(4)	$0.80

(1) These security prices are indicative only. If the Offers are successful, the acquisitions will be accounted for using market values prevailing at the date of completion of the acquisitions. The eventual cost of the acquisitions and the goodwill recognised on acquisition of NPH and NPH Funds will be determined by the values on that date.

(2) Based on the average VWAP for the 20 day period immediately following the announcement of the Offers on 5 October 2007.

(3) Calculated using a Black-Scholes option pricing framework and relevant market inputs based on the average VWAP for the 20 day period immediately following the announcement of the Offers on 5 October 2007.

(4) Applying a discount to the MFG Ordinary Share Price (see note 1) which reflects the Terms of Issue of MFG Class B Shares (see Annexure C).

(b) Acquisition adjustments

The post-transaction pro-forma consolidated balance sheet of MFG reflects the following adjustments:

(i) the issue of 52.3 million MFG Ordinary Shares, 6.2 million MFG 2011 Options, 7.9 million MFG 2016 Options and 10.2 million MFG Class B Shares to holders of NPH Shares and NPH Second Options in NPH and shares in NPH Funds. Details of the anticipated capital structure of the group are provided in section 3.5;

(ii) the cancellation of 19.3 million MFG Ordinary Shares and 9.4 million MFG 2009 Options currently owned by NPH and NPH Funds;

(iii) estimated total acquisition costs of $1.5 million to be incurred by MFG and NPH;

(iv) an adjustment to the carrying value of the AASB 132 liability arising from the cancellation of 9.4 million MFG 2009 Options; and

(v) recognition of $48.9 million of intangible assets that reflect the difference between the fair value of the MFG capital provided as consideration and the fair value of the tangible net assets acquired in the acquisition.

(c) Pro-forma balance sheet at 30 June 2007

	MFG Pro-forma as at 30 June 2007	NPH Pro-forma as at 30 June 2007	Total Adjustments	Consolidated Pro-forma Balance Sheet as at 30 June 2007
	$M	**$M**	**$M**	**$M**
Current assets				
Cash and cash equivalents	56.5	7.4	(1.5)	62.4
Other current assets	2.5	10.7	(9.9)	3.3
Total current assets	59.0	18.1	(11.4)	65.7
Non-current assets				
Goodwill	0.0	0.0	48.9	48.9
Other financial assets	42.3	48.7	(33.5)	57.5
Other non-current assets	8.0	0.2	0.0	8.2
Total non-current assets	50.3	48.9	15.4	114.6
Total assets	109.3	67.0	4.0	180.3
Current liabilities				
Trade creditors and other payables	(5.2)	(0.7)	0.0	(5.9)
Bank loans	0.0	(7.5)	0.0	(7.5)
Total current liabilities	(5.2)	(8.2)	0.0	(13.4)
Non-current liabilities				
Deferred tax liabilities	0.0	(7.8)	7.0	(0.8)
AASB 132 accounting adjustment	(10.3)	0.0	3.4	(6.9)
Total non-current liabilities	(10.3)	(7.8)	10.4	(7.7)
Total liabilities	(15.5)	(16.0)	10.4	(21.1)
Net assets	93.8	51.0	14.4	159.2
Equity				
Issued securities	109.4	28.5	34.3	172.2
AASB132 adjustment	(34.7)	0.0	3.4	(31.3)
Contributed equity	74.7	28.5	37.7	140.9
Asset revaluation reserve	(2.9)	8.2	(8.8)	(3.5)
Retained profits / (losses)	22.0	6.1	(6.3)	21.8
Minority interests	0.0	8.2	(8.2)	0.0
Total equity	93.8	51.0	14.4	159.2

3.5 Schedule of Capital Structure

(a) Current Security Structure

The impact on the current number of MFG Securities on issue is as follows:

(i) Where no NPH Second Options are exercised prior to completion of the transaction:

	Pre-acquisition (millions)	Issued (millions)	Cancelled (millions)	Post-acquisition (millions)
MFG Ordinary Shares	112.3	52.3	(19.3)	145.3
MFG 2009 Options	28.3	--	(9.4)	18.9
MFG 2011 Options	--	6.2	--	6.2
MFG 2016 Options	--	7.9	--	7.9
MFG Class B Shares	--	10.2	--	10.2

(ii) *Where all NPH Second Options are exercised prior to completion of the transaction:*

	Pre-acquisition (millions)	Issued (millions)	Cancelled (millions)	Post-acquisition (millions)
MFG Ordinary Shares	112.3	56.4	(19.3)	149.4
MFG 2009 Options	28.3	--	(9.4)	18.9
MFG 2011 Options	--	--	--	--
MFG 2016 Options	--	8.6	--	8.6
MFG Class B Shares	--	10.2	--	10.2

(b) Fully Diluted Share Capital

The impact of the acquisitions on the fully diluted share capital of MFG is as follows:

(i) *Where no NPH Second Options are exercised prior to completion of the transaction:*

Number of Securities	Pre-acquisition (millions)	Post-acquisition (millions)
Shares on issue	112.3	145.4
Exercise of MFG 2009 Options	28.3	18.9
Exercise of MFG 2011 Options	28.3	25.1
Exercise of MFG 2016 Options	--	7.9
Conversion of MFG Class B Shares(1)	--	10.2
Fully diluted share capital	**168.9**	**207.5**

(1) Based on the maximum conversion ratio and the share cap at 170 million MFG Ordinary Shares.

(i) ***Where all NPH Second Options are exercised prior to completion of the transaction:***

Number of Securities	Pre-acquisition (millions)	Post-acquisition (millions)
Shares on issue	112.3	149.4
Exercise of MFG 2009 Options	28.3	18.9
Exercise of MFG 2011 Options	28.3	18.9
Exercise of MFG 2016 Options	--	8.7
Conversion of MFG Class B Shares(1)	--	10.2
Fully diluted share capital	**168.9**	**206.0**

(1) Based on the maximum conversion ratio and the share cap at 170 million MFG Ordinary Shares.

3.6 Sensitivity Analysis

(a) Alternative Offer Consideration

Under the terms of the offer, NPH option holders have the choice of:

(i) retaining their Second Options and receiving 3 MFG Secondary (2011) Options; or

(ii) exercising their Second Options (at a strike price of $1.30 per option) and receiving 1.95 MFG Ordinary Shares and 0.33 MFG 1016 options.

The pro-forma financial data presented in sections 3.3 to 3.5 has been prepared on the basis that no option holders will exercise their Second Options. If all option holders do exercise their Second Options the impact on the pro-forma balance sheet following the transaction will be as follows:

- an increase of $2.6m in cash and cash equivalents;
- a decrease of $0.4m in goodwill; and
- an increase of $2.2m in issued capital.

(b) Value of MFG Securities Issued

An increase in 10c per share in the market value of MFG Ordinary Shares will increase the goodwill and share capital issued each by $4.0 million. A decrease of $10c per share in the market value of MFG shares will decrease goodwill and share capital issued each by $4.0 million.

3.7 IMPACT ON MFG'S FINANCIAL PERFORMANCE

The 2007 Annual Report provided the following guidance for MFG's financial outlook for 2008:

"For the 2008 financial year we have budgeted for a loss after tax of similar magnitude to the $2.8 million to $3.0 million loss that was forecast for 2007. This ignores the impact of any Accounting Adjustment for the Secondary Options and is before the impact of any performance fee that may be payable under the Management Services Agreement (MSA) discussed below…

The budgeted total expenses for the business, including the base management fee under the MSA, are approximately $15 million. Revenue assumptions in the budget include full year investment management fees from Magellan Flagship Fund, our listed investment company, interest income on our cash balance and modest investment management fees from our new unlisted funds (Magellan Global Fund and Magellan Infrastructure Fund) launched in July 2007. We believe it is realistic to assume that investment management fees from the new unlisted funds will be modest in 2007/2008 as a whole and particularly modest for the 6 months to 31 December 2007….."

The impact of the acquisitions on MFG's financial outlook for 2008 as above (using the basis of preparation set out in section 3.2, the adjustments set out in section 3.3 and the assumptions set out in section 3.4) would be to increase budgeted total revenue by $0.3 million reduce the budgeted total expenses by $1.3 million and reduce the budgeted loss after tax by $1.1 million.

4. Independent Directors' Recommendation

4.1 Independent Directors' Recommendation

The Independent Directors (the MFG Directors other than Chris Mackay and Hamish Douglass) unanimously recommend that you vote in favour of all the resolutions. Unless all of the resolutions are passed the Proposal will not proceed. In recommending shareholders vote in favour of all the resolutions the Independent Directors consider that:

(a) the terms of the acquisition of the NPH Shares held by Mr Mackay are fair and reasonable to the non-associated shareholders of MFG. This has been confirmed by the Independent Expert. In arriving at this conclusion the Independent Directors consider that the consideration being offered to Mr Mackay is worth less than the value of his NPH Shares and/or NPH Second Options being acquired.;

(b) the terms of the acquisition of Mr Douglass' 40% interest in NPH Funds are fair and reasonable to the non-associated shareholders of MFG. This has been confirmed by the Independent Expert. In arriving at this conclusion the Independent Director's believe that consideration being offered to Mr Douglass is worth less than the value of his 40% interest in NPH Funds and note that the terms of the MFG Class B Shares are less favourable to Mr Douglass than his economic interest in the Management Services Agreement because, among other things:

   (i) MFG Class B Shares do not confer entitlements to receive dividends, whereas under the current arrangements NPH Funds could pay to its shareholders (Midas Touch Investments and NPH) any base and performance fees it receives under the MSA in the form of dividends. Therefore under the terms of the acquisition of Mr. Douglass' 40% interest in NPH Funds, he will not receive, in the form of dividends, the benefit of any base fees or any performance fees that may have been paid during the term of the MSA; and

   (ii) the conversion terms of the MFG Class B Shares into MFG Ordinary Shares are based on 12 times the most recent base fee, whereas the MSA termination fee is based on 12 times the most recent base fee **and** the most recent performance fee (if any) that was paid. In addition, the conversion terms are based on a cap on the issued capital of MFG of 170 million shares, whereas the termination fee in the MSA has no such cap; and

(c) acquiring NPH and NPH Funds and internalising the Management Services Agreement will simplify the group structure and will facilitate the future development of Magellan Financial Group.

In addition to the Independent Expert's conclusion that the Proposal is fair and reasonable, the Independent Directors have also considered additional benefits not specifically addressed by the Independent Expert accruing to MFG in recommending that you vote in favour of all the resolutions.

The Independent Directors believe that the Independent Expert has assessed the value of NPH and NPH Funds as stand alone entities and has not assessed their value as wholly-owned subsidiaries of MFG. For example, the Independent Expert has deducted from the value of NPH and NPH Funds capitalised corporate costs totalling $2.4 million and deferred tax liabilities totalling $6.2 to $6.9 million, which will be effectively eliminated on acquisition. In addition, the Independent Expert has not included in its valuation of NPH and NPH Funds value for any franking credits that would be generated by NPH or NPH Funds. The Independent Directors believe that that these franking credits are valuable to MFG Ordinary Shareholders and will effectively be captured by MFG via the elimination of the fees payable under the MSA.

5. RESOLUTIONS TO BE CONSIDERED AT THE MEETING

5.1 Resolution 1 – Acquisition of NPH Securities from Chris Mackay's controlled entities as a result of acceptances of the takeover offers

(a) Background

Chris Mackay, the Deputy Chairman of MFG and therefore a related party of MFG, currently holds NPH Shares and NPH First Options both directly and indirectly through his controlled entities, Magellan Equities Pty Limited and Naumov Pty Limited. If any of the NPH First Options held by Chris Mackay's investment company, are exercised, 1 NPH Share and 1 NPH Second Option will be issued for each NPH First Option exercised. However, Chris Mackay’s investment company, Magellan Equities Pty. Limited, has irrevocably agreed to let lapse all of its 6,992,705 NPH First Options by not exercising them prior to their expiration on 31 December 2007. This commitment is subject to NPH's independent expert determining that the Share Offer is fair and reasonable. It is a condition of the Share Offer that Mr. Mackay’s investment company does not exercise any of the 6,992,705 First Options that it holds. An announcement will be made to the ASX on or before 31 December 2007 as to whether this condition has been met.

If the condition is not met, Chris Mackay's investment company is free to exercise its NPH First Options and in these circumstances a condition of the Share Offer will have been triggered.

Pursuant to the Takeover Offers, MFG has offered to acquire all of the NPH Shares and NPH Second Options, including those NPH Shares held by Chris Mackay both directly and indirectly through his controlled entities. The NPH Shares constitute a 'substantial asset' within the meaning of ASX Listing Rule 10.1, on the basis that their value exceeds the 'substantial asset' threshold of 5% of MFG's consolidated equity interests, as shown in the 30 June 2007 accounts (namely, $69,449,000).

Under ASX Listing Rule 10.1, MFG can only issue securities with a value in excess of this threshold to a related party with approval by ordinary resolution of MFG Ordinary Shareholders, excluding any person who is to receive shares and any associates of that person.

Accordingly, approval is being sought for the acquisition by MFG of such NPH Shares under the Takeover Offers.

Chris Mackay, Magellan Equities Pty Limited and Naumov Pty Limited and his associates are excluded from voting on Resolution 1. The associates include Hamish Douglass and his controlled entities.

(b) Independent expert's report

ASX Listing Rule 10.10.2 requires this Notice of Meeting to include a report on the acquisitions from an independent expert. The report must state whether the acquisitions of NPH Shares from Chris Mackay and his controlled entities, if they accept the Takeover Offers for those securities, are fair and reasonable to Shareholders whose votes are not to be disregarded on Resolution 1.

Grant Thornton Corporate Finance Pty Limited has prepared an Independent Expert's Report and has concluded that the terms of the acquisitions of NPH Shares from Chris Mackay and his controlled entities are fair and reasonable to MFG Ordinary Shareholders whose votes are not to be disregarded on Resolution 1. A copy of the Independent Expert's Report is attached as Annexure A to this Notice of Meeting.

(c) Directors' recommendation

Chris Mackay has a material personal interest in the outcome of Resolution 1 by virtue of his holdings of NPH Shares and NPH First Options. Hamish Douglass has a material personal interest in the outcome of Resolution 1 by virtue of his interest in the outcome of Resolutions 2, 3 and 4, and the fact that those Resolutions are conditional upon Resolution 1 being passed. The Independent Directors do not have any material personal interest in the outcome of Resolution 1.

Each Independent Director recommends that Shareholders vote in favour of Resolution 1 for the following reasons:

(i) the expected benefits of the Proposal as described in section 4 above; and

(ii) the opinion of Grant Thornton Corporate Finance Pty Limited, the Independent Expert, that the acquisitions of the NPH securities held by Chris Mackay and his controlled entities are fair and reasonable to MFG Ordinary Shareholders whose votes on Resolution 1 are not to be disregarded.

5.2 Resolution 2 – Acquisition of 40% shareholding in NPH Funds from Midas Touch Investments

(a) Background

By reason of ASX Listing Rule 10.1, the acquisition or disposal by MFG of a 'substantial asset' to or from a related party requires the approval by ordinary resolution of MFG Ordinary Shareholders, excluding any MFG Ordinary Shareholder who is a party to the transaction and any associates of that party.

The acquisition by MFG of the 40% shareholding in NPH Funds shares from Midas Touch Investments under the Share Purchase Agreement needs to be approved by MFG Ordinary Shareholders by ordinary resolution under ASX Listing Rule 10.1, on the basis that Midas Touch Investments, a controlled entity of Hamish Douglass, is a related party of MFG and the value of the 40% shareholding in NPH Funds exceeds the 'substantial asset' threshold of 5% of MFG consolidated equity interests (as shown in the 30 June 2007 accounts).

Midas Touch Investments and its associates are excluded from voting on Resolution 2. The associates include Hamish Douglass, Chris Mackay and their respective controlled entities.

Details of the Share Purchase Agreement are set out in section 1.4 above.

(b) Independent expert's report

ASX Listing Rule 10.10.2 requires this Notice of Meeting to include an independent expert's report on the acquisition of the NPH Funds shares. Grant Thornton Corporate Finance Pty Limited has prepared the Independent Expert's Report and has concluded that the terms of the acquisition of the NPH Funds shares are fair and reasonable to MFG Ordinary Shareholders whose votes are not to be disregarded on Resolution 2. A copy of the Independent Expert's Report is attached as Annexure A to this Notice of Meeting.

(c) Directors' recommendation

Hamish Douglass (Chairman of MFG) has a material personal interest in the outcome of Resolution 2 by virtue of his controlling interest in Midas Touch Investments. Chris Mackay has a material personal interest in the outcome of Resolution 2 by virtue of his interest in the outcome of Resolution 1, and the fact that Resolution 1 is conditional upon Resolution 2 being passed. The Independent Directors do not have any material personal interest in the outcome of Resolution 2.

Each Independent Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 2 for the following reasons:

(i) the expected benefits of the Proposal as described in section 4 above; and

(ii) the opinion of Grant Thornton Corporate Finance Pty Limited, the independent expert, that the acquisition of the NPH Funds shares is fair and reasonable to MFG Ordinary Shareholders whose votes on Resolution 2 are not to be disregarded.

5.3 Resolution 3 – Issue of Shares to Midas Touch Investments

(a) Background

By reason of ASX Listing Rule 10.11, MFG can only issue securities to a related party with approval by ordinary resolution of MFG Ordinary Shareholders, excluding any person who is to receive shares and any associates of that person.

As consideration for the acquisition of NPH Funds shares from Midas Touch Investments under the Share Purchase Agreement, MFG will issue MFG Ordinary Shares and MFG Class B Shares to Midas Touch Investments. The number of shares to be issued and the terms of the MFG Class B Shares are described in section 1.4 of this Explanatory Memorandum and Annexure C. As Midas Touch Investments is a related party of MFG, the issue of these shares needs to be approved by ordinary resolution of MFG Ordinary Shareholders.

Midas Touch Investments and its associates are excluded from voting on Resolution 3. The associates include Hamish Douglass, Chris Mackay and their respective controlled entities.

Details of the Share Purchase Agreement are set out in section 1.4 above.

(b) Additional information

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of the ASX Listing Rule 10.13, the following information is provided in relation to Resolution 3.

Information required	Details
ASX LR 10.13.1 Name of the person who is to receive MFG securities	Midas Touch Investments
ASX LR 10.13.2 Maximum number of MFG securities to be issued to the person (if known) or the formula for calculating the number of securities to be issued	5,844,799 MFG Ordinary Shares and 10,200,000 Class B Shares (see section 1.4 above)
ASX LR 10.13.3 Date by which MFG will issue the securities, which must not be more than 1 month after the date of the shareholders' meeting	Within 15 months after the date of the Meeting. ASX has waived ASX LR 10.13.3 to permit this Notice of Meeting to include a date by which MFG must issue the securities which is more than 1 month after the date of the meeting, provided that this Notice of Meeting states that the securities will be issued within 15 months of the date of the Meeting.

Information required	Details
ASX LR 10.13.4 If the person is not a Director, statement of the relationship between the person and the Director that requires the approval to be obtained.	Midas Touch Investments is controlled by Hamish Douglass (Chairman of MFG).
ASX LR 10.13.5 The issue price of the securities and a statement of the terms of issue	MFG Ordinary Shares: The MFG Ordinary Shares do not have an issue price as they are part consideration for the transfer of the 40% shareholding in NPH Funds. However, as set out in section 1.4 above, for the purposes of determining the number of MFG Ordinary Shares to be issued, a value of $1.73 per MFG Ordinary Share has been assumed. The MFG Ordinary Shares will rank equally with existing MFG Ordinary Shares. MFG Class B Shares: The MFG Class B Shares do not have an issue price as they are part consideration for the transfer of the 40% shareholding in NPH Funds. The terms of issue set out in Annexure B and summarised in section 1.4 above.
ASX LR 10.13.6 A voting exclusion statement	See Explanatory Notes above to Notice of Meeting.
ASX LR 10.13.6A Intended use of the funds raised.	MFG will not be raising any funds from the issue of MFG Ordinary Shares and MFG Class B Shares to Midas Touch Investments, as these securities will be issued in consideration for the acquisition of shares in NPH Funds.

(c) Independent expert's report

ASX Listing Rule 10.10.2 requires this Notice of Meeting to include an independent expert's report on the issue of the MFG Ordinary Shares and MFG Class B Shares to Midas Touch Investments. Grant Thornton Corporate Finance Pty Limited has prepared the Independent Expert's Report and has concluded that the terms of the share issues to Midas Touch Investments are fair and reasonable to MFG Ordinary Shareholders whose votes are not to be disregarded on Resolution 3. A copy of the Independent Expert's Report is attached as Annexure A to this Notice of Meeting.

(d) Directors' recommendation

Hamish Douglass (Chairman of MFG) has a material personal interest in the outcome of Resolution 3 by virtue of his controlling interest in Midas Touch Investments. Chris Mackay has a material personal interest in the outcome of Resolution 3 by virtue of his interest in the outcome of Resolution 1, and the fact that Resolution 1 is conditional upon Resolution 3 being passed. The Independent

Directors do not have any material personal interest in the outcome of Resolution 3.

Each Independent Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 3 for the following reasons:

(i) the expected benefits of the Proposal as described in section 4 above; and

(ii) the opinion of Grant Thornton Corporate Finance Pty Limited, the independent expert, that the issues of the securities are fair and reasonable to MFG Ordinary Shareholders whose votes on Resolution 3 are not to be disregarded.

5.4 Resolution 4 – Amendment of MFG Constitution to include Class B Share terms of issue

(a) Background

The 10,200,000 MFG Class B Shares that are being offered as part consideration for the acquisition by MFG of NPH Funds shares held by Midas Touch Investments under the Share Purchase Agreement are a new class of shares. The MFG Class B Shares have been structured to exclude any compensation for possible performance fees under the MSA.

Their terms of issue are set out in Annexure C.

(b) Issue of MFG Class B Shares

Shareholder approval is being sought to amend MFG's Constitution to permit the issue of the MFG Class B Shares and to include their terms as part of the Constitution.

(c) Directors' recommendation

Each Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 4 because of the expected benefits of the Proposal as described in section 4 above.

5.5 Resolution 5 – Consolidation or subdivision of MFG Class B Shares

(a) Background

The 10,2000,000 MFG Class B Shares that are being offered as part consideration for the acquisition by MFG of NPH Funds shares held by Midas Touch Investments under the Share Purchase Agreement are a new class of shares, being neither ordinary shares or preference shares. The MFG Class B Shares have been structured to exclude any compensation for possible performance fees under the MSA.

Their terms of issue are set out in Annexure C.

(b) Conversion into MFG Ordinary Shares

The 10,200,000 MFG Class B Shares can, in accordance with their terms of issue, be converted into a maximum of 10,200,000 MFG Ordinary Shares, depending on the number of MFG Ordinary Shares on issue at the relevant time.

(c) Adjustment of number of shares on conversion

If the number of MFG Ordinary Shares on issue at the relevant time is less than 170,000,000, the 10,200,000 MFG Class B Shares will convert into less than 10,200,000 MFG Ordinary Shares, meaning that the conversion ratio not be 1:1. To provide for a 1:1 conversion ratio in that circumstance, the terms of issue provide that, immediately before 12.01 am on the day of conversion of any MFG Class B Shares, those MFG Class B Shares are automatically consolidated.

