

2019



MFF

CAPITAL INVESTMENTS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED – 30 JUNE 2019

MFF CAPITAL INVESTMENTS LIMITED: ABN 32 121 977 884

Contents

CHAIRMAN'S LETTER.....	3
DIRECTORS' REPORT	6
AUDITOR'S INDEPENDENCE DECLARATION	17
PORTFOLIO MANAGER'S REPORT	18
STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME	22
STATEMENT OF FINANCIAL POSITION	23
STATEMENT OF CHANGES IN EQUITY	24
STATEMENT OF CASH FLOWS	25
NOTES TO THE FINANCIAL STATEMENTS	26
Overview	26
1. Basis Of Preparation	26
2. Dividends	31
3. Income Tax.....	33
4. Cash And Cash Equivalents, And Net Interest Bearing Borrowings.....	34
5. Receivables	35
6. Investments	36
7. Payables	37
8. Contributed Equity.....	38
9. Earnings Per Share ("EPS").....	39
10. Auditor's Remuneration	39
11. Capital And Financial Risk Management.....	40
12. Related Parties.....	46
13. Research And Services Fees	46
14. Segment Information	46
15. Contingent Assets, Liabilities And Commitments	46
16. Events Subsequent To The End Of The Financial Year	47
17. Net Tangible Assets ("NTA") Per Ordinary Share.....	47
DIRECTORS' DECLARATION	48
INDEPENDENT AUDITOR'S REPORT	49
SHAREHOLDER INFORMATION	53
CORPORATE INFORMATION	55

MFF CAPITAL INVESTMENTS LIMITED

CHAIRMAN'S LETTER

for the year ended 30 June 2019

I am pleased to write to you in the 2018/19 Annual Report for MFF Capital Investments Limited ("MFF" or the "Company"). Please also take the time to read the financial statements and our Portfolio Manager's Report which follow.

Financial Results

MFF recorded a net profit after tax of \$218.6 million for the year ended 30 June 2019. Pre-tax profit was \$312.2 million. Deferred tax liabilities in respect of unrealized gains on investments increased by \$58.8 million to \$291.4 million and current tax liabilities were \$13.0 million as at 30 June 2019. During the financial year \$41.6 million tax was paid (please refer Statement of Cash Flows).

MFF's balance sheet and financial flexibility remain strong. As at 30 June 2019 MFF's \$1,443.6 million of Total Equity comprised Retained Profits of \$838.1 million and Contributed Equity of \$605.5 million. Investments at market value were \$1,788.9 million and Borrowings \$40.6 million. We continue to maintain healthy levels of interest cover, low risk levels relating to portfolio liquidity and minimal contingent liabilities (deferred tax liabilities are by far the largest liability).

The portfolio remains concentrated in companies with large volumes of daily trading in comparison with MFF's holdings (in other words almost all our portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

MFF uses "mark to market" accounting for both investments and foreign exchange and our net profit principally reflects the positive movements in the market value of our investments in the year, with a small benefit from favourable currency moves.

MFF's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Hence significant fluctuations in reported year to year results are inevitable. If MFF's analysis is successful, market fluctuations should continue to benefit MFF over the medium to longer term. However, your Board and Portfolio Manager repeatedly note that negative movements are inevitable. We continue to caution against elevated investor expectations. Risks associated with the sustained low interest rates and higher asset prices increased during the year.

Please refer to the Portfolio Manager's Report for discussions about the portfolio, including some current risks particularly relating to higher market prices for our existing portfolio.

Overall, pre-tax pre-interest operating expenses were approximately flat year on year after an added impost for regulator's levy and statutory accrual for long service leave (refer Statement of Profit or Loss and Comprehensive Income). Tax payments are direct corporate outflows and reduce MFF's pre-tax assets. In addition to corporate income tax, other taxes and charges include foreign dividend withholding tax, GST, employment taxes, 'user pays' regulatory, stock market and other levies. These taxes and charges are the largest expenses for MFF.

Portfolio turnover increased in the year with sales at approximately 11.7% above the dollar value of the previous year. Increased portfolio turnover usually results in higher tax payable for MFF in the subsequent year. Corporate tax payments may increase materially in the future given MFF's substantial unrealized gains in the portfolio and higher market prices. In Australia, income tax instalments are levied during the year [MFF is now levied monthly], and 2020 instalments will be in addition to current tax liabilities shown in the financial statements.