Under section 254H of the Corporations Act, a company may only convert all or any of its shares into a larger number of shares (a subdivision) or a smaller number of shares (a consolidation) by resolution passed at a general meeting. The consolidation takes effect on the day the resolution is passed or on a later date specified in the resolution. Accordingly, the approval of MFG Ordinary Shareholders is being sought under section 254H for any consolidation or subdivision which occurs each time MFG Class B Shares are converted into MFG Ordinary Shares.

(d) Directors' recommendation

Each Independent Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 5 because of the expected benefits of the Proposal as described in section 4 above.

5.6 Resolution 6 – Selective reduction of capital

(a) Background

Section 259D(1) of the Corporations Act provides that if a company obtains control of an entity that holds shares in the company, then within 12 months after it occurs either the entity must cease to hold the shares or the company must cease to control the entity.

As at the date of this Notice of Meeting:

(i) NPH holds 6,696,651 MFG Ordinary Shares (approximately 6% of all the MFG Ordinary Shares) and 3,069,666 MFG 2009 Options; and

(ii) NPH Funds (a 60%-owned subsidiary of NPH) holds 12,606,006 Ordinary Shares (approximately 12% of all the MFG Ordinary Shares) and 6,300,601 MFG 2009 Options.

If, as a result of the Takeover Offers, MFG acquires more than 50% of the NPH Shares, MFG will control NPH and each of its subsidiaries (including NPH Funds) and section 259D(1) will therefore apply. To comply with section 259D(1), MFG intends for NPH and NPH Funds to cease holding MFG Ordinary Shares within 12 months after MFG obtains control of NPH and NPH Funds.

If MFG obtains control of NPH and each of its subsidiaries (including NPH Funds), MFG also intends to cancel the MFG 2009 Options and any MFG 2011 Options held by NPH and NPH Funds.

(b) Selective reduction proposal

One of the ways by which MFG can comply with section 259D(1) is to cancel the MFG Ordinary Shares held by NPH and NPH Funds by way of a selective reduction. By reason of section 259D(1), the cancellation would need to occur no later than 12 months after MFG obtains control of NPH and NPH Funds.

By reason of section 256C(2) of the Corporations Act, any selective reduction involving a cancellation of shares must be approved by:

(i) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person who is to receive consideration as part of the reduction or by their associates; and

(ii) a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.

Resolution 6 is the special resolution referred to in paragraph (i) above. As it is proposed that the MFG Ordinary Shares held by NPH and NPH Funds be cancelled, NPH and NPH Funds are not prevented from voting in favour of the resolution. The cancellation will only occur if NPH and NPH Funds have become wholly-owned subsidiaries of MFG.

The special resolution referred to in paragraph (ii) above will be put to a separate meeting at which only NPH and NPH Funds (which at the relevant time would be wholly owned subsidiaries of MFG) is entitled to attend and vote. For that purpose, a separate notice of meeting will be sent to NPH and NPH Funds and a copy of it will be lodged with ASIC and released to ASX. That separate meeting will occur immediately after the conclusion of the Extraordinary General Meeting.

Approval of these two resolutions will authorise MFG to undertake the selective reduction, but does not oblige MFG to do so. It is possible that MFG will instead elect to comply with section 259D(1) by other means, eg. by way of a selective buy-back (see Resolution 7 below) or on-market sale. The reason for seeking approval for both a selective reduction and buy-back is to provide MFG with maximum flexibility in complying with section 259D(1) of the Corporations Act.

(c) Additional information

As the MFG Ordinary Shares held by NPH and NPH Funds would be cancelled for fair consideration, as required by Australian Accounting Standards, the selective reduction will have no impact on MFG's reported profits. The cancellation of MFG Ordinary Shares will reduce the number of MFG Ordinary Shares on issue and increase each MFG Ordinary Shareholder's proportionate holdings of MFG Ordinary Shares. However, the Directors do not believe this will have a material impact on the control of MFG.

The cancellation will not materially prejudice MFG's ability to pay its creditors.

Other relevant information

The Directors consider that there is no other information known to MFG that is material to the decision as to how to vote on Resolution 6, except information which it would be unreasonable to require MFG to disclose because MFG has previously disclosed that information to MFG Ordinary Shareholders.

(d) Directors' recommendation

Each Independent Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 6.

5.7 Resolution 7 – Selective buy back of MFG Shares

(a) Selective buy-back proposal

Another means by which MFG can comply with section 259D(1) (see Resolution 6 above) is to buy-back the MFG Ordinary Shares held by NPH and NPH Funds. This would be a selective buy-back because MFG will offer to buy-back MFG Ordinary Shares held by NPH and NPH Funds only.

By reason of section 257D(1) of the Corporations Act, the terms of a buy-back agreement for a selective buy-back must be approved before it is entered into by a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought-back or by their associates. Alternatively, the agreement must be conditional on such approval.

The approval of MFG Shareholders is sought to offer to buy-back the MFG Ordinary Shares held by NPH and NPH Funds for a fair consideration, as required by Australian Accounting Standards, and, if those offers are accepted, to enter into buy-back agreements on the terms set out in Annexure D to this Notice of Meeting.

The requirement that any buy-back agreement be entered into, and for any buy-back pursuant to that agreement to occur, within 12 months after the date of the approval has been included to reflect ASIC policy regarding shareholder approvals for buy-backs – see ASIC Regulatory Guide 110. By reason of section 259D(1), any buy-back would need to occur no later than 12 months after MFG obtains control of NPH and NPH Funds.

Approval of Resolution 8 will authorise MFG to proceed with a buy-back of shares, but will not oblige MFG to do so. It is possible that MFG will elect to comply with section 259D(1) by alternative means, eg. by way of a selective reduction of capital (see Resolution 6) or on-market sale.

(b) Prescribed information

The following information is provided as required by ASIC policy regarding share buy-backs – see ASIC Regulatory Guide 110.

(i) Number of shares on issue

As at 21 December, 2007 (the last practicable date prior to the publication of this Notice of Meeting), MFG had 112,315,981 MFG Ordinary Shares on issue.

(ii) Quantity of shares to be bought back

Resolution 7, if passed, authorises MFG to buy-back any or all of the MFG Ordinary Shares held by NPH and NPH Funds.

As at the date of this Notice of Meeting:

(A) NPH holds 6,696,651 MFG Ordinary Shares (approximately 6% of all the MFG Ordinary Shares); and

(B) NPH Funds (a 60%-owned subsidiary of NPH) holds 12,606,006 Ordinary Shares (approximately 12% of all the MFG Ordinary Shares).

(iii) Terms of buy-back

The terms of any buy-back agreement with NPH and NPH Funds are set out in Annexure D to this Notice of Meeting.

(iv) Offer price

The purchase price to be offered for each MFG Ordinary Share held by NPH and NPH Funds will be equal to their fair market purchase cost.

(v) Reasons for buy-back

See paragraph (a) above.

(vi) Interests of directors who may participate in buy-back

None of the Directors can participate in the buy-back.

(vii) Financial effect of buy-back on MFG

The buy-back will not have any impact on MFG’s reported profitability and will not affect MFG’s cash or debt position on a consolidated basis.

All shares bought-back will be cancelled, thus reducing MFG's issued share capital.

MFG's ability to pay its creditors will not be materially prejudiced by MFG undertaking the buy-back.

(viii) Advantages and disadvantages of buy-back

The cancellation of MFG Ordinary Shares will reduce the number of MFG Ordinary Shares on issue and increase each MFG Ordinary Shareholder's proportionate holdings of MFG Ordinary Shares. However, the Directors do not believe this will have a material impact on the control of MFG.

In addition, the Directors do not believe that the buy-back poses any disadvantages to MFG Ordinary Shareholders.

(ix) Financial statements

The most recent set of audited financial statements for MFG was for the financial year ending 30 June 2007. Those financial statements were contained in the 2007 Annual Report provided or made available to Shareholders. The 2007 Annual Report is available for viewing online at www.magellangroup.com.au.

MFG will provide to any of its Shareholders upon a requires a printed copy of the 2007 Annual Report upon request.

(x) Share price

The closing price of MFG Ordinary Shares on 21 November, 2007 being the last practicable date prior to publication of this Notice of Meeting, was $1.52.

(xi) Other relevant information

The Directors consider that there is no other information known to MFG that is material to the decision as to how to vote on Resolution 7, except information which it would be unreasonable to require MFG to disclose because MFG has previously disclosed that information to MFG Ordinary Shareholders.

(c) Directors' recommendation

Each Independent Director recommends that MFG Ordinary Shareholders vote in favour of Resolution 7.

GLOSSARY

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

ASX Listing Rules means the listing rules of ASX.

Bidder's Statement means the Bidder's Statement of MFG dated 20 December 2007 in relation to the Takeover Offers, as may be supplemented or replaced from time to time.

Corporations Act means the Corporations Act 2001 (Cth) and accompanying regulations, each as amended from time to time.

Directors means the directors of MFG from time to time and ***Director*** means any one of them.

EGM or ***Meeting*** means the Extraordinary General Meeting of MFG to be held on 29 January, 2008 at 4.00 pm.

Independent Directors means Naomi Milgrom, Paul Lewis and Brett Cairns (ie. all Directors other than Hamish Douglass and Chris Mackay).

Independent Expert or ***Grant Thornton*** means Grant Thornton Corporate Finance Pty Limited (ABN 59 003 265 987).

Independent Expert's Report means the report prepared by the Independent Expert, as set out in Annexure A.

Internalisation Proposal means, following the acquisition of 100% of the NPH Shares and NPH Second Options, the internalisation of the MSA to be achieved by MFG acquiring the 40% shareholding in NPH Funds held by Midas Touch Investments.

MAM means Magellan Asset Management Limited (ACN 120 593 946).

MFF means Magellan Flagship Fund Limited (ABN 32 121 977 884).

MFG means Magellan Financial Group Limited (ABN 59 108 437 592).

MFG 2009 Option means an option issued by MFG pursuant to its Explanatory Memorandum dated 13 October 2006 or the Entitlements Offer and Priority Offers Prospectus dated 5 April 2007 to subscribe for an MFG Ordinary Share at $1.20, where such option has an expiry date of 30 June 2009. Upon exercise of a MFG 2009 Option, the holder will also be issued a MFG 2011 Option.

MFG 2011 Option means an option to subscribe for a MFG Ordinary Share at $1.30, where such option has an expiry date of 30 June 2011 and is issued by MFG either:

(a) upon the exercise of a MFG 2009 Option; or

(b) as consideration under the Options Offer, and having the terms of issue set out in Annexure A of the Bidder's Statement.

MFG 2016 Option means an option to subscribe for a MFG Ordinary Share at $3.00, where such option has an expiry date of 30 June 2016 and is issued by MFG as consideration under the Options Offer, and having the terms of issue set out in Annexure B of the Bidder's Statement.

MFG Class B Share means a class B share in MFG, to be issued as consideration under the Internalisation Proposal and having the terms of issue set out in Annexure C.

MFG Group means MFG and its subsidiaries.

MFG Ordinary Share means a fully paid ordinary share issued in the capital of MFG.

MFG Ordinary Shareholder means a person registered in the register of shareholders of MFG as a holder of MFG Ordinary Shares.

Midas Touch Investments means Midas Touch Investments Pty. Ltd. (ABN 19 079 087 031), a company controlled by Hamish Douglass, the Chairman of MFG.

MSA means Management Services Agreement dated 21 November 2006 between MFG and NPH Funds.

Notice of Meeting means this booklet, comprising the Chairman's letter, the Notice of Extraordinary General Meeting, the Annexures (including the Independent Expert's Report) and the accompanying proxy form.

NPH means New Privateer Holdings Limited (ABN 83 006 106 690).

NPH First Option means an option to subscribe for a NPH Share exercisable at $1.25 during the months of June and December each year until 31 December 2007, such option having been issued pursuant to NPH's Renounceable Rights Issue and Public Offer Prospectus dated 2 May 2006. Upon exercise of a NPH First Option, the holder will also be issued a NPH Second Option.

NPH Funds means NPH Funds Pty Limited (ABN 25 120 592 672).

NPH Second Option means an option to subscribe for a NPH Share exercisable at $1.30 during the months of June and December each year until 31 December 2010, such option being issued upon the exercise of a NPH First Option and having the terms set out in NPH's Renounceable Rights Issue and Public Offer Prospectus dated 2 May 2006.

NPH Second Optionholder means a person registered as a holder of NPH Second Options.

NPH Share means a fully paid ordinary share issued in the capital of NPH.

NPH Shareholder means a person registered in the register of shareholders of NPH as a holder of NPH Shares.

Options Offer means the offer by MFG to acquire all of the NPH Second Options, as set out in the Bidder's Statement.

Proposal means the Takeover Offers and Internalisation Proposal, or either of them, as applicable.

Resolutions means the resolutions to be put to MFG Ordinary Shareholders at the EGM, as set out in Notice of Extraordinary General Meeting.

Share Offer means the offer by MFG to acquire all of the NPH Shares, as set out in the Bidder's Statement.

Share Purchase Agreement means the share purchase agreement dated 20 November 2007 between MFG and Midas Touch Investments in relation to the Internalisation Proposal.

Takeover Offers means the Share Offer and the Options Offer.

VWAP means, in relation to a security in a class of securities, the volume weighted average sale price of a security in that class in the ordinary course of trading on ASX (excluding special crossings, overnight trades and exchange traded option exercises) as traded on ASX over a period of time immediately preceding, but not including, a given date.

ANNEXURE A - INDEPENDENT EXPERT'S REPORT

Grant Thornton Corporate Finance

Grant Thornton

The Directors
Magellan Financial Group Limited
Level 1
1 Castlereagh Street
Sydney NSW 2000

21 December 2007

Dear Sirs

MAGELLAN FINANCIAL GROUP LIMITED
INDEPENDENT EXPERT'S REPORT

INTRODUCTION

On 5 October 2007, Magellan Financial Group Limited ("MFG") announced a proposal to acquire all issued securities in New Privateer Holdings Limited ("NPH") by way of off-market takeover offers (the "Original NPH Offers) and the internalisation of the management services agreement (the "MSA") between MFG and NPH Funds Pty Limited ("NPH Funds").

However, on 10 December 2007, MFG and NPH jointly announced a revised and final proposal in respect of MFG's offers for all NPH Shares and NPH Second Options (the "Revised NPH Offers"). The Original NPH Offers have been withdrawn, with the consent of the Australian Securities and Investments Commission ("ASIC").

As a part of the Revised NPH Offers and the internalisation of the MSA, MFG has proposed to acquire:

- Chris Mackay's interests in NPH (the "Proposed Acquisition of Mackay's Interests in NPH"). Mr Mackay's investment company owns 7,900,561 NPH Shares and 6,992,705 NPH First Options which is equivalent to approximately 36% of the total issued NPH Shares and approximately 55% on a fully diluted basis.

  Mr Mackay has irrevocably agreed to let lapse all of its NPH First Options by not exercising them prior to their expiration on 31 December 2007. When a NPH First Option is exercised, the holder will be issued with one NPH Share and one NPH Second Option. Accordingly, Mr Mackay's investment company is effectively letting lapse 13,985,410 options as the NPH Second Options will not be issued if NPH First Options lapse.

  As a result, if the Proposed Acquisition of Mackay's Interests in NPH proceeds, MFG will issue to Mr Mackay 15,406,094 MFG Shares and 2,607,185 MFG 2016 Options, based on the 7,900,561 NPH Shares owned by Mr Mackay's investment company; and

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- Mr Douglass' interest in NPH Funds (the "Proposed Acquisition of Douglass' Interest in NPH Funds") at a consideration of 5,844,799 MFG Shares and 10,200,000 MFG Class B Shares. Mr Douglass owns 40% equity interest in NPH Funds, with NPH owning the remaining 60%.

We refer to the above proposed transactions as the "Proposed Transactions".

If the Proposed Transactions are approved and the Revised NPH Offers are successful:

- MFG will wholly own NPH and NPH Funds;
- the internalisation of the MSA will be complete;
- Messrs Douglass and Mackay will become employees of Magellan Asset Management Limited ("MAM"), a wholly owned subsidiary of MFG; and
- MFG will issue securities as consideration for the Revised NPH Offers and the Proposed Transactions.

PURPOSE OF THE REPORT

Messrs Douglass and Mackay are associates in relation to MFG for the purposes of the Corporations Act, 2001 ("Corporations Act"). The potential values in Mr Mackay's interests in NPH and Mr Douglass interest in NPH Funds each exceeds 5% of MFG's last reported net assets. As a result, the Proposed Acquisitions require the approval by the non-associated shareholders of MFG under ASX Listing Rule 10.1.

The Independent Directors of MFG have engaged Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") to prepare an independent expert's report as to whether:

- the Proposed Acquisition of Mackay's Interests in NPH is fair and reasonable to the non-associated shareholders of MFG; and
- the Proposed Acquisition of Douglass' Interest in NPH Funds is fair and reasonable to the non-associated shareholders of MFG.

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum which will be despatched by MFG in due course and which will include this report, and is prepared for the exclusive purpose of assisting the non-associated shareholders of MFG in their consideration of the Proposed Transactions referred to above.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance has not provided an opinion to security holders of NPH.

SUMMARY OF OPINION

Grant Thornton Corporate Finance has concluded that the Proposed Acquisition of Mackay's Interests in NPH is fair and reasonable to the non-associated shareholders of MFG.

In this regard we note that:

- the value of the interest in NPH owned by Mr Mackay's investment company is higher than the consideration offered by MFG. MFG is effectively acquiring the NPH First Options owned by Mr Mackay's investment company at nil consideration;
- our assessed value of Mr Mackay's investment company's interests in NPH is in the range of \$26.2 million to \$29.4 million, which is calculated on a fully diluted basis as if Mr Mackay's investment company has exercised all its NPH First Options and NPH Second Options (issued as a result of exercising the NPH First Options);
- our assessed value of the consideration offered by MFG for each NPH Share, which comprises of 1.95 MFG Shares which we have valued at \$1.55 to \$1.65 per share and 0.33 MFG 2016 Options which we have valued at \$0.33 to \$0.37 per option;
- the total value of the consideration receivable by Mr Mackay's investment company of \$24.7 million to \$26.4 million, which is based on the 7.9 million NPH Shares owned by Mr Mackay's investment company. Mr Mackay's investment company is effectively receiving nil consideration for the NPH First Options that it owns; and
- the consideration offered to Mr Mackay is consistent with that being offered to other NPH Shareholders, who will participate in the Revised NPH Offers on an arm's length basis. Mr Mackay's decision of letting lapse all NPH options will reduce the dilution of MFG Shareholders.

We set out below our assessed value of the interest in NPH owned by Mr Mackay's investment company and the consideration offered:

Figure 1: Assessment of fairness

	Low	High [1]
Value of the consideration offered		
Number of MFG Shares ('000)	15,406	15,406
Assessed value per MFG Share ($)	1.55	1.65
Subtotal ($'000)	23,879	25,420
Number of MFG 2016 Options (million)	2,607	2,607
Assessed value per MFG 2016 Option ($)	0.33	0.37
Subtotal ($'000)	860	965
Total value of consideration ($'000)	24,739	26,385
Value of Mr Mackay's interests in NPH ($'000)	26,159	29,442

Source: Calculations

(1) Our assessment of the interest in NPH owned by Mr Mackay's investment company is based on our preferred valuation assessment of NPH Shares of between $2.01 and $2.16, on a fully diluted basis. We note that the closing share price of NPH Shares was $3.00 as at 19 December 2007. In this regard, we note that there is a lack of liquidity in NPH Shares and their observed share price may not reflect the underlying value of NPH Share on a fully diluted basis for the purposes of this transaction. Further, our valuation approach in relation to the NPH options owned by Mr Mackay's investment company involves assessing the value of NPH Shares on a fully diluted basis. Accordingly, we have adopted our assessed value range of NPH Shares of between $2.01and $2.16 on a fully diluted basis for the purposes of this report.

Grant Thornton Corporate Finance has concluded that the Proposed Acquisition of Douglass' Interests in NPH Funds is fair and reasonable to the non-associated shareholders of MFG.

In this regard we note that our assessed value of the 40% equity interest in NPH Funds held by Mr Douglass of $21.6 million to $25.3 million is above the total value of the consideration offered by MFG (comprises of MFG Shares and MFG Class B Shares) of $15.0 million to $18.1 million.

We set out below our assessed value of the interest in NPH Funds owned by Mr Douglass and the consideration offered:

Figure 2: Assessment of fairness

	Low	High
Value of consideration offered		
Number of MFG Shares ('000)	5,845	5,845
Assessed value per MFG Share ($)	1.55	1.65
Assessed value of MFG Shares ($'000)	9,059	9,644
Assessed value of MFG Class B Shares ($'000)	5,930	8,470
Total value of consideration offered ($'000)	14,989	18,114
Value of 40% interest in NPH Funds held by Douglass ($'000)	21,635	25,339

Source: Calculations

In arriving at our conclusions, Grant Thornton Corporate Finance has also considered other qualitative factors, including:

- the financial interests of Messrs Douglass and Mackay will be better aligned with MFG Shareholders as a whole and with non-associated shareholders;
- MFG Shareholders will diversify their investments into the investment portfolio held by NPH and NPH Funds. MFG Shareholders will be exposed to the risks of passive investments in listed and unlisted companies. However, we note that MFG management intend to review the acquired investment portfolio;
- the Proposed Transactions are vital steps in the Revised NPH Offers and the internalisation of the MSA;
- at the completion of the Proposed Transactions, Messrs Douglass and Mackay will become employees of MAM with their salaries and bonuses lower than the potential fees payable by MFG under the MSA. In addition, Messrs Douglass and Mackay have agreed to re-commit to their current exclusivity with MFG until at least 1 July 2012. The exclusivity agreement restricts them from investing in a funds management business within Australia and New Zealand;
- if the Proposed Transactions are completed, the shareholding in MFG of the existing MFG shareholders (other than Mr Mackay, Mr Douglass and NPH) will be diluted form approximately 82% to approximately 63%; and
- the liquidity of MFG Shares will increase as a result of the Revised NPH Offers. However, some of the NPH Shareholders may choose to dispose of their MFG Shares. This may affect the short-term market prices of MFG Shares.

OTHER MATTERS

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is included in Appendix B of this report.

The decision as to whether or not to approve the Proposed Transactions is a matter for each shareholder of MFG based on their own views of value of MFG and expectations about future market conditions, MFG's performance, risk profile and investment strategy. If the shareholders are in doubt about the action they should take in relation to the Proposed Transactions, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

SCOTT GRIFFIN	NEIL COOKE
Director	Director

CONTENTS

1 OUTLINE OF THE PROPOSED TRANSACTIONS

1.1 The Original NPH Offers

On 5 October 2007, Magellan Financial Group Limited ("MFG" or the "Company") announced a proposal to acquire all of the shares and options in New Privateer Holdings Limited ("NPH") by way of an off-market takeover under the Corporations Act, 2001 ("Corporations Act") (referred to as the "Original NPH Offers") and, if those offers were successful, to complete the internalisation of the existing management services agreement (the "MSA") between MFG and NPH Funds Pty Limited ("NPH Funds") through the acquisition of the 40% shareholding in NPH Funds held by an entity owned by Hamish Douglass, a shareholder and director of both MFG and NPH Funds.

Under the existing terms of the MSA between MFG and NPH Funds, MFG is required to pay NPH Funds a quarterly base fee calculated by reference to the market capitalisation of MFG ("Services Fee") and annual performance fees calculated be reference to total shareholder return to MFG Shareholders over the relevant period ("Performance Fees"). Essentially the return to MFG Shareholders is the increase in market capitalisation of MFG over the period plus dividends and other entitlements over the period less any new capital raised during the period.

Chris Mackay, the Deputy Chairman of MFG, has, through his investment company, an approximately 36% shareholding in NPH (equivalent to 55% on a fully diluted basis).

The Bidder's Statement in relation to the Original NPH Offers was lodged by MFG with the Australian Securities and Investments Commission ("ASIC") on 21 November 2007 (the "Original Bidder's Statement").

The Original NPH Offers were subject to a number of conditions, including a minimum acceptance of 90%.

Under the Original NPH Offers, the consideration offered by MFG for every NPH Share comprised the following three alternatives:

- 1.1 MFG Ordinary Shares plus 1 MFG Class A Preference Share; or
- 0.65 MFG Ordinary Shares plus 1 share in the Magellan Flagship Fund Limited ("MFF") plus 1 MFG Class A Preference Share; or
- either of the above two alternatives, but in each case without the 1 MFG Class Preference Share.

The Class A Preference Shares are intended to fully compensate NPH Shareholders for the effective 'look through' economic interest which their NPH Shares provide them under the MSA.

NPH First Options have an exercise price of $1.25 and expire on 31 December 2007. On exercise of a NPH First Option, the holder is issued with one NPH Share and one NPH Second Option. NPH Second Options have an exercise price of $1.30 and expire on 31 December 2010. MFG indicated that the Original NPH Offers included the NPH Second Options but did not include NPH First Options. However, if NPH First Options were exercised on or before expiry, the new NPH Shares issued as a result of the exercise could participate in the NPH Offers. The Original NPH Offers also extended to the NPH Shares issued as a result of exercising NPH Second Options.

The consideration offered by MFG for every NPH Second Option was either:

- 3 MFG 2011 Options; or
- 1 MFG 2011 Option.

Mr Mackay has indicated his intention to exercise the NPH First Options that his investment company owned and it was his intention to accept:

- 0.65 MFG Shares plus 1 MFF Share as consideration for every NPH Share owned; and
- 1 MFG 2011 Option as consideration for every NPH Second Option owned.

The Mr Mackay has elected not to receive any MFG Class A Preference Shares which were intended to mirror the economic benefits of the MSA. The consideration elected by Mr Mackay company was inferior to other alternatives available to NPH Shareholders.

MFG is an Australian-based specialist funds management group listed on the Australian Securities Exchange Limited ("ASX") with a market capitalisation of approximately $180 million as at 19 December 2007.

NPH is a listed investment holding company with a market capitalisation of approximately $66 million as at 19 December 2007. NPH holds a 60% equity interest in NPH Funds, with a company controlled by Mr Douglass owning the remaining 40%. NPH Funds owns listed and unlisted investments and it provides management services to MFG under the MSA.

MFF is a managed investment company listed on ASX and represents MFG's first fund. Magellan Asset Management Limited ("MAM"), a wholly-owned subsidiary of MFG, has been appointed to invest and manage the assets of MFF in accordance with the terms of an investment management agreement.

1.2 The Revised NPH Offers

On 10 December 2007, MFG and NPH jointly announced the revised and final proposal in respect of MFG's offers for all NPH Shares and NPH Second Options (the "Revised NPH Offers"). Under the terms of the Revised NPH Offers, NPH security holders will be offered a single alternative for NPH Shares and a single alternative for NPH Second Options, being:

- 1.95 MFG Shares plus 0.33 MFG 2016 Options for each NPH Share; and
- 3 MFG 2011 Options for each NPH Second Option.

Under the Revised NPH Offers, MFF Shares and MFG Class A Preference Shares will no longer form part of the consideration.

The Original NPH Offers have been withdrawn, with the consent of ASIC.

Subject to the independent expert appointed by NPH determining that the Revised NPH Offers are fair and reasonable to the security holders of NPH, the Directors of NPH:

- unanimously recommend that NPH Shareholders accept the Revised NPH Offers for their NPH shares; and

- intend to accept the Revised NPH Offer for all of the NPH Shares and NPH Second Options they own or control. The Directors of NPH collectively own approximately 24% of the total NPH Shares on an undiluted basis.

Except for the above, the Revised NPH Offers are subject to the same conditions as the Original NPH Offers.

The Bidder's Statement in relation to the Revised NPH Offers was lodged by MFG with ASIC on 20 December 2007 (the "Revised Bidder's Statement").

1.3 Proposed acquisition of Mr Mackay' interests in NPH

Mr Mackay's investment company owns 7,900,561 NPH Shares and 6,992,705 of NPH First Options, which is equivalent to approximately 36% of the total issued NPH Shares and approximately 55% on a fully diluted basis.

As a part of the Revised NPH Offers, MFG has proposed to acquire all of Mr Mackay's interests in NPH (the "Proposed Acquisition of Mackay's Interests in NPH"). Mr Mackay has irrevocably agreed to let lapse all of its NPH First Options by not exercising them prior to their expiration on 31 December 2007. Accordingly, if the Proposed Acquisition of Mackay's Interests in NPH proceeds, MFG will issue to Mr Mackay's investment company 15,406,094 MFG Shares and 2,607,185 MFG 2016 Options, based on the 7,900,561 NPH Shares owned by Mr Mackay's investment company. MFG is effectively acquiring the NPH First Options owned by Mr Mackay's investment company at nil consideration.

At the conclusion of the proposed transaction, Mr Mackay's investment company will own approximately 11.6% of the total issued capital in MFG and 8.7% on a fully diluted basis.

1.4 Proposed acquisition of 40% of NPH Funds held by Mr Douglass

For the purpose of the MFG's internalisation of the MSA, MFG has proposed to acquire the 40% equity interest in NPH Funds held by an entity owned by Mr Douglass (the "Proposed Acquisition of Douglass' Interests in NPH Funds") at a consideration of:

- 5,844,799 MFG Shares; and
- 10,200,000 MFG Class B Shares.

The consideration offered is intended to exclude any compensation for possible Performance Fees under the MSA.

The Proposed Acquisition of Douglass' Interest in NPH Funds is subject to a number of conditions, including the completion by MFG of the Revised NPH Offers.

If the proposed transaction is approved, Mr Douglass will own approximately 5.3% of the total issued capital in MFG and 8.7% on a fully diluted basis.

1.5 Douglass' and Mackay's relevant interests in MFG

1.5.1 Current relevant interests and voting power

As at the date of this report, Mr Douglass, through his investment company, has a relevant interest in 39,311 MFG Shares and 3,934 MFG 2009 Options (excluding his deemed relevant interest in MFG Shares held by NPH Funds).

As at the date of this report, Mr Mackay's investment company has a relevant interest in 1,392,711 MFG Shares and 619,272 MFG 2009 Options (excluding his deemed relevant interests in MFG shares held by NPH and NPH Funds).

As Messrs Douglass and Mackay are currently associates in relation to MFG for the purposes of the Corporations Act, each of their voting power in MFG (as defined in the Corporations Act) will include the relevant interests of the other in voting shares in MFG. As at the date of this report, each of Messrs Douglass and Mackay has voting power of approximately 1.3% of MFG excluding deemed relevant interests in MFG shares held by NPH and NPH Funds, and approximately 19% of MFG including deemed relevant interests in MFG shares held by NPH and NPH Funds.

1.5.2 Relevant interests and voting power post the implementation of the proposed acquisitions

Post the implementation of the proposed transactions, Messrs Douglas and Mackay will no longer be associates under the Corporations Act. Their respective interests in MFG are as follows:

- Mr Douglass will have relevant interests (excluding any deemed relevant interest in MFG Securities held by NPH or NPH Funds) in 7,643,794 MFG Shares, 3,934 MFG 2009 Options, 297,793 MFG 2016 Options and 10,200,000 MFG Class B Shares. Based on the pro forma capital structure of MFG, Mr Douglas will own 5.3% of MFG on an undiluted basis and 8.7% on a fully diluted basis; and

- Mr Mackay's investment company will have relevant interests (excluding any deemed relevant interest in MFG Securities held by NPH or NPH Funds) in 16,798,805 MFG Shares, 619,272 MFG Options and 2,607,185 MFG 2016 Options Based on the pro forma capital structure of MFG, Mr Mackay's investment company will own 11.6% of MFG on an undiluted basis and 10.0% on a fully basis.

The above shareholdings have been calculated based on a number of assumptions, including:

- the Revised NPH Offers are successful; and

- the respective MFG Shareholdings of NPH (6%) and NPH Funds (12%) have been cancelled.

Other assumptions have been listed in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

1.6 Employment of Messrs Douglass and Mackay

Post the proposed acquisitions, Messrs Douglass and Mackay will become employees of MFG's wholly-owned subsidiary, MAM. Currently Messrs Douglass and Mackay are directors of MAM and MFG and they do not receive any remuneration from MAM or MFG.

The proposed terms of employment for Messrs Douglass and Mackay are that each will be paid an annual salary of $250,000 plus the right to an annual bonus of up to $250,000. The performance criteria for the bonus will be set by the Board of MFG.

In addition, Messrs Mackay and Douglass have agreed to re-commit to their current exclusivity arrangements with MFG until at least 1 July 2012. Based on an Exclusivity Deed dated 21 November 2006 (the "Exclusivity Deed"), each of NPH, NPH Funds, Mr Mackay and Mr Douglass have undertaken not to, for the terms of the MSA, invest in a funds management business within Australia and New Zealand.

Based on the Exclusivity Deed, the restraint will cease to apply to Mr Mackay in the event that he and his controlled entities hold less than 10% of the NPH Shares. Therefore, if the Proposed Acquisition of Mackay's Interests in NPH is approved, the restraint would no longer apply to Mr Mackay.

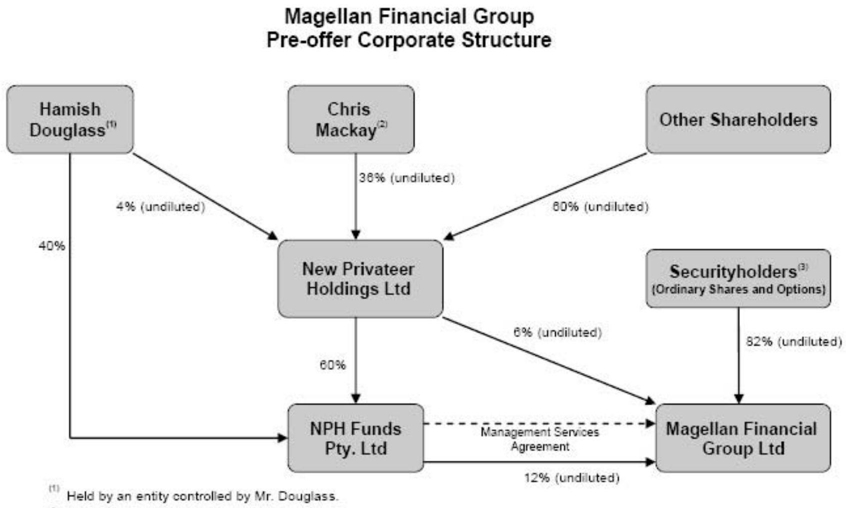
Separately, the restraint will cease to apply to Mr Douglass in the event that he and his controlled entities hold less than 10% of the shares in NPH Funds. Therefore, if the Proposed Acquisition of Douglass' Interest in NPH Funds is approved, the restraint would no longer apply to Mr Douglass.

Mr Douglass' and Mackay's agreement to re-commit to their exclusivity arrangements with MFG restricts them from investing in a funds management business within Australia and New Zealand until at least 1 July 2012.

1.7 Structure of MFG before and after the transactions

The following diagram illustrates the existing structure of MFG.

Figure 3: **Existing structure of MFG**



(1) Held by an entity controlled by Mr. Douglass.

(2) Held by an entity controlled by Mr. Mackay. This means that Mr. Mackay would have voting power of 55% in NPH if all holders (including Mr Mackay's investment company) were to exercise all of their NPH First Options and NPH Second Options.

(3) Includes Mr. Mackay's and Mr. Douglass' holdings of MFG Ordinary Shares and MFG 2009 Options (see section 8.1).

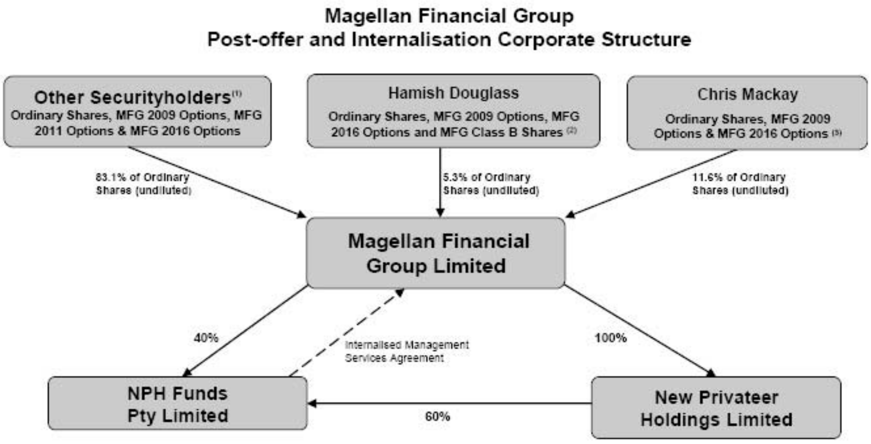
Source: MFG Notice of Extraordinary General Meeting and Explanatory Memorandum

Post the proposed acquisitions:

- NPH and NPH Funds will become wholly owned subsidiaries of MFG; and
- MFG will issue securities to satisfy its obligation under the Revised NPH Offers.

The following diagram illustrates the structure of MFG post the proposed acquisitions.

Figure 4: Post-transaction structure of MFG



(1) Includes former NPH Shareholders.

(2) These MFG Securities will be held by the investment company controlled by Mr Douglass.

(3) There MFG Securities will be held be the investment company controlled by Mr Mackay and includes Mr Mackay's 3% of MFG 2009 Options and 33.1% of the MFG 2016 Options.

Source: MFG Notice of Extraordinary General Meeting and Explanatory Memorandum

The Post-Offer and Internalisation Corporate Structure has been prepared on the basis that:

- the Offers are successful and MFG acquires 100% of the NPH Shares and NPH Second Options;
- the Internalisation Proposal is implemented;
- the respective MFG Ordinary Shareholdings of NPH (6%) and NPH Funds (12%) have been cancelled (see section 3.2(c);
- the assumptions in section 4.4(a) apply; and
- on the basis of the NPH Securities on issue as at 18 December 2007.

2 SCOPE OF THE REPORT

2.1 Purpose

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if it proposes to acquire a substantial asset from a related party. ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX.

ASX Listing Rule 10.1 requires that the Notice of Meeting to approve the transaction to be accompanied by a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated shareholders.

Mr Mackay is the major shareholder in NPH and a director of, and a substantial shareholder in, MFG. Mr Douglass is a shareholder in NPH and a director of, and a shareholder in MFG. Accordingly, Messrs Douglass and Mackay are associates in relation to MFG for the purposes of the Corporations Act.

As the potential value in Mr Mackay's interests in NPH exceeds 5% of MFG's last reported net assets (being 5% of the net assets of approximately $69 million as at 30 June 2007), the Proposed Acquisition of Mackay's Interests in NPH requires the approval by the non-associated shareholders of MFG, being shareholders of MFG other than Mr Douglass, Mr Mackay and their associates, under ASX Listing Rule 10.1.

The potential value of the 40% equity interest in NPH Funds held by Mr Douglass exceeds 5% of MFG's last reported net assets. Accordingly, the Proposed Acquisition of Douglass' Interest in NPH Funds requires the approval by the non-associated shareholders of MFG, under ASX Listing Rule 10.1.

As a result, the Independent Directors of MFG have requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report as to whether:

- the Proposed Acquisition of Mackay's Interests in NPH is fair and reasonable to the non-associated shareholders of MFG; and
- the Proposed Acquisition of Douglass' Interest in NPH Funds is fair and reasonable to the non-associated shareholders of MFG.

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum which will be despatched by MFG in due course and which will include this report, and is prepared for the exclusive purpose of assisting the non-associated shareholders of MFG in their consideration of the Proposed Acquisition of Mackay's Interests in NPH and the Proposed Acquisition of Douglass' Interest in NPH Funds (the "Proposed Transactions").

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

Grant Thornton Corporate Finance is independent of MFG and its Directors and all other parties and has no involvement with, or interest in, the outcome of the approval of the Proposed Transactions other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out of pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate

Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transactions.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact to the non-associated shareholders of MFG as a whole. We have not considered the potential impact of the proposed transactions on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transactions on individuals.

The decision as to whether or not to approve the Proposed Transactions is a matter for each shareholder of MFG based on their own views of the value of MFG and expectations about future market conditions, MFG's performance, risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Proposed Transactions, they should seek their own professional advice.

Grant Thornton Corporate Finance has not provided an opinion to the security holders of NPH.

2.2 Basis of Assessment

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly ASIC Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and ASIC Regulatory Guide 111 "Content of expert reports" ("RG 111").

RG 74 sets out ASIC's view on the principles and matters, including the definition of "fair and reasonable", that it expects a person preparing an independent expert's report to consider. The term "fair and reasonable" has no legal definition. RG 74 states that in determining whether a transaction is "fair and reasonable", the transaction's likely advantages and disadvantages to non-associated shareholders must be compared in the independent expert's report with the advantages and disadvantages to the same non-associated shareholders if the transaction does not proceed.

Accordingly, assessing the value impact of the Proposed Transactions on the non-associated shareholders (i.e. fairness) is an important element of this analysis although it is not the only determinant of our final opinion.

In addition to our quantitative assessment, we have also had regard to:

- the likely advantages accruing to the non-associated shareholders of MFG from the approval of the Proposed Transactions; and
- the likely disadvantages related to the approval of the Proposed Transactions.

3 PROFILE OF MFG

MFG is an Australian-based specialist funds management group formed via the recapitalisation of Pengana Hedge Funds Group in 2006, and is a publicly listed company on the ASX.

3.1 History

Prior to 22 March 2007, MFG was party to an agreement to staple its shares to units in the Magellan Financial Group Trust (the "Trust"). The shares of MFG and the units of the Trust were jointly quoted on the ASX.

On 22 March 2007, MFG shareholders and unit holders in the Trust voted to amend the Constitutions of MFG and the Trust respectively to terminate the stapling agreement. From 22 March 2007, shares in MFG remained listed on the ASX as individual securities and units in the Trust were de-listed. The Trust was subsequently wound up on 29 June 2007. The net assets of the Trust at the date of the de-stapling were nil.

3.2 Business operations

MFG has two principal businesses, being MAM and Magellan Investments.

3.2.1 MAM

MAM is MFG's primary operating business. MAM is the investment manager of a number of listed and unlisted managed funds, including MFF, Magellan Global Fund and Magellan Infrastructure Fund.

Fees charged by MAM are typically structured into two components, being:

- quarterly base fee – calculated as a percentage of the net assets of the respective funds/entities managed; and

- annual performance fee – calculated as a percentage of the absolute dollar value of the investment performance, where the total annual return in the relevant annual period exceeds certain predetermined levels.

3.2.2 Magellan Investments

Magellan Investments intends to invest in a number of fund managers, either by providing capital to seed a new business, acquiring an interest in an established funds management business or establishing a joint venture.

As at the date of this report, management of MFG have advised that Magellan Investments was at the stage of evaluating investment opportunities and has not invested in any fund management businesses as intended.

3.3 Financial performance

We set out below the consolidated income statement of MFG for the years ended 30 June 2006 ("FY06") and 30 June 2007 ("FY07").

Figure 5: **MFG's consolidated income statement**

	FY06 Audited $'000	FY07 Audited $'000
Revenue		
Management fee revenue	-	2,568
Dividend income	149	-
Interest income	203	1,866
Revaluation of financial assets	1,928	-
Net gains on sale of financial assets	1,686	2,493
Other revenue	76	148
Total revenue	**4,042**	**7,075**
Expenses		
Employee benefits expense	-	5,622
Depreciation and amortisation	-	36
Rental expense	-	208
Other expenses	1,228	3,291
Finance costs	89	-
Total expenses	**1,317**	**9,157**
Operating (loss) / profit before income tax	**2,725**	**(2,082)**
Income tax benefit / (expense)	(529)	937
Net operating (loss) / profit before AASB 132 Accounting Adjustment	**2,196**	**(1,145)**
AASB 132 Accounting Adjustment	-	4,681
Net profit after AASB 132 Accounting Adjustment	2,196	3,536
Deduct net profit / (loss) attributable to minority interests		
- Magellan Financial Group Trust	-	471
- External minority interests	(371)	549
Net profit attributable to members of the parent after AASB 132 Accounting Adjustment	**2,567**	**2,516**

Source: MFG FY07 Annual Report

We note the following in relation to the income statement of MFG:

- management fee revenue for FY07 represents the base fee earned from MAM acting as investment manager. No performance fee was earned during FY07;

- employee benefits represents the costs for non-executive directors and employees. Executive directors are not remunerated by MFG;

- other expenses include approximately $1.6 million of service fees paid to NPH Funds under the MSA for the period from November 2006 (effective date of the MSA) to 30 June 2007. No performance fees for the period was payable; and

- as a result of recapitalisation, MFG has issued options ("MFG 2009 Options") to subscribe for shares of MFG. Upon exercise of an MFG 2009 Option, the option holder will be issued with one new MFG Share and one additional option ("MFG 2011 Option"). AASB 132 *Financial Instruments: Presentation* determines that the MFG 2009 Options are compound financial instruments comprising both an option on a share (an equity instrument) and an option on an option (a financial liability). The financial liability is required to be carried on the balance sheet of MFG at fair value. The AASB 132 Accounting Adjustment relates to the movement in the fair value of the financial liability. Grant Thornton Corporate Finance notes that the AASB 132 Accounting Adjustment is an accounting adjustment and does not have any cash flow impact.

3.4 Financial position

Set out below is the balance sheet of MFG as at 30 June 2006 and 30 June 2007.

Figure 6: MFG's balance sheet

	As at 30-Jun-06 Audited $'000	As at 30-Jun-07 Audited $'000
Current Assets		
Cash and cash equivalents	1,638	74,408
Trade and other receivables	203	1,982
Prepayments	22	64
Financial assets	22,349	405
Total current assets	**24,212**	**76,859**
Non Current Assets		
Property, plant and equipment	-	408
Financial assets	10,852	24,772
Loan to controlled entity	-	-
Deferred tax assets	776	2,594
Total Non-Current Assets	**11,628**	**27,774**
TOTAL ASSETS	**35,840**	**104,633**
Current liabilities		
Trade and other payables	108	5,151
Tax liabilities	675	-
Total current liabilities	**783**	**5,151**
Non current liabilities		
AASB 132 Accounting Adjustment	-	30,033
Total non current liabilities	**-**	**30,033**
TOTAL LIABILITIES	**783**	**35,184**
NET ASSETS	**35,057**	**69,449**
EQUITY		
Issued securities	28,163	103,080
AASB 132 Accounting Adjustment	-	(34,715)
Contributed equity	28,163	68,365
Reserves	(374)	(1,203)
Retained profit	1,348	2,287
Total attributable to members of the Group	**29,137**	**69,449**
Attributable to minority interests	5,920	-
TOTAL EQUITY	**35,057**	**69,449**

Source: MFG FY07 Annual Report

We note the following in relation to the financial position of MFG:

- MFG raised approximately $75 million in cash from the issue of shares and options in FY07. The cash balance as at 30 June 2007 reflects the net proceeds of the capital raising;
- financial assets represent investment in listed shares. The carrying amount as at 30 June 2007 represents the fair value of these shares as at that date; and
- AASB 132 Accounting Adjustment relates to the issue of the MFG 2009 Options. We note that the adjustment has no cash flow impact and will extinguish when all MFG 2009 Options are either exercised, or expire by 30 June 2009.