MFF's Portfolio

Details about the portfolio are included in the Portfolio Manager's Report (refer page 18) and all investments held in the year are listed in Note 6 of the financial statements. In the current financial statements and other shareholder communications, we provide shareholders with very high levels of transparency about MFF, our portfolio, decisions made, prospects and risks, in addition to detailed statutory information.

During the year MFF continued to be substantially invested, but with fluctuations during the year as markets fluctuated. MFF discloses monthly cash and/or borrowings levels in the monthly net tangible asset per ordinary

MFF CAPITAL INVESTMENTS LIMITED

CHAIRMAN'S LETTER

for the year ended 30 June 2019

share releases to the ASX. We note that at 30 June 2019 net debt was approximately 2.3% of total investment assets, compared with approximately 0.2% at 30 June 2018 and the monthly peak of approximately 9.7% at the end of December 2018.

The major positions in the portfolio were relatively little changed during the year. MFF benefitted from the price appreciation of longer term holdings, particularly a number of the larger holdings.

Your Board continues to be updated regularly by the Portfolio Manager on his assessment of the risks and potential upside for the holdings, and potential holdings. We remain pleased with the composition of the portfolio, although there can be no guarantees that these (or any other) holdings will provide investment outperformance or even positive performance.

Currency movements were a modest net positive in the year, as MFF maintained its effective "short AUD" position. MFF continues to favour the partial potential risk mitigation aspects that this provides for the investment portfolio, as well as being favoured on the Portfolio Manager's view of the medium term fundamentals. Potential currency benefits and risk mitigation aspects are far lower at 30 June 2019 rates of approximately 0.702 for the AUD/USD compared with the more favourable potential risk/reward trade-offs when rates were above 1.00, in recent years. The Portfolio Manager's Report also discusses MFF's currency positions.

Dividends

The Directors have declared a fully franked final dividend of 2.0 cents per ordinary share, to be paid in November 2019 with the Dividend Reinvestment Plan to operate (at zero discount).

MFF's dividend policy was revised in 2017. Starting with the first dividend of calendar 2018 the Directors increased the rate of six monthly dividends to 1.5 cents per ordinary share and have now increased the rate again. Your Directors also confirm their intention to seek to increase the rate of the six monthly dividend, over time, to 2.5 cents per ordinary share, subject to corporate, legal and regulatory considerations, with continued operation of the Dividend Reinvestment Plan (at zero discount). The current rate of six monthly dividends at 2.0 cents per ordinary share represents approximately \$21.7 million per annum.

The revised dividend policy balances various considerations. We note, continue to respect, and have responded to, the desire of some shareholders for higher dividends. We also note that MFF's retained funds continue to be put to good use with strong medium term returns. MFF remains small compared with both its cost base and investment universe, and shareholders who need or want higher levels of immediate income from their MFF holdings, in the context of their overall portfolios, have ready markets in MFF shares.

The portfolio remains focused upon holdings which appear to have above average medium term growth prospects and it has not made sense to sell these holdings, pay tax on the gains and reinvest in similar or inferior investments. Although these principles remain true, markets are also cyclical, and higher prices mean more realizations for MFF than when prices are low.

Almost the only source of tax franking credits for MFF has been current corporate tax payable each year by MFF, and the level of franking credits attached to MFF dividends to date has ranged from zero to fully franked. As at 30 June 2019 available tax franking credits were approximately \$45.6 million (approximately 8.4 cents per ordinary share). Approximately \$3.5 million was deducted last year by overseas jurisdictions from dividend payments received by MFF (and this amount does not earn Australian tax franking credit benefits).

Capital Structure

We do not currently have any plans to raise additional new capital or otherwise alter MFF's overall capital structure. MFF has liquid investments and debt markets remain favourable. Capital structure can be reviewed promptly if circumstances change, for example if a general fall in markets leads to far more attractive investment opportunities and the most sensible funding is not sale of existing investments, or additional use of MFF's borrowing capacity. Your Board favours the possible benefits of greater scale but only if this is in shareholders'

MFF CAPITAL INVESTMENTS LIMITED

CHAIRMAN'S LETTER

for the year ended 30 June 2019

overall interests. Your Board seeks to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, and to realise market value for any entitlements or options.

As a listed investment company, MFF's capital structure has an advantage that in times of stress, MFF is not forced to sell investments to meet redemption requests. However, MFF has not had the very material benefits of steady inflows in the generally rising markets in recent years. Over the years, MFF has had to sell existing investments to fund new investments. MFF's opportunity cost is high when selling high quality existing investments thereby incurring tax on accrued gains, in order to buy replacement investments.