3.5 Capital structure

MFG has 112.3 million MFG Shares, 28.3 million MFG 2009 Options and 6,365 MFG 2011 Options on issue.

By reference to filings made with the ASX, the substantial shareholders of MFG as at 21 November 2007 and their shareholding details are as follows:

Figure 7: MFG's substantial shareholders

Substantial Holder	Number of MFG Ordinary Shares	Percentage (%)
Chris Mackay, Hamish Douglass and Associates	20,741,363	19.32%
Cavalene Holdings Pty Ltd	18,006,006	16.77%
MMC Contratian Ltd	3,972,587	5.87%

Source: Revised Bidder's Statement

3.5.1 MFG 2009 Options

The key terms and rights attaching to the MFG 2009 Options are as follows:

- MFG 2009 Options can be exercised during any two month period following the announcement of MFG's full year or half year results in each year prior to the expiry date;
- upon exercise of an MFG 2009 Option, the option holder will be issued with one MFG Share and one MFG 2011 Option;
- the exercise price of the MFG 2009 Options is $1.20; and
- the MFG 2009 Options expire on 30 June 2009.

3.5.2 MFG 2011 Options

The key terms of the MFG 2011 Options are as follows:

- MFG 2011 Options can be exercised during any two month period following the announcement of MFG's full year or half year results in each year prior to the expiry date;

- upon exercise of an MFG 2011 Option, the option holder will be issued with one MFG Share;
- the exercise price of the MFG 2011 Options is $1.30; and
- the MFG 2011 Options expire on 30 June 2011.

3.5.3 MFG 2016 Options

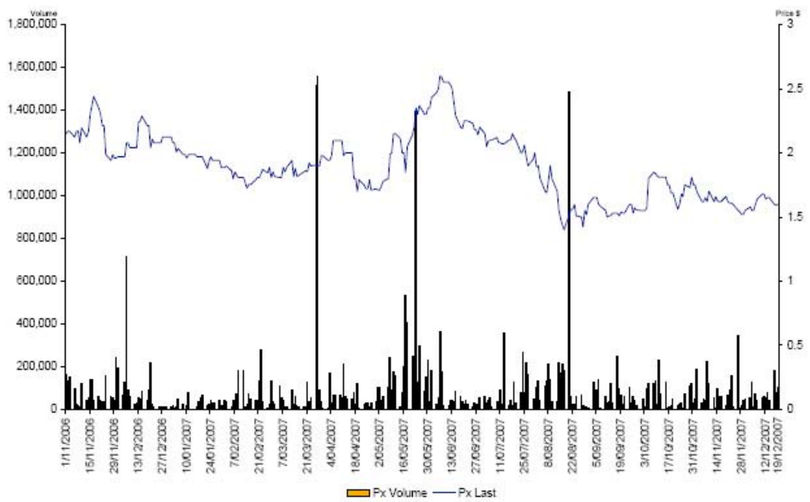
MFG 2016 Options will be issued to the NPH Shareholders as a part of the consideration for NPH Shares. The key terms of the MFG 2016 Options are as follows:

- MFG 2016 Options can be exercised during any two month period following the announcement of MFG's full year or half year results in each year prior to the expiry date;
- upon exercise of an MFG 2016 Option, the option holder will be issued with one MFG Share;
- the exercise price of the MFG 2016 Options is $3.00; and
- the MFG 2016 Options expire on 30 June 2016.

3.6 Share performance

We set out below the movements in MFG Share price and volume for the period from 1 November 2006 to 19 December 2007.

Figure 8: MFG's share performance



Source: Bloomberg

We note the following with regard to the share price history shown above:

Date	Comments
24 Nov 06	MFG issued 38.4 million shares as part of the recapitalisation process. MFG share price closed at $1.99.
8 Dec 06	MFG announced the $378 million IPO of MFF, which closed oversubscribed. MFG share price closed at $2.08.
14 Dec 06	MFG announced the November month end NTA of $0.97 per share. MFG share price closed at $2.25.
22 Mar 07	MFG shareholders and unit holders vote for de-stapling of the MFG shares from the Trust's units. MFG share price closed at $1.92.
5 Apr 07	MFG lodged with ASIC a prospectus to raise further capital to complete the recapitalisation. MFG share price closed at $2.10.
16 May 07	MFG announced that 39 million shares and 9 million initial options have been issued. MFG share price closed at $2.00.
30 Aug 07	MFG announced full year result for FY07 and the intention to restructure MFG, NPH and NPH Funds. MFG share price closed at $1.52.
5 Oct 07	MFG announced the Original NPH Offers. MFG share price closed at $1.80.
11 Dec 07	MFG and NPH jointly announced the Revised NPH Offers after the market closed on 10 December 2007. MFG share price closed at $1.68 on 11 December 2007.

Source: MFG announcements on ASX

We set out in the table below the recent trading share prices of MFG:

Figure 9: MFG recent trading share prices

Month	High ($)	Low ($)	Close ($)	Monthly volume
Nov-06	2.44	1.91	1.96	1,863,188
Dec-06	2.34	1.95	2.12	1,923,366
Jan-07	2.12	1.85	1.89	595,799
Feb-07	1.99	1.70	1.81	1,451,198
Mar-07	1.98	1.81	1.98	3,938,734
Apr-07	2.10	1.70	1.72	1,204,269
May-07	2.37	1.71	2.35	5,121,310
Jun-07	2.60	2.14	2.20	1,372,754
Jul-07	2.15	1.90	2.00	1,871,765
Aug-07	1.90	1.40	1.60	3,480,192
Sep-07	1.65	1.50	1.56	1,388,581
Oct-07	1.85	1.55	1.75	1,474,710
Nov-07	1.75	1.52	1.55	1,777,762
01/12/07 - 19/12/07	1.69	1.40	1.60	957,617

Source: Bloomberg and calculations

4 PROFILE OF NPH

NPH is an investment holding company and holds a 60% interest in NPH Funds.

NPH directly holds a portfolio of predominantly Australian securities, including 6.7 million MFG Shares, representing approximately 6.2% of the total issued capital of MFG. In addition, MFG directly owns 3.07 million MFG 2009 Options.

4.1 Financial Performance

We set out below the consolidated income statement of NPH for FY06 and FY07.

Figure 10: NPH's financial performance

	FY06 Audited $'000	FY07 Audited $'000
Revenue	1,924	25,353
Employee benefits expense	(45)	(55)
Administration expenses	-	(51)
Legal costs	-	(28)
Interest and other costs of income	-	(368)
Other expenses	(1,220)	(645)
Profit before income tax	**659**	**24,207**
Income tax expense	-	(6,726)
Profit for the year	**659**	**17,481**
Profit attributable to minority equity interest	-	(4,312)
Profit attributable to members	**659**	**13,169**

Source: NPH FY07 Annual Report

The revenue for FY07 primarily consists of an unrealised gain in the investment portfolio of approximately $21.2 million and management fee income of approximately $1.4 million from MFG under the MSA.

4.2 Financial position

Set out below is the consolidated and parent entity balance sheet of NPH as at 30 June 2006 and 30 June 2007.

Figure 11: NPH's financial position

	Consolidated		Parent	
	As at	As at	As at	As at
	30-Jun-06	30-Jun-07	30-Jun-06	30-Jun-07
	Audited	Audited	Audited	Audited
	$'000	$'000	$'000	$'000
ASSETS				
Current Assets				
Cash and cash equivalents	7,416	4,923	7,416	4,830
Trade and other receivables	247	747	247	10
Financial assets	12,361	20,933	12,361	6,946
Total current assets	20,024	26,603	20,024	11,786
Non Current Assets				
Financial assets	4,601	57,723	4,601	30,384
Deferred tax assets	106	213	106	213
Total Non-Current Assets	4,707	57,936	4,707	30,597
TOTAL ASSETS	24,731	84,539	24,731	42,384
Current liabilities				
Trade and other payables	236	227	236	54
Current tax liabilities	-	468	-	132
Short-term provisions	143	-	143	-
Total current liabilities	379	695	379	186
Non current liabilities				
Financial liabilities	-	7,500	-	-
Deferred tax liabilities	-	13,822	-	4,819
Total non current liabilities	-	21,322	-	4,819
TOTAL LIABILITIES	379	22,016	379	5,005
NET ASSETS	24,352	62,522	24,352	37,379
EQUITY				
Issued capital	25,780	26,054	25,780	26,054
Reserves	-	12,923	-	6,160
Retained earnings	(1,428)	11,632	(1,428)	5,165
TOTAL EQUITY	24,352	50,610	24,352	37,379
Minority equity interest	-	11,913	-	-
TOTAL EQUITY	24,352	62,522	24,352	37,379

Source: NPH FY07 Annual Report

We note following with regard to the financial position of NPH:

- the consolidated balance sheet of NPH recognises 100% of the assets and liabilities of NPH Funds. Mr Douglass's 40% interest in NPH Funds is represented as a minority equity interest; and

- the parent entity balance sheet represents the assets and liabilities directly held by NPH and its investment in 60% NPH Funds.

We have discussed the financial position of NPH in details in Section 8 of this report.

4.3 Capital structure

As at 31 August 2007, NPH has the following securities on issue:

- 21,864,981 NPH Shares;
- 8,975,931 NPH First Options (exercise price: $1.25, expiry date: 31 December 2007); and
- 73,922 NPH Second Options (exercise price: $1.30, expiry date: 31 December 2010).

The following table summarises the top 20 shareholders of NPH as at 31 August 2007. We note that the top 20 shareholders hold collectively 73% of total NPH Shares. We further note that Mr Mackay and his associates (Magellan Equities Pty Ltd) own approximately 36% of the total NPH Shares on issue.

Figure 12: NPH capital structure

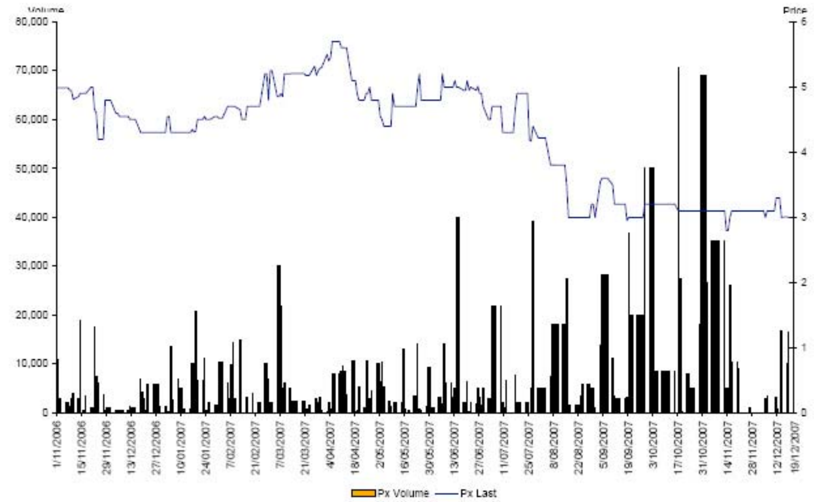
Holder's name	Number of Ordinary Shares	% of Shares in Issue
Magellan Equities Pty Ltd	7,871,567	36.03
Vahedin Pty Ltd	2,231,518	10.21
Philip Alan Kenneth Naylor & Andrea Naylor A/c Callahorn Superannuation Fund	906,538	4.15
Midas Touch Investments Pty Ltd	900,867	4.12
Aljamat Pty Ltd A/c C & D Baer Family Account	804,946	3.68
Giwah Pty Ltd A/c D Baer Superannuation Fund	460,015	2.11
Jash Pty Ltd A/c Bruce Hinckfuss P/L Superannuation Fund A/c	373,617	1.71
Raymond John Murphy	360,986	1.65
Tracey Fraser	300,000	1.37
Majan Pty Ltd A/c Majana Superannuation Fund A/c	284,688	1.30
Catholic Church Insurances Ltd	200,000	0.92
Giwah Pty Ltd Investment A/c	195,734	0.90
Meadgate Pty Ltd	191,522	0.88
Mile End Pty Ltd	184,244	0.84
Keith Ernest Richards & Janet Margaret Richards A/c Richards Superannuation Fund	180,000	0.82
John Vincent Toohey & Anne Toohey A/c Toohey Family Super	132,200	0.61
Bell Securities Ltd	120,000	0.55
Oliver Road Investments Pty Ltd Investments A/c	120,000	0.55
LJ Thompson Pty Ltd	118,170	0.54
Peter Thomas Toohey & Phillipa Mary Toohey	95,271	0.44
Total shares held by the twenty largest shareholders	**16,031,883**	**73.37**
Total shares in issue	**21,850,127**	**100**

Source: NPH FY07 Annual Report

4.4 Share price performance

We set out below the movements in NPH share price and volume for the period from 1 November 2006 to 19 December 2007.

Figure 13: NPH share performance



Source: Bloomberg

We note the following with regard to the share price history shown above:

Date	Comments
23 Nov 06	NPH announced the results of AGM. NPH Share price closed at $4.60.
5 Apr 07	MFG lodged with ASIC a prospectus to further raise capital to complete the recapitalisation. NPH Share price closed at $5.70.
30 Aug 07	NPH noted the earlier day announcement by MFG regarding the potential restructure between MFG, NPH and NPH Funds. NPH Share price closed at $3.20.
31 Aug 07	Chris Mackay resigns as director and Chairman of NPH.
5 Oct 07	MFG proposed the takeover offer for NPH. NPH Share price closed at $3.20.
11 Dec 07	MFG and NPH jointly announced the Revised NPH Offers after the market closed on 10 December 2007. NPH share price closed at $3.30 on 11 December 2007.

Source: NPH announcements on ASX

We set out in the table below the recent trading share prices of NPH:

Figure 14: NPH recent trading share prices

Month	High ($)	Low ($)	Close ($)	Monthly volume
Nov-06	5.00	4.20	4.80	94,534
Dec-06	4.60	4.30	4.30	53,115
Jan-07	4.55	4.30	4.52	119,905
Feb-07	5.20	4.50	4.80	111,021
Mar-07	5.32	4.85	5.30	128,900
Apr-07	5.70	4.80	4.80	123,575
May-07	5.20	4.40	4.80	99,656
Jun-07	5.20	4.70	4.70	152,527
Jul-07	4.90	4.17	4.22	174,772
Aug-07	3.80	3.00	3.00	196,956
Sep-07	3.60	2.95	3.20	363,971
Oct-07	3.20	3.10	3.10	503,620
Nov-07	3.10	2.80	3.10	373,524
1/12/07 - 19/12/07	3.30	3.00	3.00	53,704

Source: Bloomberg and Calculations

Based on the trading volumes of NPH Shares, we note that historically the monthly average number of shares traded represents approximately 1% to 2% of the total number of NPH Shares issued.

5 PROFILE OF NPH FUNDS

The key businesses and operations of NPH Funds are holding investments and management of MFG under the MSA.

5.1 Investment portfolio

NPH Funds owns certain units in Catalyst Buyout Fund 1, approximately 12.6 million MFG Shares and approximately 6.3 million MFG 2009 Options.

Catalyst Buyout Fund 1 is a private equity fund focused on Australasian buyout and private equity opportunities in the range between $100 million and $400 million.

5.2 MSA

MFG has entered into the MSA with NPH Funds pursuant to which NPH Funds provides management services to MFG. The MSA has a minimum term of 10 years and commenced on 21 November 2006.

Under the MSA, NPH Funds agreed to provide the following services (the "Management Services") to MFG:

- the provision of an annual strategy document to MFG board each year;
- the provision of a five year strategic plan to the MFG board every second year;
- identification of, and negotiation with, potential partners to form funds management ventures;
- a semi-annual review of the performance of each of MFG's funds management entities;
- an annual review of each of MFG's funds management associates or joint ventures;
- the provision, if required by MFG, of a suitably qualified period to be the chairman of MFG;
- the provision, if required by MFG, of a suitably qualified person to be the deputy chairman of MFG; and
- such other services as the parties may agree in writing from time to time.

During the initial 10 years, MFG can terminate the MSA by providing NPH Funds 90 days notice. However, after the initial 10 years, termination is effective if a 90 days notice is approved by a resolution of the members of MFG.

Under the MSA, NPH Funds is entitled to receive a quarterly service fee ("Service Fee") and an annual performance fee ("Performance Fee") from MFG calculated as follows:

5.2.1 Service Fee

Based on the MSA, MFG will pay NPH Funds a quarterly Service Fee of 0.3125% of the market capitalisation of MFG. For the purposes of determining the quarterly service fee payment, the market capitalisation of MFG will be calculated based on the number of MFG shares on issue as at the end of the quarter and the average of the daily volume weighted average price ("VWAP") of MFG shares for the previous 10 trading days.

5.2.2 Performance Fee

MFG will pay NPH Funds an annual Performance Fee for the initial period, being from 21 November 2006 to 30 June 2008, and for subsequent annual periods commencing on 1 July 2008 on the following basis:

- if the total return for MFG shareholders on an annualised basis ("TSR") is less than 10%, the performance fee will be nil;
- if the TSR is between 10% and 20%, the performance fee will be 10% of the absolute dollar value of the TSR; and
- if the TSR is 20% or great, the performance fee will be 15% of the absolute dollar value of the TSR.

TSR is calculated based on the following formula:

$$(CP - OP + D) \div OP$$

Where:

- CP is the average of the daily VWAP for the 10 trading days up to and including the last day of the relevant annual period;
- OP is the CP for the immediately preceding annual period; and
- D is dividends or other distributions per share paid or payable to MFG shareholders.

The absolute dollar value of the TSR shall be calculated as follows:

$$(CMC - OMC + D - NC)$$

Where:

- CMC is the closing market capitalisation of MFG at the end of the relevant annual period. The market capitalisation shall be calculated based on the number of MFG shares on the last day of the relevant period and the average of the daily VWAP for the last 10 trading days up to and including the last day of that period;
- OMC is the opening market capitalisation of MFG at the beginning of the annual period;
- D is the aggregate of all dividends or other distributions paid or payable to MFG shareholders; and
- NC is the aggregate dollar value of any new capital subscribed for MFG shares during the relevant annual period calculated at the subscription price for that new capital.

Based on the terms of the MSA, the potential Performance Fee for the year ending 30 June 2008 is calculated based on the total return for MFG shareholders over the period from 21 November 2006 to 30 June 2007.

5.3 Financial performance

We set out below the income statement of NPH Funds for:

- the period from 6 July 2006 (date of incorporation) to 30 June 2007 (audited); and
- the five months ended 30 November 2007 (unaudited).

Figure 15: NPH Funds Income Statement

	6-Jul-06 to 30-Jun-07 Audited $000	5 mths to Nov-07 Unaudited $000
Revenue from ordinary activities		
Fee income	1,413	910
Dividends	263	178
Interest	55	17
Trust distributions received	34	-
Unrealised gain/(loss) in the net value of held for trading financial assets	13,987	(8,632)
Other income	2	-
Total Income	**15,753**	**(7,527)**
Expenses from ordinary activities		
Administration expenses	(50)	(31)
Borrowing costs	(387)	(246)
Legal and professional expenses	(28)	-
Other expenses	(1)	-
Total Expenses	**(466)**	**(277)**
Operating profit from ordinary activities before income tax expense	15,287	(7,804)
Income tax expense	(4,507)	2,394
Profit/(loss) attributable to members of the entity	**10,780**	**(5,409)**

Source: NPH Funds FY07 audited accounts and management accounts

We note the following with regard to the income statement of NPH Funds:

- fee income represents the revenue received from MFG under the MSA. For the periods from 6 July 2006 to 30 June 2007 and the five months ended 30 November 2007, the amounts represent Service Fee only;
- the unrealised loss for the five months ended 30 November 2007 primarily represents the movement in the fair value of NPH Funds' investments; and
- the administration expenses reflects the administration services provided by MAM.

5.4 Financial position

Set out below is the balance sheet of NPH Funds as at 30 June 2007 (audited) and 30 November 2007 (unaudited).

Figure 16: NPH Funds balance sheet

	As at 30-Jun-07 Audited $000	As at 30-Nov-07 Unaudited $000
ASSETS		
Cash	93	701
Receivables	736	368
Other financial assets (investment portfolio)	45,964	28,018
TOTAL ASSETS	**46,794**	**29,087**
LIABILITIES		
Trade and other payables	174	194
Financial liabilities	7,500	7,000
Current tax liabilities	335	542
Deferred tax liabilities	9,003	3,575
TOTAL LIABILITIES	**17,012**	**11,311**
NET ASSETS	**29,782**	**17,776**
EQUITY		
Contributed equity	7,730	7,730
Accumulated gains	22,052	10,046
TOTAL EQUITY	**29,782**	**17,776**

Source: NPH Funds FY07 audited accounts and FY08 management accounts

We have discussed the balance sheet in detail in section 8 of this report.

5.5 Capital structure

NPH Funds is 60% owned by NPH and 40% owned by an entity associated with Mr Douglass.

Key terms of the Shareholders Deed include:

- at all times, each NPH Funds shareholder (being NPH and Mr Douglass' associates) will be entitled to equal representation of Directors on the Board;
- the Chairperson, who can be any Director, does not have a casting vote;
- a quorum of the shareholders at a general meeting is shareholders holding at least 75% of the NPH Funds Shares on issue; and
- unless the shareholders otherwise agree, NPH Funds must distribute by way of dividend in respect of each financial year at least 30% of the post tax profits for that year.

6 PROFILE OF THE MERGED GROUP

In the following sections we have summarised the key characteristics of MFG if the Proposed Transactions are approved (the "Merged Group").

6.1 Internalisation of MSA and other intentions

If the Proposed Acquisition of Douglass' Interest in NPH Funds is approved (subject to the Revised NPH Offers being successful), NPH Funds will become a wholly owned subsidiary of MFG and the MSA will be internalised. Currently Messrs Douglass and Mackay are directors of MAM and MFG and they do not receive any remuneration from MAM and MFG. The proposed terms of employment for Messrs Douglass and Mackay are that each will be paid an annual salary of $250,000 plus the right to an annual bonus of up to $250,000.

Other intentions of MFG in relation to the NPH Offers include:

- arrange for NPH to be removed from the official list of ASX;
- dispose/cancel MFG securities held by NPH and NPH Funds;
- replace all members of the NPH Board with nominees of MFG;
- invite two existing directors of NPH onto the Board of MFG;
- review NPH's investment portfolio;
- generally continue the business of NPH; and
- not make any major changes to the business of NPH nor to redeploy any of the fixed assets of NPH.

6.2 Pro forma financial position

We set out below the pro forma balance sheet of the Merged Group as at 30 June 2007:

Figure 17: The Merged Group balance sheet

	As at 30-Jun-07 Pro forma $'million
Current assets	
Cash and cash equivalents	62.4
Other current assets	3.3
Total current assets	65.7
Non-current assets	
Intangibles	53.1
Other financial assets	57.5
Other non-current assets	8.2
Total non-current assets	118.8
Total assets	184.5
Current liabilities	
Trade creditors and other payables	(5.9)
Bank loans	(7.5)
Total current liabilities	(13.4)
Non-current liabilities	
Deferred tax liabilities	(0.8)
AASB 132 accounting adjustment	(6.9)
Total non-current liabilities	(7.7)
Total liabilities	(21.1)
Net assets	163.4
Equity	
Issued securities	176.4
AASB132 adjustment	(31.3)
Contributed equity	145.1
Asset revaluation reserve	(3.5)
Retained profits / (losses)	21.8
Total equity	163.4

Source: MFG Bidder's Statement

The consolidated pro forma balance sheet of the Merged Group has been prepared by the management of MFG based on the following information:

- the audited consolidated balance sheet of MFG as at 30 June 2007 adjusted for material transactions or changes in fair value of assets that have occurred or are expected to occur between 1 July 2007 and the anticipated date of the transaction;
- the audited consolidated balance sheet of NPH as at 30 June 2007 adjusted for material transactions or changes in fair value of assets that have occurred or are expected to occur between 1 July 2007 and the anticipated date of the transaction;
- adjustments that will arise from the acquisition of 100% of the share capital of NPH and NPH Funds and the consolidation of the post-transaction balance sheets of NPH and NPH Funds into MFG;

MFG shareholders can refer to the Revised Bidder's Statement for further details.

6.3 Share capital structure

If the Revised NPH Offers are successful and the Proposed Transactions are approved, the number of MFG securities on issue is likely to be as follows:

Figure 18: MFG securities on issue

MFG's Security Classes	Pre-transaction millions	Issued millions	Cancelled millions	Post-transactions millions
MFG Shares	112.3	52.3	(19.3)	145.3
MFG 2009 Options	28.3	-	(9.4)	18.9
MFG 2011 Options	-	6.2	-	6.2
MFG 2016 Options	-	7.9	-	7.9
MFG Class B Shares	-	10.2	-	10.2

Source: Revised Bidder's Statement

The above table assumes that:

- all NPH First Options, other than those NPH First Options owned by Mr Mackay's investment company, will be exercised prior to their expiry on 31 December 2007; and
- no NPH Second Options are exercised prior to completion of the Proposed Transactions.

7 VALUATION METHODOLOGIES

7.1 Introduction

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

7.2 Discounted cash flow method

An analysis of the net present value of projected cash flows or DCF, is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

7.3 Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by an appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

7.4 Net asset backing/Orderly realisation of Assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

7.5 Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

7.6 Comparable transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

8 VALUATION OF NPH FUNDS

8.1 Selected methodology

The key businesses and operations of NPH Funds are holdings of investments and management of MFG under the MSA. For the purpose of assessing the fair market value of 100% of the issued capital in NPH Funds, we have assessed 100% of the issued capital in NPH, on a going concern basis, using the net realisable assets approach.

Accordingly, the fair market value of NPH has been assessed by aggregating the estimated fair market value of the investment portfolio of the company, the value of the MSA, together with the realisable value of other assets and deducting liabilities.

In relation to the valuation of the MSA, we have separately assessed the value of the Service Fees and Performance Fees components of the MSA.

We have used the earnings based methodology to assess the value of the Service Fees component of the MSA based on its historical income, being income derived during the period from 21 November 2006 (the effective date of the MSA) to 30 November 2007, and the likely income for FY08.

We have estimated the potential Performance Fee for FY08, which is based on the shareholder return for the period from 16 November 2006 to 30 June 2008. We note that future Performance Fees are highly reliant on the future market capitalisation of MFG, which cannot be predicted reliably. As a result, we have used the DCF methodology in conjunction with Monte Carlo simulation to assess the likelihood of NPH Funds achieving the annual Performance Fee for the periods subsequent to FY08. Monte Carlo simulation uses random numbers and known variables to calculate a likely result.

For the purpose of this report, we have based our valuation on the most recent financial position of NPH Funds, being the financial position as at 30 November 2007. We note that the balance sheet of NPH Funds as at 30 November 2007 is unaudited and is based on management accounts.

Where appropriate, we have considered the movements of key balance sheet items since 30 June 2007 as a part of our assessment. We set out below the consolidated balance sheet of NPH Funds as at 30 June 2007 and 30 November 2007:

Figure 19: NPH Funds balance sheet

	As at 30-Jun-07 Audited $000	As at 30-Nov-07 Unaudited $000
ASSETS		
Cash	93	701
Receivables	736	368
Other financial assets (investment portfolio)	45,964	28,018
TOTAL ASSETS	**46,794**	**29,087**
LIABILITIES		
Trade and other payables	174	194
Financial liabilities	7,500	7,000
Current tax liabilities	335	542
Deferred tax liabilities	9,003	3,575
TOTAL LIABILITIES	**17,012**	**11,311**
NET ASSETS	**29,782**	**17,776**
EQUITY		
Contributed equity	7,730	7,730
Accumulated gains	22,052	10,046
TOTAL EQUITY	**29,782**	**17,776**

Source: NPH Funds Annual Report and management accounts

8.2 Other financial assets (investment portfolio)

NPH Funds has investments in Catalyst Buyout Fund 1 and MFG Shares.

8.2.1 Catalyst Buyout Fund 1

The manager of Catalyst Buyout Fund 1 periodically provides fair value estimates of Catalyst Buyout Fund 1 to the management of NPH Fund. We understand that management of NPH Funds generally adopt these valuations as the carrying amount of NPH Funds' investment in Catalyst Buyout Fund 1.

For the purpose of the valuation, we have adopted the carrying value of these investments as at 30 November 2007, as reported by the manager of Catalyst Buyout Fund 1, of approximately of $3.1 million as their fair market value.

8.2.2 MFG Shares and Options

NPH Funds owns 12,606,006 MFG Shares and 6,300,601 MFG 2009 Options. Both securities are listed on the ASX.:

Figure 20: MFG securities held by NPH Funds

	Low	High
No.of MFG Shares ('000)	12,606	12,606
Value per MFG Share ($) (Section 10.2)	1.55	1.65
Value of MFG Shares ($'000)	19,539	20,800
No. of MFG 2009 Options ('000s)	6,301	6,301
Value per MFG 2009 Option ($)(1)	0.76	0.76
Value of MFG 2009 Options ($'000)	4,788	4,788
Total MFG Shares and MFG 2009 Options ($'000)	24,327	25,588

Source: Revised Bidder's Statement, Bloomberg and Calculations
(1) Value of MFG 2009 Options is based on 10 days VWAP as at 19 December 2007

For the purpose of the valuation, we have adopted current market value of these investments as at 19 December 2007 of approximately of $24.3 million and $25.6 million.

8.3 Other assets and liabilities

8.3.1 Cash

NPH Fund's cash balance represents cash on deposits. We note that the balance as at 30 November 2007 includes accrued interest.

8.3.2 Receivables

We note that the amount as at 30 November 2007 incorporates the accrued Service Fees up to 30 November 2007.

8.3.3 Financial liabilities

NPH Funds has an unsecured bank loan with outstanding balance of approximately $7.0 million as at 30 November 2007. We note that interest on the bank loan has been accrued as at 30 November 2007.

8.4 Deferred tax liabilities

Deferred tax liability primarily represents future tax liability associated with the revaluation of NPH Funds' investments. The balance has reduced from approximately $9.0 million as at 30 June 2007 to approximately $3.6 million as at 30 November 2007 as a result of a decrease in the fair value of the investment portfolio during that period.

As the current value of the investment portfolio is below the carrying amount as at 30 November 2007, we have adjusted the balance for deferred tax liabilities by as below:

Figure 21: NPH Funds deferred tax liabilities

	Low $'000	High $'000
Fair value as at 30 Nov 07		
Catalyst Buyout Fund	3,100	3,100
MFG Shares and options	24,327	25,588
	27,427	28,688
Fair value as at 31 Oct 07 (total)	(32,681)	(32,681)
Reduction in the fair value of the investment portfolio	(5,254)	(3,993)
Tax at 30%	(1,576)	(1,198)
Deferred tax liabilities as at 31 Oct 07	5,036	5,036
Deferred tax liabilities as at 30 Nov 07	3,460	3,838

Source: NPH Funds Annual Report and NPH Funds Management Accounts for November 2007

8.5 MSA

8.5.1 Service Fees

For the purpose of assessing the base value of the MSA, Grant Thornton Corporate Finance has applied the capitalisation of earnings methodology to the estimated Service Fee to be earned in FY08. Based on the terms of the MSA, we have valued the Service Fees component of the MSA using the capitalisation of earnings after tax or price earnings ("PE") methodology. Under this methodology, the value of the Service Fees is derived by capitalising the earnings after tax at an appropriate PE multiple

The underlying assumption in relation to the earnings methodology is that the business being valued is expected to continue in perpetuity. In this regard, we note that the Management Services provided by NPH Funds to MFG are specialised and are essential to MFG. Whilst the MSA has a minimum term of 10 years, for the purpose of the valuation we have assumed that the relationship between NPH Funds and MFG continues in perpetuity and on similar terms.

Service Fee for FY08

When considering the potential Service Fee for FY08, we note that:

- during the first quarter of FY08, the Service Fee earned under the MSA is $542,490; and
- management of NPH Funds has accrued a service fee of $367,674 for October 2007 and November 2007. This amount has been calculated by management of NPH Funds based on the average of the daily VWAP of MFG Shares for the 10 trading days to 30 November 2007.

We have estimated the level of Service Fee for FY08 using the actual Service Fee earned for the first quarter of FY08 and the projected Service Fee for the remaining three quarters of FY08, having regard to the current market capitalisation of MFG. We have capitalised the Service Fee after tax using a PE multiple. The following table summarises our estimate of the Service Fee for FY08.

Figure 22: **Estimated service fee under MSA**

	Low	High
Number of shares on issue (million)	112.30	112.30
Value of MFG Shares ($) (Section 10.2)	1.55	1.65
Estimated market capitalisation ($ million)	174.07	185.30
Service Fee rate	0.3125%	0.3125%
Service Fee per quarter ($ million)	0.54	0.58
Estimated total for Q2, Q3 and Q4 FY08 ($ million)	1.63	1.74
Actual for Q1 ($ million)	0.54	0.54
Estimated Service Fee for FY08 before tax ($ million)	2.17	2.28
Tax at 30%	(0.65)	(0.68)
Estimate Service Fee for FY08 after tax ($ million)	**1.52**	**1.60**

Source: NPH Funds Management Accounts and the MSA

PE multiples

Trading multiples

When selecting listed companies for our comparable company analysis, we have considered the Management Services provided by NPH Funds to MFG and note that there are no companies listed in Australia which provide services directly comparable to the Management Services. As a result, we have observed the trading multiples of companies in the funds management business, which NPH Funds provides as a part of the MSA.

Summarised below are the trading PE multiples of the selected comparable companies as at 19 December 2007.

Figure 23: **Trading comparable companies**

Company	Country	Currency	Current Market Cap	PE 2008	PE 2009
			Milion	Times	Times
AMP LTD	AU	AUD	18,524	18.6x	17.1x
AXA ASIA PACIFIC HOLDINGS	AU	AUD	12,695	18.9x	17.2x
PERPETUAL LTD	AU	AUD	2,704	17.4x	15.7x
AUSTRALIAN WEALTH MANAGEMENT	AU	AUD	1,377	18.6x	16.5x
TREASURY GROUP LTD	AU	AUD	364	18.8x	16.5x
DKN FINANCIAL GROUP LTD	AU	AUD	213	29.4x	22.4x
PRIME FINANCIAL GROUP LTD	AU	AUD	103	14.4x	11.5x
			Average	**19.4x**	**16.7x**
			Median	**18.6x**	**16.5x**

Source: Bloomberg and Calculations

We have set out in Appendix A a description of the selected companies.

In relation to the trading multiples of the comparable companies, we note that:

- the companies selected are much larger in size as compared to the operations of the MSA;
- the funds under management of these companies are much larger than MFG; and
- the companies have other business activities in addition to the funds management business.

Premium for control

We note that the trading multiples have been calculated based on the market price for minority or portfolio share holdings and do not include a premium of control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Evidence from studies indicate that control premiums on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

Given the nature of the MSA, we have applied a premium for control to the trading multiples of the comparable companies (which have been calculated based on minority share prices) in assessing an appropriate PE multiple to value the MSA.

Transaction evidence

In forming our view in relation to an appropriate PE multiple to value the MSA, we have also considered the PE multiples implied by the following recent transactions in the funds management industry:

Figure 24: Comparable transactions

Deal Date	Country	Target Company	Bidder Company	Deal Value AUD (m)	PE Multiple (Times)
9/21/2007	Malaysia	Malaysian Industrial Development Finance Berhad	Permodalan Nasional Berhad	505	13.9
11/16/2007	AU	Adelaide Bank Limited	Bendigo Bank Limited	1907	18.3
9/18/2007	UK	Tribune UK Tracker Public Limited Company	Edinburgh UK Tracker Trust PLC	367	8.3
2/01/2007	UK	Teesland plc	Scamp Holdings Ltd	578	26.9
2/01/2007	AU	MMC Asset Management Limited	MMC Contrarian Limited	14	14.2
				Average	19.7
				Median	19.6

Source: Mergermarket and Bloomberg

We note that the implied PE multiples calculated above are based on historical earnings of the target companies, may incorporate a premium for control and may reflect synergistic benefits paid by the acquirer.

PE multiple conclusion

In assessing an appropriate PE multiple to apply to the Service Fee derived under the MSA for FY08, we have had regard to the trading multiples of the funds management industry and the multiples implied by recent transactions.

In addition, we have considered the potential termination risk attached to MSA. In this regard, we note that during the initial 10 years, MFG can terminate the MSA by providing NPH Funds with 90 days notice. Subsequent to the initial 10 years, termination is effective if 90 days notice is approved by a resolution of the members of MFG.

Based on the above, we have adopted a PE multiple of 16 to 17 times for the purpose of assessing the value of MSA.

Valuation of Service Fees

The following table summarises the above discussed assumptions and calculates the fair market value of MSA. It should be noted that the value derived under the capitalisation of earnings methodology excludes any potential value attributable to the Performance Fee component of the MSA.

Figure 25: Service Fee valuation summary

	Low $ million	High $ million
Estimate Service Fee for FY08 after tax	1.52	1.60
PE multiple (times)	16	17
Fair market value of MSA (excluding Performance Fee)	24.32	27.12

Source: Calculations

Grant Thornton Corporate Finance has assessed the value of the Service Fee component to be between $24.3 million and $27.1 million.

8.5.2 Performance Fees

We have separately considered the potential Performance Fees receivable by NPH Funds for FY08 and the potential Performance Fees subsequent to FY08.

As set out in Section 5.2.2, the Performance Fee receivable is dependent on the TSR achieved. We set out below the calculation of the Initial TSR based our assessed value of MFG of between $1.55 and $1..65 per share (Section 10.2) and the base price of $0.975 as at 21 November 2006.

Figure 26: Absolute dollar value of Initial TSR

		Low	High
Number of shares (m)		112.316	112.316
Value of MFG Shares ($) (Section 10.2)		1.55	1.65
Market capitalisation ($ m)	CMC	174.090	185.321
Initial number of shares (m)		29.259	29.259
Initial share price ($)		0.975	0.975
Initial market capitalisation ($ m)	OMC	28.528	28.528
Shares issued in placement offer (m)		38.400	38.400
Shares issued in entitlements / priority offer (m)		39.696	39.696
Issue price ($)		0.975	0.975
	A	76.144	76.144
Shares issued under Employee Share Scheme (m)		4.955	4.955
Issue price ($)		1.66	1.66
	B	8.225	8.225
Shares issued by exercise of Initial Options (m)		0.007	0.007
Issue price ($)		1.20	1.20
	C	0.008	0.008
New capital subscribed ($ m)	A+B+C=NC	84.377	84.377
Absolute dollar value of Initial TSR ($ m)	CMC-OMC-NC	**61.185**	**72.416**

Calculations

Performance Fee for FY08

Based on the absolute dollar value of Initial TSR calculated above, we set out below our assessed performance fee receivable for FY08.

Figure 27: FY08 Performance Fee

	Low	High
Absolute dollar return ($million)	61.185	72.416
Performance fee %	15%	15%
Performance fee ($ million)	9.178	10.862
Tax ($ million)	(2.753)	(3.259)
After tax performance fee ($ million)	6.425	7.603
Discount allowance (%)	20%	10%
Assessed performance fee ($ million)	**5.140**	**6.843**

Source: Calculations

Given the potential uncertainty around the share price of MFG in June 2008 and time value of money, we have discounted our calculated result by 10% to 20%. As a result, we have assessed the potential Performance Fee receivable by NPH Funds for FY08 to be in the range of $5.1 million and $6.8 million, after tax.

Likely Performance Fees subsequent to FY08

For the purposes of assessing the value of the likely Performance Fees subsequent to FY08, we have applied the DCF methodology to the projected Performance Fees payable to NPH Funds over the minimal term of the MSA. The projected Performance Fee assumes NPH Funds is able to meet the performance criteria as set out in the MSA.

Potential Performance Fees

In order to assess the likely Performance Fee subsequent to FY08, we have used Monte Carlo analysis to simulate the potential Performance Fees over the minimal term having regard to the following inputs:

- our assessed MFG Share price of \$1.55 to \$1.65 (Section 10.2);
- our assessed volatility of MFG shares of 35%;
- one year Commonwealth Government Bond rate of 6.65% as at 19 December 2007;
- corporate tax rate of 30%; and
- the relevant terms of the MSA.

In order to assess whether a potential Performance Fee is payable at the anniversary ("Testing Date"), we have simulated the share price of MFG at each Testing Date. We have assumed that, in line with commonly accepted financial theory, the likely share prices at any future point in time will follow a lognormal distribution defined by a mean and standard deviation as discussed below.

The possible values at the Testing Dates are therefore able to be modelled using Monte-Carlo simulation. Monte Carlo methods are a widely used class of computational algorithms for simulating the behaviour of various physical and mathematical systems (such as stock prices). They can be used to find solutions to mathematical problems with many variables by applying a large number of trials (using random numbers generated in accordance with a defined distribution) in order to converge on the most likely result.

Specifically, we have undertaken a large number of trials (10,000) involving randomly generated numbers conforming to a defined lognormal distribution and have determined the Performance Fee following each trial. Based on the MSA, NPH Funds will receive the following Performance Fee based on the absolute total shareholders return over a financial year period:

- zero Performance Fee if the total shareholder return is less than 10%;
- 10% Performance Fee if the total shareholder return is greater than 10% and less than 20%;
- 15% Performance Fee if the total shareholder return is greater than 20%.

The potential Performance Fee is equal to the mean of the individual Performance Fees achieved in all trials at the Testing Dates (i.e. both zero and non-zero results).

Discount rate

For the purpose of this report, we have used the after tax weighted average cost of capital ("WACC") to discount the likely Performance Fees over the minimum term of the MSA. This takes into account the capital structure of NPH Funds.

We have discussed our discount assumptions below:

- risk free rate has been assessed at 6.2% based on the yield on 10 year Commonwealth Government Bonds as at 19 December 2007;

- beta, which is a measure of the expected covariance (i.e. volatility and correlation of returns) between returns on an investment and returns on the market as a whole. We have had regard to the following equity betas of a number of listed funds management companies in Australia:

  Figure 28: Comparable companies' betas

Company	Country	Beta
AMP LTD	AU	1.00
AXA ASIA PACIFIC HOLDINGS	AU	1.03
PERPETUAL LTD	AU	1.05
AUSTRALIAN WEALTH MANAGEMENT	AU	1.10
TREASURY GROUP LTD	AU	0.95
DKN FINANCIAL GROUP LTD	AU	0.52
PRIME FINANCIAL GROUP LTD	AU	0.89
Mean		**0.93**
Median		**1.00**

  Source: Bloomberg

  For the purpose of this report, we have adopted the median of the above equity betas of 1.

- risk premium of 6%, which is consistent with the arithmetic average return on the Australian market from 1974 to 2002;

- cost of debt of 10%;

- debt to value ratio of 20%; and

- tax rate of 30%.

Based on the above assumptions, we have adopted a WACC of 11%.

The WACC has been applied to our estimated future after tax cost flows to arrive at the net present value of the Performance Fee.

Net present value of the likely Performance Fee subsequent to FY08

Based on the above, Grant Thornton Corporate Finance has calculated the likely net present value of the Performance Fees receivable subsequent to FY08 to be in the range of $8.2 million to $11.7 million.

8.6 Capitalisation of administration costs

MAM provides administration functions to NPH Funds at an estimated annual cost of approximately $53,000 (FY2006: $50,000). For the purpose of the valuation we have deducted from the net asset value of NPH Funds the capitalised value of the estimated administrative overheads of approximately $70,000 per annum ($49,000 after tax). The amount incorporates the administration costs charged by MAM and other administrative costs which NPH Funds expects to incur.

We have capitalised the administrative costs after tax at a PE multiple of 17 times based on comparable companies analysed in section 9.7. The capitalisation of administration cost amounted to $833,000.

8.7 Summary of valuation – NPH Funds

The following table summarises the calculation in relation to the fair market value of 100% of the equity interest in NPH Funds:

Figure 29: **Valuation summary**

	Ref.	Low $000	High $000
Investment portfolio			
Catalyst Buyout Fund 1	8.2.1	3,100	3,100
MFG Shares and Options	8.2.2	24,327	25,588
Cash	8.3.1	701	701
Receivables	8.3.2	368	368
Trade and other payables		(194)	(194)
Financial liabilities	8.3.3	(7,000)	(7,000)
Current tax liabilities		(542)	(542)
Deferred tax liabilities	8.4	(3,460)	(3,460)
Administration expenses	8.6	(833)	(833)
Fair market value excluding MSA		**16,468**	**17,729**
Service Fees	8.5.1	24,320	27,120
Performance Fees to be recognised in FY08	8.5.2	5,100	6,800
Performance Fees subsequent to FY08	8.5.2	8,200	11,700
Fair market value of NPH Funds		**54,088**	**63,349**

Source: Calculations

It should be noted that in a net asset valuation, the value of nets assets determined implicitly assumes 100% control of those assets and incorporates a premium for control.

8.8 Valuation of 40% interest in NPH Funds held by Mr Douglass

For the purpose of allocating the fair market value of NPH Funds to the 40% shareholding held by Mr Douglass and the 60% shareholding held by NPH, we have considered the terms of the Shareholders' Deed, in which we note that:

- at all times, each NPH Funds shareholder (being NPH and Mr Douglass' associates) will be entitled to equal representation of Directors on the Board;
- the Chairperson, who can be any Director, does not have a casting vote; and
- a quorum of the shareholders at a general meeting is shareholders holding at least 75% of the NPH Funds Shares on issue.

In our opinion, both NPH and Mr Douglass have the same level of control over the business affairs of NPH Funds, except for the level of dividends distribution and the receipt of final distribution in the event of a wound up. Accordingly, we have allocated the fair market value of NPH based on the shareholdings.

The following table summarises the allocation of the fair market value of NPH Funds to the respective shareholders:

Figure 30: Valuation summary

	Low	High
	$000	$000
40% interest held by Douglass	21,635	25,339
60% interest held by NPH	32,453	38,009
Total	**54,088**	**63,349**

Source: Calculations

9 VALUATION OF NPH

9.1 Selected methodology

NPH is an investment holding company and holds a 60% interest in NPH Funds. Given most of the investments of NPH are in publicly listed corporations, we have assessed 100% of the issued capital in NPH using the net realisable assets approach on a going concern basis.

The fair market value of NPH has been assessed by aggregating the estimated fair market value of the investment portfolio directly held by NPH, the value of the 60% interest in NPH Funds, together with the realisable value of other assets and deducting liabilities.

For the purpose of this report, we have relied on the information contained in the most recent annual report published by NPH, being FY07. As NPH Funds is the only subsidiary of NPH, we have used the parent entity balance sheet of NPH as at 30 June 2007 as the base to our valuation.

We set out NPH's parent entity balance sheet in the table below:

Figure 31: NPH balance sheet

	As at 30-Jun-07 Audited $'000
ASSETS	
Current Assets	
Cash and cash equivalents	4,830
Trade and other receivables	10
Financial assets	6,946
Total current assets	**11,786**
Non Current Assets	
Financial assets	30,384
Deferred tax assets	213
Total Non-Current Assets	**30,597**
TOTAL ASSETS	**42,384**
Current liabilities	
Trade and other payables	54
Current tax liabilities	132
Short-term provisions	-
Total current liabilities	**186**
Non current liabilities	
Financial liabilities	-
Deferred tax liabilities	4,819
Total non current liabilities	**4,819**
TOTAL LIABILITIES	**5,005**
NET ASSETS	**37,379**
EQUITY	
Issued capital	26,054
Reserves	6,160
Retained earnings	5,165
TOTAL EQUITY	**37,379**

Source: NPH FY07 Annual Report

9.2 Current and non-current financial assets (excluding investment in NPH Funds)

Current and non-current financial assets are comprised of NPH's investments in securities in Australian and foreign companies. We note that the total carrying amount of approximately $37.3 million as at 30 June 2007 includes the carrying amount of NPH's 60% interest in NPH Funds of approximately $4.6 million.

Based on the accounting policies of NPH, we note that the carrying amount of these investments represents their fair value as at the balance date. We further note that, NPH has disclosed in its annual report, as a subsequent event, that the fair value of the investment portfolio (excluding its interest in NPH Funds) was approximately $24.4 million as at 28 August 2007.

NPH owns 6,696,651 MFG Shares and 3,069,666 MFG 2009 Options. NPH has not disclosed details of its other investments and it is not possible to observe their corresponding current fair values.

Based on the 10 days VWAP of MFG Shares and MFG 2009 Options as at 28 August 2007, the carrying value of NPH's interests in MFG is approximately $13.6 million as calculated below:

Figure 32: NPH Investment Portfolio as at 28 August 2007

	As at 28-Aug-07 Actual
No. of MFG Shares ('000s)	6,697
Share price ($)	1.4987
Value of MFG Shares ($'000s)	10,036
No. of MFG 2009 Options ('000s)	3,070
Option price ($)	1.1685
Value of MFG Options ($'000s)	3,587
Total value of MFG securities	13,623
Value of other investments ($'000s)	10,780
Total portfolio value ($'000s)	**24,403**

Calculations

As a result, the carrying value of other investments owned by NPH Funds, excluding its 60% interest in NPH Funds, is approximately $10.8 million as at 28 August 2007.

We noted that since 28 August 2007, the S&P/ASX 200 index has increased from 6,176 points on 28 August 2007 to 6,226 points on 19 December 2007, representing an increase of approximately 0.8%.

For the purpose of the valuation we have:

- valued NPH's investments in MFG using our assessed value of MFG securities; and
- adopted the value NPH's investments in other companies as at 22 August 2007 given the increase in the S&P/ASX 200 index is less than 1%.

The following table details our calculations:

Figure 33: NPH Investment Portfolio

	As at 13-Dec-07 Low	As at 13-Dec-07 High
No. of MFG Shares ('000s)	6,697	6,697
Value per share ($) (Section 10.2)	1.55	1.65
Value of MFG Shares ($'000s)	10,380	11,049
No. of MFG 2009 Options ('000s)	3,070	3,070
Option price ($) - 10 days VWAP as at 19 Dec 07	0.76	0.76
Value of MFG Options ($'000s)	2,333	2,333
Value of other investments as at 22 Aug 07 ($'000s)	10,780	10,780
Total portfolio value ($'000s)	**23,493**	**24,162**

Calculations

9.3 Investment in NPH Funds

NPH owns 60% of the issued capital in NPH Funds, with a respective fair market value of between $32.5 million and $38.0 million (refer Section 8.8).

9.4 Other assets and liabilities

9.4.1 Cash

NPH's cash and cash equivalents balance represents cash at bank and short-term bank deposits. For the purpose of the valuation, we have adopted the balance as at 30 June 2007 as its fair market value.

9.4.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are primarily related to the timing differences associated with unrealised gains and losses on financial assets. For the purpose of the valuation, we have adopted the net book value of these assets and liabilities with the adjustment for the depreciation in investment portfolio subsequent to 30 June 2007.

Figure 34: NPH deferred tax liabilities

	Low $'000	High $'000
Reduction in the fair value of the investment portfoliio:		
Fair value as at 19 Dec 07	23,493	24,162
Fair value as at 30 Jun 07	32,663	32,663
Difference	(9,170)	(8,501)
Tax at 30%	2,751	2,550
Deferred tax liabilities as at 30 Jun 07	(4,819)	(4,819)
Deferred tax liabilities as at 19 Dec 07	(2,068)	(2,269)
Deferred tax assets	213	213
Net deferred tax liabilities	(1,855)	(2,056)

Source: NPH Funds FY07 Annual Report, Management Accounts and Calculations

9.4.3 Other items

For valuation purpose, we have adopted the net book value of other assets and liabilities as their fair market value.

9.5 Financial results since 30 June 2007

We have relied on the financial position of NPH as at 30 June 2007 to assess its fair market value. Accordingly, we have considered the potential profit/loss attributable NPH subsequent to 30 June 2007, other than gains and losses of the investment portfolio which have been incorporated in our fair value assessment.

We have considered the financial performance of NPH for FY07 excluding the realised and unrealised gains/losses associated with its investment portfolio and have concluded that potential results from 30 June 2007 to the date of this report is likely to breakeven.

9.6 Dividend

We note that NPH paid its final ordinary dividend of 0.5 cents per NPH Share on 9 October 2007 amounting to $109,252. This amount has not been reflected in the financial position of NPH as at 30 June 2007. For the purpose of the valuation, we have deducted $109,252 from the net asset value of NPH.

9.7 Administration costs

We have reduced to the net asset value of NPH by the capitalised value of the estimated administrative overheads of approximately $130,000 per annum ($91,000 post tax). The amount includes employee costs, administration expenses and legal costs and represents costs necessary to maintain the operation of NPH.

We have capitalised these costs at a PE multiple of 17 times, which equates to $1.5 million.

9.8 Cash receipt upon exercising of options

We note that NPH has the following options outstanding:

Figure 35: NPH Options

Option Tranch	Expiring date	Exercise price	Options Outstanding
NPH First Option	31-Dec-07	$1.25	8,975,931
NPH Second Option	31-Dec-09	$1.30	73,922

Source: NPH FY07 Annual Report

We further note that for each NPH First Option exercised, one NPH Share and one NPH Second Option will be granted.

We have assessed 100% of the issued capital in NPH on a fully diluted basis. We note that Mr Mackay has irrevocably agreed to let lapse all of his NPH First Options, however, for the purpose of assessing the value of Mr Mackay's interests NPH, we have assumed that all his NPH First Options, and consequently the NPH Second Options, to be exercised. Accordingly, we have assumed NPH to have received approximately $23 million in subscription monies as calculated below:

Figure 36: NPH securities on issue

	NPH Shares	NPH First Options	NPH Second Options	Change in NPH's Cash
Exercise price		$1.25	$1.30	$'000
On issue	21,864,981	8,975,931	73,922	
NPH First Options exercised	8,975,931	(8,975,931)	8,975,931	11,220
Balance	30,840,912	-	9,049,853	
NPH Second Options exercised	9,049,853	-	(9,049,853)	11,765
Total - fully diluted	**39,890,765**	-	-	**22,985**

Source: Calculations

9.9 Valuation assessment

We set out our assessment of NPH valuation as follow:

Figure 37: NPH Valuation summary

	Ref.	Low $000	High $000
Financial assets (Investment portfolio)	9.2	23,493	24,162
Other assets and liabilities:			
Cash and cash equivalents	9.4.1	4,830	4,830
Trade and other receivables	9.4.3	10	10
Trade and other payables	9.4.3	(54)	(54)
Current tax liabilities	9.4.3	(132)	(132)
Deferred tax liabilities (net)	9.4.2	(1,855)	(2,056)
Fair market value of 60% interest in NPH Funds	9.3	32,453	38,009
Financial results since 30 June 2007	9.5	-	-
Dividend	9.6	(109)	(109)
Capitalisation of administration costs	9.7	(1,547)	(1,547)
Fair market value of NPH on an undiluted basis		57,088	63,114
Cash receipt upon exercising of options	9.8	22,985	22,985
Fair market value of NPH on a fully diluted basis		**80,073**	**86,098**
Number of NPH Shares - fully diluted (000)	9.8	39,891	39,891
Fair market value per NPH Share ($)		**2.01**	**2.16**

Source: Calculations

9.10 Valuation cross check

Prior to reaching our valuation conclusion we have considered the reasonableness of our valuation by comparing our results to the recent share prices of NPH.

For the purpose of this report, we have considered the share price of NPH immediately before MFG's announcement of the Original NPH Offers. Set out below are the share prices of NPH prior to the announcement of the Original NPH Offers on 5 October 2007:

Figure 38: Recent NPH Share market prices

NPH recent share price	Low ($)	High ($)	VWAP ($)	Volume traded
1 week prior to announcement	3.19	3.40	3.22	209,147
1 month prior to the announcement	2.95	3.50	3.22	480,699
2 months prior to the announcement	2.95	3.81	3.34	704,905

Source: Bloomberg

We note that the NPH Shares prior to the announcement of the Original NPH Offers generally traded at levels above our assessed valuation range. In this regard we note that the trading volumes of NPH Shares are generally low and the traded NPH Share prices may not represent the underlying value of NPH Shares. We further note that our assessment of NPH Shares is on a fully diluted basis and may not be comparable to the market prices observed.

Based on the above, we conclude that the NPH Share prices prior to the announcement of the NPH Offers do not represent the underlying value of NPH.

9.11 Valuation of interest in NPH owned by Mr Mackay's investment company

In relation to the Proposed Acquisition of Mr Mackay's Interests in NPH, we note that:

- Mr Mackay's investment company owns 7,900,561 NPH Shares and 6,992,705 NPH First Options;
- if the NPH First Options were exercised prior to the expiry date of 31 December 2007, Mr Mackay's investment company would have to pay the exercise price of $1.25 for each NPH First Option that it exercised and in return it would be issued with one NPH Share and one NPH Second Option;
- if the NPH Second Options were exercised, Mr Mackay's investment company would have to pay the exercise price of $1.30 for each NPH Second Option that it exercised and in return it would be issued with one NPH Share;
- as a part of the Revised NPH Offers, Mr Mackay has irrevocably agreed to let lapse all of the NPH First Options owned by his investment company by not exercising the NPH First Options prior to their expiration on 31 December 2007. Accordingly, MFG is effectively acquiring these options at nil consideration; and
- our assessed value of NPH Shares is on a fully diluted basis. This assumes all NPH First Options and NPH Second Options (including those options owned by Mr Mackay's investment company) are exercised and NPH receives approximately $23 million of subscription monies.

When assessing Mr Mackay's investment company interests in NPH, we have:

- calculated the fully diluted number of NPH Shares owned by Mr Mackay's investment company. This assumes that all its NPH First Options and NPH Second Options are exercised;
- applied the assessed value range of NPH Shares, on a fully diluted basis, to the fully diluted number of NPH Shares owned by Mr Mackay's investment company; and
- deducted from the product above the subscription monies that Mr Mackay's investment company would have to pay should all its NPH First Options and NPH Second Options are exercised.

By using the fully diluted number of NPH Shares owned by Mr Mackay's investment company and our assessed value range of NPH Shares on a fully diluted basis, we have effectively ascribed a value to the NPH First Options and NPH Second Options which Mr Mackay's investment company forgoes. Our approach is consistent with the terms of the Revised NPH Offers, in which Mr Mackay intends to let lapse the NPH First Options owned by his investment company with the objective of reducing the dilution of existing MFG Shareholders.

We have deducted the subscription monies that Mr Mackay's investment company would need to pay NPH if its NPH First Options and NPH Second Options were exercised. This is consistent with Mr Mackay's decision of letting lapse all NPH First Options (and therefore NPH Second Options) owned by his investment company as NPH will not receive the associated subscription monies.

The following table calculates the notional number of NPH Shares owned by Mr Mackay's investment company assuming the NPH First Options and NPH Second Options are exercised:

Figure 39: Notional number of NPH Shares owned by Mr Mackay's investment company

	NPH Shares No. of shares	NPH First Options No. of options	NPH Second Options No. of options	Total exercise price $000
Exercise price		$1.25	$1.30	
Mr Mackay's investment company's interests	7,900,561	6,992,705	-	-
Notional exercise of NPH First Options	6,992,705	(6,992,705)	6,992,705	8,741
Notional exercise of NPH Second Options	6,992,705	-	(6,992,705)	9,091
Total	21,885,971	-	-	17,831

Source: Calculations

The following table calculates the value of the interests in NPH owned by Mr Mackay's investment company using the above approach.

Figure 40: Value of Mr Mackay's interest in NPH

	Low $000	High $000
Notional number of shares owned by Mr Mackay's investment company (000)	21,886	21,886
Fair market value per NPH Share - fully diluted ($)	2.01	2.16
	43,991	47,274
Less: Notional exercise price	(17,831)	(17,831)
Value of Mr Mackay's investment company's interest in NPH	26,159	29,442

Source: Calculations

We conclude that the total value of the interest in NPH owned by Mr Mackay's investment company is in the range of $26.2 million to $29.4 million.

10 VALUATION OF CONSIDERATION OFFERED

If the Proposed Acquisition of Mackay's Interests in NPH is approved, MFG will issue 1.95 MFG Shares and 0.33 MFG 2016 Options for each NPH Share owned by Mr Mackay's investment company. Mr Mackay has irrevocably agreed to let lapse all of its NPH First Options. Accordingly, the consideration provided by MFG for interest in NPH First Options owned by Mr Mackay's investment company is nil, irrespective of NPH First Options not forming a part of the Revised NPH Offers.

Accordingly, the total consideration offered to Mr Mackay's investment company for its interests in NPH is:

- 15,406,094 MFG Shares; and
- 2,607,185 MFG 2016 Options.

If the Proposed Acquisition of Douglass' Interest in NPH Funds is approved, MFG will issue the following securities as consideration:

- 5,844,799 MFG Shares; and
- 10,200,000 MFG Class B Shares.

For the purpose of this report, Grant Thornton Corporate Finance has valued the following securities which will be used as consideration for the Proposed Transactions:

- MFG Shares;
- MFG 2016 Options; and
- MFG Class B Shares.

10.1 Valuation of MFG Shares

10.1.1 Selected methodology

The market value of listed securities is based on the EMH, which states that the share price at any point in time effectively includes all publicly available information. EMH effectively implies that the share price is always 'correct' at a point in time having regard to what is then generally known, as the price changes 'almost' instantaneously when new information becomes available.

The listed market price of the securities is also the most appropriate basis from which to measure the value of the securities, due to the following:

- there are no restrictions on the MFG Shares which could impact the liquidity of shares to produce an biased security price;
- significant information has been disclosed in relation to MFG operations in financial reports and investor presentations; and
- MFG have an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it becomes aware concerning MFG and MFF which a reasonable person would expect to have a material effect on the price or value of the securities.

To assess the value of MFG Shares offered as consideration, we have considered the listed market prices of MFG Shares both before and after the announcement of the Original NPH Offers on 5 October 2007.

10.2 MFG Share prices

We have assessed the MFG Shares both prior and subsequent to the announcement of the Original NPH Offers on 5 October 2007.

The MFG Shares prices observed prior to the announcement of the Original NPH Offers on 5 October 2007 is summarised below:

Figure 41: MFG share price prior to the announcement of Original NPH Offers

MFG recent share price	Low ($)	High ($)	VWAP ($)	Volume traded
1 month prior to the announcement	1.50	1.80	1.56	1,409,011
3 months prior to the announcement	1.40	2.15	1.70	6,762,206
6 months prior to the announcement	1.40	2.60	1.94	14,391,906

Source: Bloomberg and Calculations

We note that the MFG Shares were traded between $1.40 and $2.60 during the six months prior to the announcement of Original NPH Offers. In addition, we note that the average monthly trading volume during the six months represents approximately 2% of the total number of MFG Shares on issue.

The following table summarises the recent MFG Share prices subsequent to the announcement of the Original NPH Offers on 5 October 2007.

Figure 42: MFG recent share price between 5 October 2007 to 19 December 2007

	Low ($)	High ($)	VWAP ($)	Volume traded
1 week prior to 19 December 2007	1.40	1.69	1.60	457,497
2 weeks prior to 19 December 2007	1.40	1.69	1.62	755,253
5 October 2007 - 19 December 2007	1.40	1.86	1.67	3,994,365

Source: Bloomberg and Calculations

We note that subsequent to the announcement of the Original NPH Offers:

- MFG Shares traded between $1.40 and $1.86 per share;
- VWAP of MFG Shares ranged between $1.60 and $1.67; and
- the total trading volume of MFG Shares accounts for approximately 3.56% of the total number of MFG Shares on issue.

In arriving at our conclusion we have placed more emphasis on the market prices of MFG Shares subsequent to the announcement of the Original NPH Offers, due to the following:

- the prices subsequent to the announcement of the Original NPH Offers reflect investors assessment of new information contained in the Original Bidders Statement on the benefits expected to arise from the takeover of NPH and the internalisation of the MSA including;

- MFG will diversify its operations to include the investment portfolio held by NPH and NPH Funds;
- Messrs Mackay and Douglass will become employees of MAM (a wholly owned subsidiary of MFG) and receive total remuneration of $0.5 million per annum and a potential maximum performance bonus of $0.5 million;
- MFG will not be required to pay quarterly service and annual performance fees to NPH Funds;

- the prices subsequent to the announcement of the Original NPH Offers reflects the result of the negotiations between MFG and NPH with respect to the takeover offers; and
- we consider the securities prices subsequent to the announcement of the Original NPH Offers to be more representative of the share price assuming the proposed transactions are approved.

Based on the above, we have assessed the value of MFG Shares in the range of $1.55 and $1.65 per share.

10.3 Valuation of MFG 2016 Options

We have used the Binomial Model to assess the value of the MFG 2016 Options. We have summarised our assumptions below:

- *Exercise price* – we have assumed an exercise price of $3.00 for MFG 2016 Options in accordance with the option terms;
- *Option life* – the MFG 2016 Options may be exercised during each two month period commencing on the date that is two business days after the announcement of MFG's results for the financial year to 30 June, and results for the half-year to 31 December. The MFG 2016 Options expire on 30 June 2016;
- *Price of the underlying share* – for the purpose of the valuation we have used our assessed value of MFG of $1.55 to $1.65 per share;
- *Expected Volatility* – we note the trading history of MFG shares (from the recapitalisation in November 2006 to our assessment date) is limited in comparison to the expected life of the MFG 2016 Options of approximately 8 years. Accordingly we have assessed an expected volatility for MFG at 35% having regard to the volatility of comparable companies (refer to Figure 42 below);
- *Dividends* – We have assumed a dividend yield of 3.5% per annum having regard to the dividend yield of comparable companies as the history of the MFG dividend payment is limited and may not reflect the future strategy of MFG; and
- *Risk-free rate* - We have assumed a risk free rate of 6.2% based on the prevailing yield on a 10 year Commonwealth Government bond as at assessment date (*Source: Bloomberg.*)

Based on the above assumptions and having regard to a Binomial Model, we have assessed the value of MFG 2016 Options at between $0.33 and $0.37 per option. We set out below the volatility and dividend yield of the comparable companies:

Figure 43: Comparable company volatility and dividend yield

Company	Country	Currency	Current Market Cap	Volatility	Div Yield 12 mth
			Milion	%	%
AMP LTD	AU	AUD	19,067	22.4%	4.29%
AXA ASIA PACIFIC HOLDINGS	AU	AUD	13,290	29.3%	2.65%
PERPETUAL LTD	AU	AUD	2,781	22.6%	5.51%
AUSTRALIAN WEALTH MANAGEMENT	AU	AUD	1,526	33.9%	3.75%
TREASURY GROUP LTD	AU	AUD	371	27.9%	3.79%
DKN FINANCIAL GROUP LTD	AU	AUD	216	42.7%	3.98%
PRIME FINANCIAL GROUP LTD	AU	AUD	107	48.3%	3.05%
			Average	32.4%	3.86%
			Median	29.3%	3.79%

Source: Bloomberg

10.4 Valuation of MFG Class B shares

When considering the potential value of MFG Class B Shares, we note the terms in relation to MFG B Shares in Section 6.4 of this report. We further note that the MFG Class B Shares to be issued to Mr Douglass, as a part of the consideration for his 40% equity interest in NPH Funds, will be consolidated based on the following formula

12*0.125*0.4*MFG Share Capital

Where, MFG Share Capital means the lower of:

- the number of MFG Shares on issue at the end of 21 November 2016 (in the case of Automatic Conversion, details refer to clause 7 of the Bidder's Statement) or the number of MFG Ordinary Shares on issue at the beginning of the Holder Conversion Period (in the case of conversion of Early Conversion, details refer to clause 8 of the Bidder's Statement) ; and

- 170,000,000.

Based on the estimated number of MFG Shares on issue at the conclusion of the transactions, the number of consolidated MFG Class B Shares is in the range of 7.6 million (calculated based on the existing number of MFG Shares) and 10.2 million (calculated based on the maximum MFG Share Capital). Each consolidated MFG Class B Share will be convertible into 1 MFG Share after 21 November 2016, subject to the conditions in relation to Mr Douglass employment.

Given the terms of the MFG Class B Shares, the timing of its associated economic benefits is only available to the MFG Class B Shareholder after November 2016. We have used our assessed value of MFG Shares as a base and adjust the value with a discount which reflects:

- MFG Class B Shareholders are not entitled to receive dividends;

- MFG Class B Shares are not quoted on the ASX;

- MFG Class B Shareholders are subordinated to all creditors of MFG;

- MFG Class B Shares do not entitle the holder to vote at any general meeting of MFG;

- the timing between the assessment date and the conversion date of 21 November 2016;

- the conversion of MFG Class B Shares into MFG Shares is subject to a number of conditions, including the future employment performance of Mr Douglass.

Based on the above, we have assessed the value of MFG Class B Shares by applying a discount of 50% to our assessed value of MFG Shares. As a result, our assessed value of MFG Class B Shares is in the range of $0.78 to $0.83 per share. Based on the number of MFG Shares potentially to be issued to Mr Douglass of 7.6 and 10.2 million, the total value of the MFG Class B Shares offered as a part of the consideration to Mr Douglass for the Proposed Acquisition of Douglass Interest in NPH Funds is in the range of $5.9 million and $8.5 million. The following table details our assessment:

Figure 44: MFG B Class Share Valuation

	Low	High
MFG Share Capital (m)	126.10	170.00
Consolidation factor	0.06	0.06
Consolidated MFG Class B Shares (m)	7.60	10.20
Assessed MFG Share price ($)	1.55	1.65
Discounted factor	50%	50%
Value per Class B Share ($)	0.78	0.83
Total value of Class B Shares ($'m)	**5.93**	**8.47**

Source: Calculations

11 EVALUATION OF THE PROPOSED ACQUISITION OF MACKAY'S INTERESTS IN NPH

11.1 Fairness

The following table summarises the value of interest in NPH owned by Mr Mackay's investment company and the consideration offered:

Figure 45: Assessment of fairness

	Low	High [1]
Value of the consideration offered		
Number of MFG Shares ('000)	15,406	15,406
Assessed value per MFG Share ($)	1.55	1.65
Subtotal ($'000)	23,879	25,420
Number of MFG 2016 Options (million)	2,607	2,607
Assessed value per MFG 2016 Option ($)	0.33	0.37
Subtotal ($'000)	860	965
Total value of consideration ($'000)	24,739	26,385
Value of Mr Mackay's interests in NPH ($'000)	26,159	29,442

Source: Calculations

(1) *Our assessment of the interest in NPH owned by Mr Mackay's investment company is based on our preferred valuation assessment of NPH Shares of between $2.01 and $2.16, on a fully diluted basis. We note that the closing share price of NPH Shares was $3.00 as at 19 December 2007. In this regard, we note that there is a lack of liquidity in NPH Shares and their observed share price may not reflect the underlying value of NPH Shares on a fully diluted basis for the purposes of this transaction. Further, our valuation approach in relation to the NPH options owned by Mr Mackay's investment company involves assessing the value of NPH Shares on a fully diluted basis. Accordingly, we have adopted our assessed value range of NPH Shares of between $2.01 and $2.16 on a fully diluted basis for the purposes of this report.*

Based on the above analysis, we note that our assessed value of Mr Mackay's interests in NPH of $26.2 million to $29.4 million is higher than the value range of the total consideration offered by MFG of $24.7 million to $26.4 million.

Mr Mackay has irrevocably agreed to let lapse all NPH First Options owned by his investment company by not exercising them prior to their expiration on 31 December 2007. However, for the purpose of our analysis, we have ascribed a value to these options given Mr Mackay's decision of not exercising these options forms a part of the Proposed Transactions.

Our assessment of the value of MFG Shares offers as part of the consideration is based on market price of MFG Shares subsequent to the announcement of the Original NPH Offers. We note the market price reflects investors' expectations of the benefits arising from the Proposed Transactions including:

- diversify its operations to include the investment portfolio held by NPH and NPH Funds;
- Messrs Mackay and Douglass becoming employees of MFG for total remuneration of $0.5 million per annum and potential maximum performance bonus of $0.5 million per annum; and
- cost savings in relation to the Services Fees and Performance Fees.

As the value of the consideration offered is less than the value of NPH owned by Mr Mackay's investment company, the Proposed Acquisition of Mackay's Interests in NPH is fair under RG 111. Accordingly, Grant Thornton Corporate Finance concludes that the Proposed Acquisition of Mackay's Interest in NPH is fair to the non-associated shareholders of MFG.

11.2 Reasonableness

As the Proposed Acquisition of Mackay's Interests in NPH is fair to the non-associated shareholders, the proposed transaction is also reasonable in accordance with RG 111. Nonetheless, we have summarised some of the relevant likely advantages and disadvantages associated with the proposed transaction.

Advantages

The likely advantages associated with the Proposed Acquisition of Mackay's Interests in NPH include:

- the potential future Service and Performance Fees payable by MFG to NPH Funds may be material. If the internalisation of the MSA is completed, Messrs Douglass and Mackay will become employees of MAM (a wholly owned subsidiary of MGF). We note that their total remuneration of $0.5 million and potential total performance bonus of $0.5 million per annum are potentially lower than the commercial fees payable under the MSA. By internalising the MSA, MFG can reduce the operating costs of MFG. The Proposed Acquisition of Mackay Interests in NPH is a vital process to the internalisation of the MSA;

- Mr Mackay has irrevocably agreed to let lapse all of its NPH First Options by not exercising them prior to their expiration on 31 December 2007. If the Proposed Transactions are approved, the economic benefits receivable by Mr Mackay are inferior to those receivable by other NPH Security holders;

- MFG Shareholders will diversify their investments into the investment portfolio held by NPH and NPH Funds (other than those shares in MFG which will be cancelled if the NPH Offers are successful);

Disadvantages

The likely disadvantages associated with the Proposed Acquisition of Mackay's Interests in NPH include:

- if the Proposed Transactions are completed, the shareholding in MFG of the existing MFG shareholders (other than Mr Mackay, Mr Douglass and NPH) will be diluted form approximately 82% to approximately 63%; and

- if the Proposed Transactions are completed, MFG will own a portfolio of listed and unlisted investments previously held by NPH and NPH Funds. We note NPH and NPH Funds hold a number of MFG Shares. To the extent that these MFG Shares will be cancelled, MFG shareholders will be exposed to risks of passive investments in listed and unlisted companies. However, we note that MFG management intend to review the acquired investment portfolio.

Other factors

Other factors which may be relevant to the non-associated shareholders of MFG include:

- the financial interests of Messrs Douglass and Mackay will be better aligned with MFG Shareholders as a whole and with non-associated shareholders. In addition, Messrs Douglass and Mackay have agreed to re-commit to their current exclusivity with MFG until at least 1 July 2012. The exclusivity agreement restricts them from investing in a funds management business within Australia and New Zealand;

- the Revised NPH Offers have a minimum acceptance of 90%. Mackay owns 36% of NPH on an undiluted basis. Accordingly, the approval of the Proposed Acquisition of Mackay's Interests in NPH is a vital step in the NPH Offers;

- at the conclusion of the Proposed Transactions, the number of MFG Shares on issue will increase from the existing 112.3 million to 145.3 million. While the liquidity of MFG Shares will increase, some of the NPH Shareholders may choose to dispose of their MFG Shares. This may affect the short-term prices of MFG Shares; and

- our valuation of the MFG Shares involves observing the market price of MFG Shares subsequent to the announcement of the Proposed Transactions. This valuation methodology is fundamentally different in style in comparison to our valuation assessment of NPH and NPH Funds (based on the underlying value of these companies). In particular we note our assessment of the value of MFG Shares is based on the EMH which assumes market prices have incorporated the information of the Proposed Transactions (as disclosed in the Revised Bidder's Statement). As a result, it is in our opinion that any pro forma adjustments, including cost savings associated with the MSA and employee costs have already been factored in the observed market price.

11.3 Conclusion

Based on the above, **Grant Thornton Corporate Finance concludes that Proposed Acquisition of Mackay's Interests in NPH is fair and reasonable to the non-associated shareholders of MFG.**

12 EVALUATION OF THE PROPOSED ACQUISITION OF DOUGLASS' INTEREST IN NPH FUNDS

12.1 Fairness

The following table summarises the value of NPH Funds owned by Mr Douglass and the consideration offered:

Figure 46: Assessment of fairness

	Low	High
Value of consideration offered		
Number of MFG Shares ('000)	5,845	5,845
Assessed value per MFG Share ($)	1.55	1.65
Assessed value of MFG Shares ($'000)	9,059	9,644
Assessed value of MFG Class B Shares ($'000)	5,930	8,470
Total value of consideration offered ($'000)	14,989	18,114
Value of 40% interest in NPH Funds held by Douglass ($'000)	21,635	25,339

Source: Calculations

As our assessed value of 40% of NPH Funds held by Mr Douglass is higher than the value of the consideration offered, we conclude that the Proposed Acquisition of Douglass' Interest in NPH Funds is fair to the non-associated shareholders of MFG.

12.2 Reasonableness

As the Proposed Acquisition of Douglass' Interest in NPH Funds is fair to the non-associated shareholders of MFG, the proposed transaction is also reasonable in accordance with RG 111.

However, we have outlined some of the relevant factors below:

Advantages

The likely advantages associated with the Proposed Acquisition of Douglass' Interest in NPH include:

- the potential future Service and Performance Fees payable by MFG to NPH Funds may be material. If the internalisation of the MSA is completed, Messrs Douglass and Mackay will become employees of MAM (a wholly owned subsidiary of MGF). We note that their total remuneration of $0.5 million and potential total performance bonus of $0.5 million per annum are potentially lower than the commercial fees payable under the MSA. By internalising the MSA, MFG can reduce the operating costs of MFG. The Proposed Acquisition of Douglass Interest in NPH Fund is a vital process to the internalisation of the MSA. In addition, Messrs Douglass and Mackay have agreed to re-commit to their current exclusivity with MFG until at least 1 July 2012. The exclusivity agreement restricts them from investing in a funds management business within Australia and New Zealand;; and

- MFG Shareholders will diversify their investments into the investment portfolio held by NPH Funds (other than those shares in MFG which will be cancelled).

Disadvantages

The likely disadvantages associated with the Proposed Acquisition of Douglass' Interest in NPH Funds include:

- if the Proposed Transactions are completed, the shareholding in MFG of the existing MFG shareholders (other than Mr Mackay, Mr Douglass and NPH) will be diluted from approximately 82% to approximately 63%; and
- if the Proposed Transactions are completed, MFG will own a portfolio of listed and unlisted investments previously held by NPH and NPH Funds. We note NPH and NPH Funds hold a number of MFG Shares. To the extent that these MFG Shares will be cancelled, MFG shareholders will be exposed to risks of passive investments in listed and unlisted companies. However, we note that MFG management intend to review the acquired investment portfolio.

Other factors

If the Proposed Transactions are approved, the financial interests of Messrs Douglass and Mackay will be better aligned with MFG Shareholders as a whole and with non-associated shareholders.

In addition, Messrs Douglass and Mackay have agreed to re-commit to their current exclusivity with MFG until at least 1 July 2012. The exclusivity agreement restricts them from investing in a funds management business within Australia and New Zealand.

12.3 Conclusion

Based on the above, **Grant Thornton Corporate Finance concludes that the Proposed Acquisition of Douglass' Interest in NPH Funds is fair and reasonable to the non-associated shareholders of MFG.**

13 SOURCES OF INFORMATION, DISCLAIMER AND CONSENTS

13.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of Extraordinary General Meeting and Explanatory Memorandum;
- Original Bidder's Statement lodged with ASIC on 21 November 2007;
- Revised Bidder's Statement lodged with ASIC on 20 December 2007;
- MFG's FY07 Annual Report;
- NPH's FY07 Annual Report;
- NPH Funds' FY07 audited accounts and management accounts;
- Share prices and other information sourced from Bloomberg;
- Company information sourced from company website and market brochure;
- Releases and announcements by MFG and NPH on the ASX; and
- Other publicly available information.

13.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this Report

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to MFG and all other parties involved in the Proposed Acquisition with reference to the ASIC Regulatory Guide 112 "Independence of expert" We concluded that there are no conflicts of interest with respect to MFG, its shareholders and all other parties involved in the Proposed Acquisition.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MFG (and associated entities) or NPH (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transactions.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transactions, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

13.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by MFG and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided to it by MFG and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of MFG or NPH.

This report has been prepared to assist the independent director of MFG in advising its shareholders in relation to the Proposed Transaction. This Report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transactions are fair and reasonable to the non-associated shareholders of MFG.

MFG has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by MFG's engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by MFG, which MFG knew or should have known to be false and/or reliance on information, which was material information MFG had in its possession and which MFG knew or should have known to be material and which MFG did not provide to Grant Thornton Corporate Finance. MFG will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

13.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Extraordinary General Meeting to be sent to the shareholders of MFG. Neither the whole nor part of this Report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

GLOSSARY

$ or A$	Australian Dollar
AASB	Australian Accounting Standard Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Binomial Model	Cox, Ross and Rubinstein Binomial Option valuation model
Corporation Act	Corporation Act 2001
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EMH	Efficient Market Hypothesis
FY	Financial year
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
MAM	Magellan Asset Management Limited
Management Services	Management services provided by NPH Funds to MFG under the MSA
MFF	Magellan Flagship Fund Limited
MFG or the Company	Magellan Financial Group Limited
MFG 2009 Options	MFG's initial options to subscribe in shares of MFG
MFG 2016 Options	Options to be issued to NPH Shareholders as part of the consideration for the Revised NPH Offers
MSA	Management Service Agreement between MFG and NPH Funds
NPAT	Net profit after tax
NPH	New Privateer Holding Limited
NPH Funds	NPH Funds Pty Limited
NPV	Net Present Value
NTA	Net Tangible Asset
Original NPH Offers	A proposal announced by MFG to acquire all of the shares and options in NPH on 5 October 2007 by way of an off-market takeover under Corporations Act
Performance Fees	Annual performance fees paid by MFG to NPH Funds under the MSA
Proposed Acquisition of Mackay's Interests in NPH	MFG's proposal to acquire all NPH Shares and NPH Second Options own by Mr Mackay

Proposed Acquisition of Douglass' Interests in NPH Funds	MFG's proposal to acquire 40% equity interest in NPH Funds held by an entity owned by Mr Douglass
Revised NPH Offers	A proposal announced by MFG to acquire all of the shares and options in NPH on 10 December 2007 by way of an off-market takeover under Corporations Act
RG 74	ASIC Regulatory Guide 74 "Acquisitions agreed to by shareholders"
RG 111	ASIC Regulatory Guide 111 "Content of expert reports"
Service Fees	Quarterly service fees paid by MFG to NPH Funds under the MSA
Trust	Magellan Financial Group Trust
TSR	Total shareholder return
VWAP	Volume Weighted Average share Price
WACC	Weighted Average Cost of Capital

APPENDIX A

COMPARABLE COMPANIES DESCRIPTION

We set out below a brief description of the selected comparable companies.

Company	Description
AMP LTD	AMP Limited provides life insurance, superannuation, asset management products, pensions, retirement planning and other diversified financial services throughout Australia and New Zealand. The Company services individual customers, small businesses, corporations and associated superannuation funds.
AXA ASIA PACIFIC HOLDINGS	AXA Asia Pacific Holdings Limited provides life, health and other insurance services, superannuation, savings, funds management and investment products to customers in Australia, New Zealand and Asia. The Company also provides wholesale funds management products and services to third parties.
PERPETUAL LTD	Perpetual Limited is a financial services company that has two primary activities, wealth management services and corporate trust services. The Company provides funds management, responsible entity services, trustee services, executor services, financial planning, investment administration, superannuation, custody and registry services.
AUSTRALIAN WEALTH MANAGEMENT	Australian Wealth Management Limited (AWM), through its subsidiaries, provides wealth management services and advisory services. The Company's services include master trust, financial planning, brokerage, and investment research. AWM also offers trustee, superannuation, and investment administration services.
TREASURY GROUP LTD	Treasury Group Limited is an Australian investment and funds management company. The Company is developing a wholesale funds management service.
DKN FINANCIAL GROUP LTD	DKN Financial Group Limited provides integrated financial services and products in Australia. The Group offers financial management and advisory services, consulting and bureau services, share trading, funds management and insurance.
PRIME FINANCIAL GROUP LTD	Prime Financial Group Limited is a diversified financial services and advisory company. The Company provides financial advice, funds management, corporate advisory and finance.

APPENDIX B

FINANCIAL SERVICES GUIDE

21 December 2007

1. Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Magellan Financial Group Limited ("MFG" or "the Company") to provide general financial product advice in the form of an independent expert's report ("MFG Report") in relation to the proposed acquisition of all securities in New Privateer Holdings Limited ("NPH"). The MFG Report is included in the Company's Notice of Extraordinary General Meeting.

2. Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3. General Financial Product Advice

In our Report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4. Remuneration

When providing the MFG Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the MFG Report, Grant Thornton Corporate Finance will receive from MFG a fixed fee based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the Report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of the MFG Report.

5. Independence

Grant Thornton Corporate Finance is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 "Independence of expert" issued by the Australian Securities Commission. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below:

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MFG (and associated entities) or NPH (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the proposed acquisition of NPH by the Company.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fixed fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC.

6. Complaints Process

Grant Thornton Corporate Finance has an internal complaint handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for the MFG Report and this FSG. Complaints or questions about the Notice of Extraordinary General Meeting should not be directed to Grant Thornton Corporate Finance, which is not responsible for that document. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

ANNEXURE B – TERMS OF ISSUE OF MFG 2016 OPTIONS

Magellan Financial Group Limited

(ACN 108 437 592)

MFG 2016 Options

Terms of Issue

1. Interpretation

1.1 Definitions

In these terms:

Applicable Law means the Corporations Act, Listing Rules and ASTC Operating Rules.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASTC Operating Rules means the operating rules of ASTC in its capacity as a CS facility licensee, except to the extent of any relief given by ASTC in their application to MFG.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it.

Bonus Issue means a bonus issue of MFG Ordinary Shares or other securities convertible into MFG Ordinary Shares pro rata to holders of MFG Ordinary Shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any election by a holder of MFG Ordinary Shares).

Business Day:

(a) if MFG is admitted to the official list of ASX at the time, has the meaning given in the Listing Rules; or

(b) otherwise, means a day except a Saturday, Sunday or public holiday in New South Wales.

Change in Control Event means either of the following:

(a) a takeover bid is made to acquire all or some of the MFG Ordinary Shares and the offer under the takeover bid is, or becomes, unconditional and:

   (i) the bidder has a relevant interest in more than 50% of the MFG Ordinary Shares on issue; or

   (ii) the Directors unanimously recommend acceptance of the offers under the takeover bid; or

(b) a court approves a proposed compromise or arrangement under the Corporations Act which, when implemented, will result in a person having a relevant interest in more than 50% of the MFG Ordinary Shares on issue.

Corporations Act means Corporations Act 2001 (Cth).

Directors means the directors of MFG for the time being.

Exercise Period means the following periods which occur after 1 July 2008 and which are prior to the Expiry Date:

(a) each period of two months commencing on the date which is two Business Days after the announcement of the results of MFG for the financial year to 30 June in each year (commencing with the year to 30 June 2008);

(b) each period of two months commencing on the date which is two Business Days after the announcement of the results of MFG for the half year to 31 December in each year (commencing with the half year to 31 December 2008).

The final Exercise Period (being in respect of the results for the half year to 31 December 2015) commences on the date that is two Business Days after the announcement of such results and ends at the Expiry Time.

Exercise Price means $3.00 per Option (as adjusted under clause 6).

Expiry Date means 30 June 2016.

Expiry Time means 5.00pm Sydney time on the Expiry Date.

Holder means, in respect of an Option, the person recorded as the holder of that Option in the Register.

Listing Rules means the listing rules of ASX, except to the extent of any express written waiver by ASX in their application to MFG.

Market Price has the meaning given in the Listing Rules.

MFG means Magellan Financial Group Limited (ACN 108 437 592).

Option means an option to subscribe for one Share.

Pro Rata Issue has the meaning given in the Listing Rules.

Register means MFG's register of optionholders maintained under the Corporations Act.

Share means an ordinary share in the capital of MFG.

1.2 Interpretation

Unless the context indicates a contrary intention, in these terms:

(a) a reference to any statute or to any statutory provision includes any statutory modification or re-enactment of it or any statutory provision substituted for it, and all ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it;

(b) a reference to the Listing Rules or the ASTC Operating Rules includes any amendment or replacement of those rules from time to time;

(c) a reference to the Applicable Law is to the Applicable Law in force in relation to MFG after taking into account any modification, waiver or exemption which is in force either generally or in relation to MFG; and

(d) an expression in a provision of these terms which deals with a matter dealt with by a provision of the Applicable Law has the same meaning as in that provision of the Applicable Law.

2. Options

2.1 Entitlement

Each Option entitles the Holder to subscribe for one fully paid Share at the Exercise Price in accordance with these terms.

2.2 Quotation

MFG must promptly apply for quotation of Options on ASX on and from the date of issue of Options.

2.3 Transfer

(a) Subject to the Applicable Law, the Holder may transfer some or all of the Options at any time before the Expiry Time:

  (i) if the Options are quoted on ASX, by a proper ASTC transfer or any other method permitted by the Applicable Law; or

  (ii) by an instrument of transfer in compliance with clause (b).

(b) An instrument of transfer of an Option must be:

  (i) in writing;

  (ii) in any usual form or in any other form approved by the Directors that is otherwise permitted by law;

  (iii) subject to the Corporations Act, executed by or on behalf of the transferor, and if required by MFG, the transferee;

  (iv) stamped, if required by a law about stamp duty; and

  (v) delivered to MFG, at the place where the Register is kept, together with the certificate (if any) of the Option to be transferred and any other evidence as the Directors require to prove the title of the transferor to that Option, the right of the transferor to transfer that Option and the proper execution of the instrument of transfer.

(c) Subject to the Applicable Law and this clause 2.3, MFG must not refuse or fail to register a transfer of Options.

(d) MFG may refuse to register a transfer of Options where the Applicable Law permits MFG to do so.

(e) MFG must refuse to register a transfer of Options where the Applicable Law or a law about stamp duty requires MFG to do so.

2.4 Expiry

An Option expires at the Expiry Time.

3. Exercise

3.1 Time of exercise

(a) Subject to this clause 3.1, a Holder may only exercise some or all of the Options during the Exercise Period.

(b) A Holder may only exercise less than all the Options if the number of Shares to be issued on exercise would, when aggregated with the number of Shares already registered in the Holder's name, be a marketable parcel if issued on the day of exercise.

(c) A Holder must exercise Options in multiples of 500 Options, unless the holding is less than 500, in which case all Options must be exercised.

(d) Notwithstanding 3.1(a), all Options may be exercised by the Holder at any time after a Change of Control Event has occurred.

3.2 Manner of exercise

The Holder may only exercise Options at a time when the Options can be exercised by delivery to MFG of:

(a) a notice addressed to MFG and signed by the Holder stating the Holder exercises the Options and specifying the number of Options exercised;

(b) payment to MFG in immediately available cleared funds of the Exercise Price for each Option exercised;

(c) if the Options are not quoted on ASX, the certificate for the Options or if the certificate for the Options has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of MFG against any loss, costs or expenses which might be incurred by it as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed.

3.3 Notice of Expiry Time

If the Options are quoted on ASX, MFG must give the Holder a notice at least 20 Business Days before the Expiry Date with the information required by the Listing Rules.

4. Issue of MFG Ordinary Shares

4.1 Issue

(a) MFG must issue to the Holder one fully paid Share to be issued on exercise of an Option within 15 Business Days of the date on which the notice of exercise took effect.

(b) Subject to the Applicable Law, MFG must deliver to the Holder holding statements or certificates (as the case may be) for the Shares issued on exercise of an Option within 5 Business Days of their issue.

4.2 Ranking

(a) Subject to clause 4.2(b), all Shares issued pursuant to the exercise of Options will, subject to the constitution of MFG, rank in all respects (including rights to dividends or distributions) equally with the existing Shares at the date of issue.

(b) A Share issued pursuant to the exercise of an Option is only entitled to receive a distribution where that Option is exercised and the Share is issued on or before the record date for that distribution. It is intended that Shares issued pursuant to the exercise of an Option will not be issued until after the record date for any distribution payable in respect of the half year period immediately prior to the Exercise Period during which that Option was exercised.

4.3 Quotation

MFG must promptly apply for quotation of Shares issued on exercise of an Option.

5. Participation rights

The Holder may only participate in new issues of MFG by reason of an Option if the Holder exercises that Option and becomes the holder of Shares on or prior to the record date for the new issue of Shares.

6. Adjustments

(a) Subject to clause (c) below, if MFG makes a Pro Rata Issue, the Exercise Price of each Option will be reduced with the new exercise price of each Option to be calculated in accordance with the following formula:

$$NP = OP - \frac{E[P-(S+D)]}{N+1}$$

where:

NP = the new exercise price of the Option;

OP = the old exercise price of the Option;

E = the number of underlying securities into which one Option is exercisable;

P = the average Market Price per security (weighted by volume) of the underlying securitise during the 5 trading days ending on the day before the ex rights date or ex entitlements date;

S = the subscription price for a security to be issued under the Pro Rata Issue;

D = the amount of any dividend or distribution due but not yet paid on the existing underlying securities (except those securities to be issued under the Pro Rata Issue);

N = the number of existing securities with rights or entitlements that must be held to receive a right to one new security under the Pro Rata Issue.

No change will be made to the number of Shares to which the Holder is entitled.

(b) If MFG makes a Bonus Issue, the number of Shares issued on exercise of each Option will be increased by the number of bonus Shares that the Holder would have received if the Option had been exercised prior to the record date for the Bonus Issue. No change will be made to the Exercise Price.

7. Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of MFG, the rights of Holders in respect of any unexercised Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

8. Notices

Any notices to a Holder regarding an Option will be sent to the address of the Holder in the Register.

9. Governing law

These terms are governed by and must be construed according to the law applying in New South Wales, Australia.

10. Duties and taxes

MFG is not responsible for any duties or taxes which may become payable in connection with the issue of Shares pursuant to an exercise of the Options or any other dealing with the Options or Shares

ANNEXURE C – TERMS OF ISSUE OF MFG CLASS B SHARES

Magellan Financial Group Limited

(ACN 108 437 592)

Class B Shares

Terms of Issue

1. Form and Face Value

1.1 Form

Class B Shares are shares in the capital of MFG issued on the terms set out in these Terms of Issue.

1.2 Face Value

Each Class B Share has a face value equal to $0.001 (***Face Value***).

2. No Quotation

MFG is not obliged to apply for quotation of the Class B Shares on the ASX.

3. No Dividends

Class B Shares carry no right to dividends.

4. General Rights

4.1 Ranking

Class B Shares rank equally among themselves and are unsecured and subordinated to all creditors of MFG.

4.2 Return of capital

If there is a return of capital on a winding up of MFG, Holders will have the right to receive a cash amount equal to the Face Value per Class B Share, on an equal ranking basis with respect to the rights of Ordinary Shareholders have to receive capital amounts on their Ordinary Shares.

4.3 No additional rights to profits or property

Class B Shares do not confer on their Holders any rights to participate in profits or property except as set out in these Terms of Issue.

4.4 Participation in new issues

Unless and until Class B Shares are converted into Ordinary Shares in accordance with these Terms of Issue, they will confer no rights to subscribe for new securities in MFG or to participate in any bonus issues of securities of MFG unless (and then only to the extent) the Directors determine otherwise, including under clause 7.6.

5. Notices and Meetings

Holders have the same rights as Ordinary Shareholders to:

(a) receive accounts, reports and notices of general meetings of MFG; and

(b) attend and be heard at all general meetings of MFG.

6. Voting Rights

Holders will not be entitled to vote at any general meeting of MFG, except:

(a) on a proposal to reduce the share capital of MFG;

(b) on a resolution to approve the terms of a buy-back agreement;

(c) on a proposal that affects rights attached to the Class B Shares;

(d) on a proposal to wind up MFG;

(e) on a proposal for the disposal of the whole of the property, business and undertaking of MFG;

(f) on any matter considered at a meeting held during the winding of MFG; and

(g) in any other circumstances in which the ASX Listing Rules require the holders of preference shares to be entitled to vote,

in which case each Holder who is a Holder at the time which MFG has fixed for determining voting entitlements for holders of Ordinary Shares at the relevant meeting (the ***Voting Entitlement Time***) shall:

(h) on a poll, be entitled to one vote for each of the Ordinary Shares that the Holder's Class B Shares would have converted into pursuant to clause 7.1 (as adjusted under clauses 7.2 to 7.6 as those clauses may apply from time to time) as if those Class A Preference Shares had converted immediately prior to the Voting Entitlement Time; and

(i) have the same rights as a holder of Ordinary Shares to appoint a proxy, corporate representative or power of attorney to vote on the Holder's behalf.

7. Automatic Conversion

7.1 Conversion into Ordinary Shares

(a) Immediately before 12.01am on the Conversion Date, the Class B Shares will be automatically consolidated or subdivided into such number of Class B Shares calculated as follows (the ***Conversion Number***), as may be adjusted in accordance with clauses 7.2 to 7.6:

(i) if the Service Condition referred to in paragraph (b) below has been satisfied as at the Conversion Date - then 12 x 0.0125 x 0.40 x MFG Share Capital, or

(ii) if the Service Condition referred to in paragraph (b) below has not been satisfied as at the Conversion Date - then 1,

with any fraction in respect of the total number of Class B Shares arising from the consolidation or subdivision being disregarded.

(b) The Service Condition will be regarded as having been satisfied as at the Conversion Date if, as at the Conversion Date (or, where the Conversion Date is after 1 July 2012, as at 1 July 2012) any of the following apply:

   (i) Mr Douglass remains an employee or director of MFG or a subsidiary of MFG;

   (ii) Mr Douglass' employment with MFG or a subsidiary of MFG has been terminated by MFG or the relevant subsidiary for any reason other than wilful misconduct, negligence or fraud; or

   (iii) Mr Douglass has died or has become incapacitated and is unable to work.

(c) The Class B Shares to be converted will, following consolidation or subdivision under paragraph (a), without any further act, convert into such number of Ordinary Shares equal to the number of Class B Shares held by the Holder that are to be converted.

(d) On Conversion of a Class B Share under this clause 7.1, all rights and restrictions conferred on that Class B Share under these Terms of Issue will no longer have any effect, except paragraph (d) below and clause 7.7.

7.2 Adjustments for bonus and rights issues

(a) Subject to paragraph (b), if MFG makes a pro rata bonus issue or a rights issue of Ordinary Shares to holders of Ordinary Shares generally the Conversion Number shall be:

$$CN = CNo \times P \times (RD + RN) / [(RD \times P) + (RN \times A)]$$

where:

"CN" is the Conversion Number applying immediately after the application of this formula;

"CNo" is the Conversion Number applying immediately prior to the application of this formula;

"P" is the VWAP during the period from the first business day after the announcement of the bonus or rights issue to the ASX up to and including the last business day of trading cum rights or bonus issue;

"A" is the subscription price per Ordinary Share for the rights issue and is zero in the case of a bonus issue;

"RN" is the numerator of the ratio (expressed as a fraction) used to determine entitlements to a rights or bonus issue; and

"RD" is the denominator of the ratio (expressed as a fraction) used to determine entitlements to a rights or bonus issue.

(b) No adjustment to the Conversion Number shall occur in accordance with this clause 7.2 if A exceeds P.

7.3 Adjustment for return of capital

If MFG makes a return of capital to holders of Ordinary Shares the Conversion Number shall be adjusted in accordance with the following formula:

$$CN = CNo \times P / (P - C)$$

where:

"CN" is the Conversion Number applying immediately after the application of this formula;

"CNo" is the Conversion Number applying immediately prior to the application of this formula;

"P" means the VWAP during the period from the first business day after the announcement of the return of capital to the ASX up to and including the last business day of trading cum return of capital; and

"C" means the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

The Class B Shares confer no right to participate in a return of capital to holders of Ordinary Shares, except on winding up.

7.4 Adjustment for buy-back

(a) Subject to paragraph (b), if MFG undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to holders of Ordinary Share (or otherwise cancels Ordinary Shares for consideration), the Conversion Number will be adjusted immediately in accordance with the following formula:

$$CN = CNo \times P \times (BD - BN) / [(BD \times P) - (BN \times A)]$$

where:

"CN" is the Conversion Number applying immediately after the application of this formula;

"CNo" is the Conversion Number applying immediately prior to the application of this formula;

"P" is the VWAP during the 20 Business Days prior to the announcement to ASX of the buy-back (or cancellation);

"BD" is the number of Ordinary Shares on issue immediately prior to the buy-back (or cancellation);

"BN" is the number of Ordinary Shares bought back (or cancelled);

and

"A" is the buy-back (or cancellation) price per Ordinary Share.

(b) No adjustment to the Conversion Number will occur if P exceeds A.

(c) The Class B Shares confer no right to participate in a buy-back of Ordinary Shares.

7.5 Adjustment for capital reconstruction

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is dealt with under clause 7.2) into a lesser or greater number of securities, then the Class B Shares must, in accordance with the ASX Listing Rules, be reconstructed, consolidated, divided or reclassified by the directors on the same basis in order to maintain the relative value of the Class B Shares and Ordinary Shares.

7.6 Discretion in Adjustment of Conversion Mechanism

Where:

(a) any of the adjustment provisions set out in clauses 7.2 to 7.5 is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence);

(b) MFG makes a distribution other than by way of dividend in the ordinary course of business or makes a pro rata offer to the holders of its Ordinary Shares to subscribe for, or purchase, securities in any company other than MFG in a way which does not, in the reasonable opinion of the Directors, result in an appropriate adjustment to the Conversion Number; or

(c) any other similar event occurs in relation to MFG that may have a diluting or concentrative effect on the value of the Ordinary Shares,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the Class B Shares and the Ordinary Shares, the Directors may:

(d) make such alterations to the Conversion Number as the Directors reasonably consider appropriate or necessary to maintain that relativity; or

(e) extend an entitlement to the holders of the Class B Shares to participate in such distribution or pro rata offer based upon the number of Ordinary Shares to which those holders would have been entitled if their Class B Shares had been converted on a date nominated by the Directors.

7.7 Ranking of Ordinary Shares

(a) On Conversion of any Class B Shares to Ordinary Shares, each Ordinary Share arising on Conversion will rank equally with, and have the same rights as, all other Ordinary Shares then on issue and MFG will:

  (i) issue a certificate or statement of holding for the Ordinary Shares resulting from the Conversion;

(ii) make entries in its registers to reflect the Conversion; and

(iii) as soon as reasonably practicable (but in accordance with the requirements of the ASX Listing Rules) apply for quotation of the Ordinary Shares.

(b) Each holder of a Class B Share must surrender the certificates representing the Class B Shares so converted (unless the holding is uncertificated) as soon as practicable.

8. Early Conversion

8.1 Holder's right to convert

(a) Each Holder will have the right to convert all (but not some only) of their Class B Shares into Ordinary Shares in accordance with this clause 8, during the period ending at 5.00pm on the 15^{th} Business Day following:

(i) any shareholder approval being obtained under ASX Listing Rule 11.2 (or any successor rule) to permit MFG to sell all or substantially all of its business, undertaking or assets; or

(ii) the occurrence of an Acquisition Event,

(in each case a ***Holder Conversion Period***).

(b) Any Holder desiring and able to convert Class B Shares into Ordinary Shares must give a notice to MFG (a ***Holder Conversion Notice***) in accordance with clause 8.2, but may only do so during a Holder Conversion Period.

8.2 Holder Conversion Notice

(a) In order to be valid, a Holder Conversion Notice must:

(i) be in the form set out in Annexure 1 or such other form as notified by MFG to Holders;

(ii) be signed by the Holder or, where Class B Shares are held jointly, by each Holder in respect of those Class B Shares;

(iii) be issued in respect of all of the Holder's Class B Shares; and

(iv) be received by MFG at its registered office (or other office nominated by MFG) or at the office of the registrar of Holders during a Holder Notice Conversion Period.

(b) A valid Holder Conversion Notice, once received by MFG, is irrevocable.

8.3 Conversion following receipt of valid Holder Conversion Notice

If a Holder has given a valid Holder Conversion Notice to MFG, the Class B Shares the subject of the Holder Conversion Notice will convert into Ordinary Shares in accordance with clause 7 on the date which is 2 Business Days after receipt of a valid Holder Conversion Notice (the ***Holder Conversion Date***).

9. Transfer

Class B Shares are transferable in accordance with the Constitution.

10. Amendments to these Terms of Issue

10.1 Amendment without consent

Subject to complying with all applicable laws, MFG may, without the authority, assent or approval of Holders, amend these Terms of Issue:

(a) if MFG is of the opinion that the amendment is:

- (i) of a formal, minor or technical nature;
- (ii) made to cure any ambiguity;
- (iii) made to correct any manifest error; or
- (iv) necessary to comply with the provisions of any statute, the requirements of any statutory authority or the listing or quotation requirements of any stock exchange on which MFG is listed; and

(b) generally, in any case where such amendment is considered by MFG not to be prejudicial to the interests of Holders as a whole.

10.2 Amendment with consent

Without limiting clause 10.1, MFG may amend these Terms of Issue if the amendment has been approved in accordance with Article 7 of the Constitution.

11. Governing Law

These Terms of Issue are governed by the laws of New South Wales, Australia.

12. Definitions and Interpretation

12.1 Definitions

Unless the context requires otherwise, the following words and expressions shall have the following meanings. Capitalised terms not defined below have the same meaning as in the Constitution.

Acquisition Event means;

(a) a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares; or

(b) the Directors issue a statement recommending a transaction (including a scheme of arrangement or selective capital reduction) which, if implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares.

Adjustment Event means any reconstruction, consolidation, division or reclassification of Ordinary Shares into a lesser or greater number of securities, but does not include any buyback of Ordinary Shares or capital reduction.

ASX means Australian Securities Exchange.

ASX Listing Rules means the listing rules of ASX from time to time with any modification or waivers in their application to MFG, which ASX may grant.

Business Day means a business day as defined in the ASX Listing Rules

Constitution means the constitution of MFG as amended from time to time.

Conversion means the conversion of a Class B Share into an Ordinary Share in accordance with clause 7.1.

Conversion Date means a Holder Conversion Date or MFG Conversion Date.

Conversion Number has the meaning given in clause 7.1(a).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means some or all of the directors of MFG.

Face Value has the meaning given in clause 1.2.

Holder means a person whose name is for the time being registered in the Register as the holder of a Class B Share.

Holder Conversion Date has the meaning given in clause 8.3.

Holder Conversion Notice has the meaning given in clause 8.1(b).

Holder Conversion Period has the meaning given in clause 8.1(a).

MFG means Magellan Financial Group Limited (ABN 59 108 437 592).

MFG Conversion Date means the first Business Day after 21 November 2016.

MFG Share Capital means the lower of:

(a) the number of Ordinary Shares on issue at the end of 21 November 2016 (in the case of conversion under clause 7); and

(b) 170,000,000 (in the case of conversion under clause 7 or 8).

Ordinary Share means an ordinary share issued in the capital of MFG.

Ordinary Shareholder means a person whose name is for the time being registered as the holder of an Ordinary Share.

Register means the register of Class B Shares maintained by MFG or its agent.

Terms of Issue means these terms of issue of Class B Shares.

Trading Day means a day on which shares are traded on ASX other than:

(a) a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day and Boxing Day; and

(b) any other day which ASX declares and published is not a trading day.

VWAP means the arithmetic average of the daily volume weighted average sale price of Ordinary Shares sold on ASX during the relevant Trading Day but does not include any transaction defined in the ASX Market Rules as "special", crossings prior to the commencement of normal trading, crossings during the after hours adjust phase and overseas trades or trades pursuant to the exercise of options over Ordinary Shares and any overnight crossings.

For the purpose of calculating the average of the daily VWAP in respect of Trading Days during a relevant period:

(a) where an Adjustment Event occurs during the relevant period, then for each day in the relevant period prior to the occurrence of the Adjustment Event the daily weighted average sale price of Ordinary Shares sold on ASX included in the VWAP calculation is amended by adjusting the volume of Ordinary Shares sold on ASX in the same ratio as the number of Ordinary Shares on issue following completion of the Adjustment Event to the number of Ordinary Shares on issue immediately before announcement of the Adjustment Event and adjusting the sale price of Ordinary Shares sold on ASX in inverse proportion to that ratio;

(b) if the Ordinary Shares were suspended during any part (but not all) of the relevant period over which the average of the daily VWAP is calculated, any Trading Day on which the Ordinary Shares were suspended (for all or part of that day) will be excluded in counting the relevant number of preceding Trading Days; and

in the case where Ordinary Shares are not trading at all on ASX over the relevant period over which the average of the daily VWAP is calculated (for whatever reason, including, but not limited to suspension from trading) the relevant average of the daily VWAP will be deemed to be the average of the daily VWAP calculated over the relevant number of Trading Days up to and including the date on which the Ordinary Shares last traded on ASX

12.2 Interpretation

(a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.

(b) Unless otherwise specified, the Directors may exercise all powers of MFG under these Terms of Issue that are not, by the Corporations Act or by the Constitution, required to be exercised by MFG in general meeting.

(c) A reference to $, dollars or cents is a reference to the lawful currency of Australia.

(d) A reference to time is a reference to Sydney, New South Wales, Australia time.

(e) Unless otherwise specified, notices may be given by MFG to a Holder in the manner prescribed by the Constitution for the giving of notices to members of MFG and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.

(f) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms of Issue.

(g) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.

(h) Calculations, elections and determinations made by MFG under these Terms of Issue are binding on Holders in the absence of manifest error.

(i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(j) If an event under these Terms of Issue must occur on a stipulated day which is not a Business Day, then the stipulated day for that event will be taken to be the next Business Day.

(k) Subject to paragraph (a), the rules of interpretation in clause 2 of the Constitution also apply to these Terms of Issue.

Annexure 1 – Holder Conversion Notice

Magellan Financial Group Limited

(ABN 59 108 437 592)

CLASS B SHARES

HOLDER CONVERSION NOTICE

I/We, being holder(s) of [number] Class B Shares, hereby give notice, pursuant to and in accordance with clause 8 of the terms of issue of the Class B Shares (***Issue Terms***), of my/our wish to convert [insert number] Class B Shares into Ordinary Shares in accordance with clause 7.1 of the Issue Terms.

I/We represent, both at the time of giving the notice and separately at the time my/our Class B Shares are converted pursuant to this notice (if this occurs), as follows:

(a) I/We are the legal and beneficial owner of the Class B Shares; and

(b) the Class B Shares are free and clear of any interest or power reserved in or over any interest in any Class B Shares including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and whether existing or agreed to be granted or created.

Words and expressions defined in and for the purposes of the Issue Terms have the same meanings where used in this notice.

[Name and signature of holder(s)]

Dated:

A corporation must execute by signing by 2 directors or a director and secretary or under its corporate seal (if it has one) or by its sole director. In the case of joint holders, all holders must sign. Where the notice is signed under a power of attorney, the attorney warrants that he or she has received no notice of the revocation of the power by death of the grantor or otherwise.

ANNEXURE D – TERMS OF SHARE BUY-BACK AGREEMENTS WITH NPH AND NPH FUNDS

The Directors
[New Privateer Holdings Limited] / [NPH Funds Pty Limited]
[Address]

Dear Directors

Offer to buy-back shares in Magellan Financial Group Limited

1. Subject to obtaining the necessary shareholder approval under paragraph 2, Magellan Financial Group Limited (***MFG***) offers to buy-back [*] fully paid ordinary shares in the capital of MFG held by [New Privateer Holdings Limited (***NPH***)] / [NPH Funds Pty Limited (***NPH Funds***)] on the terms set out below (the ***Offer***).
2. Any agreement constituted by [NPH's]/[NPH Funds'] acceptance of the Offer in accordance with paragraph 6 is conditional upon shareholder approval by a special resolution passed at a general meeting of MFG, with no votes being cast in favour of the resolution by [NPH]/[NPH Funds] or by its associates.
3. The consideration to be provided for the buy-back of the shares is [*] per share.
4. MFG will provide the consideration for the share bought back under this Offer within [5] days after both the following have occurred:
   (a) MFG has received a written acceptance of the Offer in accordance with paragraph 6 and the signed share transfer or confirmation (as applicable) referred to in paragraph 7 below; and
   (b) the shareholder approval described in paragraph 2 has been obtained.
5. This Offer is dated as specified below and will, unless withdrawn, remain open during the period ending on the day which is [4] weeks later.
6. [NPH]/[NPH Funds] may accept this Offer by delivering a signed copy, prior to the expiry of the Offer under paragraph 5, to:

   Magellan Financial Group Limited

   Attention: Company Secretary

   Address: Level 1, 1-7 Castlereagh Street, Sydney NSW 2000

7. At the same that this Offer is accepted, [NPH]/[NPH Funds] should provide to MFG in accordance with paragraph 6:

   (a) in respect of shares held on MFG's issuer-sponsored subregister, a signed share transfer; and

   (b) in respect of shares held on MFG's CHESS sub-register, a copy of written instructions to [NPH's]/[NPH Funds'] broker to immediately transfer the shares to MFG.

Dated: [*]

On behalf of **Magellan Financial Group Limited**:

[Name]

Agreed and accepted by **[New Privateer Holdings Limited]/[NPH Funds Pty Limited]**.

[Name]

[Date]

MAGELLAN
FINANCIAL GROUP LIMITED

ABN 59 108 437 592

Registries Limited

All correspondence to:
Registries Limited
P O Box R67
Royal Exchange, Sydney NSW 1223
Enquiries: 61 2 9290 9600
Facsimile: 61 2 9279 0664
www.registries.com.au
registries@registries.com.au

PROXY FORM

Extraordinary General Meeting - 29 January 2008 – 4.00 pm

Appointment of Proxy

If appointing a proxy to attend the Extraordinary General Meeting on your behalf, please complete the form and submit it in accordance with the directions on this form.

I/We being a shareholder/shareholders of the Company pursuant to my/our right to appoint not more than two proxies, appoint

☐ The Chairman of the Meeting (mark with an "X") **OR** ______ Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting.

or failing him/her ______ Write here the name of the other person you are appointing.

or failing him/her, (or if no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary Meeting to be held at the **Magellan Investor Presentation Room, Level 7, 1 Castlereagh Street, Sydney NSW on 29 January 2008, commencing at 4.00 pm** and at any adjournment of that meeting.

This proxy is to be used in respect of ______% of the ordinary shares I/we hold.

Voting directions to your proxy – please mark ☒ to indicate your directions

RESOLUTION	For	Against	Abstain*
Resolution 1 Acquisition by MFG of NPH Shares held by Chris Mackay and entities controlled by him (each a related party of MFG)	☐	☐	☐
Resolution 2 Acquisition by MFG of the shares in NPH Funds held by an entity controlled by Hamish Douglass (a related party of MFG)	☐	☐	☐
Resolution 3 Issue of MFG Ordinary Shares and MFG Class B Shares to an entity controlled by Hamish Douglass (a related party of MFG)	☐	☐	☐
Resolution 4 Amendment of MFG Constitution to include Class B Share terms of issue	☐	☐	☐

RESOLUTION	For	Against	Abstain*
Resolution 5 Consolidation or subdivision of MFG Class B Shares	☐	☐	☐
Resolution 6 Selective reduction of capital	☐	☐	☐
Resolution 7 Selective buy-back of shares	☐	☐	☐

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.
Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
Sole Director & Sole Company Secretary	Director	Director / Company Secretary

Dated this ______ **day of** ______ **2008**

______
Contact Name

______
Contact Business Telephone / Mobile

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Your pre-printed name and address is as it appears on the share register of the Company. If you are Issuer Sponsored and this information is incorrect, make the correction on the form, sign it and return it to us. Securityholders sponsored by a broker on the CHESS subregister should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

2. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

3. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.

4. A proxy need not be a shareholder of the Company.

5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

6. If a representative of a company shareholder is to attend the Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

7. If a representative as Power of Attorney of a shareholder is to attend the meeting, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

8. **Signing Instructions**

   You must sign this form as follows in the spaces provided:

   Individual: Where the holding is in one name, the holder must sign.

   Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.

   Power of Attorney: If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.

   Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person.

   If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.

   Otherwise, this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

9. **Lodgement of a Proxy**

   This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than 4.00 pm, 27 January 2008 (48 hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Hand deliveries	**Registries Limited** **Level 7** **207 Kent Street** **Sydney NSW 2000**
Postal address:	**Registries Limited** **PO Box R67** **Royal Exchange NSW 1223**
Fax number:	**(02) 9279 0664**
Online:	**www.investorserve.com.au**