The Portfolio Manager maintains a search for sensible investments which might provide MFF with a meaningful flow of income, but market prices remain unfavourable compared with the benefits of MFF's portfolio, including its liquidity aspects.

On-Market Share Buy-Back

On 27 July 2018, the Company discontinued the on-market share buy-back, due to market circumstances. The Company did not acquire any shares pursuant to the on-market buy-back during the year ended 30 June 2019 (June 2018: nil).

Board Update

In May this year we welcomed new high calibre Directors, Ms Annabelle Chaplain, Mr Robert Fraser and Mr Peter Montgomery to the Board.

After almost 13 years of service to the MFF Board I announce my intention to step down as Chairman and Non-executive Director effective from 1 August 2019. I have enjoyed working alongside Andy, John and Chris on the MFF Board and will miss their inspiration and friendship. I am also pleased to announce that Ms Annabelle Chaplain will be appointed Chairman from 1 August 2019. Annabelle is an extremely capable and well credentialed Director who I am sure will make an excellent Chairman for MFF.

Annual General Meeting

Your Directors look forward to meeting those of you who can attend the Annual General Meeting on 2 October 2019. We welcome your input and feedback on MFF. The Notice of Annual General Meeting will be despatched to shareholders in the coming weeks.

Yours faithfully,



Richard Warburton AO
Chairman

Sydney, 31 July 2019

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

The Directors of MFF Capital Investments Limited ("MFF" or the "Company") submit their report in respect of the year ended 30 June 2019.

1. Operations And Activities

1.1 Company Overview

The Company is a listed public company incorporated in Australia. Its principal place of business is Level 36, 19 Martin Place, Sydney, New South Wales, 2000.

The Company is listed on the Australian Securities Exchange (ASX code: MFF).

1.2 Principal Activity

The principal activity of the Company is the investment in a minimum of 20 exchange listed international and Australian companies.

1.3 Dividends

During the year, dividends amounting to \$16,239,000 were paid representing 3.0 cents per ordinary share. The final dividend for the year ended 30 June 2018 of \$8,115,000 and the interim dividend for the half year ended 31 December 2018 of \$8,124,000, were fully franked.

On 31 July 2019, the Directors declared a fully franked final dividend of 2.0 cent per ordinary share (June 2018: fully franked final dividend of 1.5 cent per ordinary share), which is expected to be paid on Friday 8 November 2019. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2019, is \$10,842,000. The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend and no discount will be applied for the DRP.

On 30 June 2019, the Company's total available imputation credits (based on a tax rate of 30%) were \$45,594,000 (June 2018: \$10,951,000).

1.4 Review Of Financial Results And Operations

• Financial Results For The Year

The Company recorded a pre-tax profit of \$312,238,000 (June 2018: pre-tax profit \$342,740,000) and a net profit after income tax of \$218,575,000 (June 2018: \$239,918,000) for the year ended 30 June 2019.

The Company's net assets increased by \$205,401,000 during the year (June 2018: increase \$285,057,000) which was primarily due to market price movements for the Company's investment portfolio. This has resulted in higher pre-tax net tangible assets ("NTA") of \$3.225 per ordinary share (before net tax liabilities of \$0.562) as at 30 June 2019 compared with \$2.762 per ordinary share (before net tax liabilities of \$0.473) as at 30 June 2018. The Company also reported a higher post-tax NTA of \$2.663 per ordinary share as at 30 June 2019 compared with \$2.289 per ordinary share as at 30 June 2018.

As markets will always be subject to fluctuations, the investment performance and results of the past year to 30 June 2019 should not be considered to be representative of results and returns in future financial periods.

• Operations – Portfolio And Activities

The Company's financial results, investment returns, portfolio composition and changes during the year are summarised in the Portfolio Manager's Report (refer page 18) and detailed in the financial statements.

• Strategy And Future Outlook

The Company is invested in equities, with a focus upon the equities of non-Australian domiciled companies and this is expected to continue. As markets continue to be subject to fluctuations, it is not meaningful or prudent to provide a detailed outlook statement or statement of expected results of operations.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

1.4 Review Of Financial Results And Operations (continued)

The Company provides regular updates in the weekly and monthly NTA announcements, which can be found in the ASX announcements and in the investor centre section of the MFF website, www.mffcapital.com.au. Releases to shareholders and the ASX have included discussions in relation to MFF's investment processes and some investee companies from time to time. The Company sets out its largest portfolio holdings at 30 June 2019 in the Portfolio Manager's Report (this information was also released to the ASX on 1 July 2019 as part of the June 2019 monthly NTA release).

1.5 Likely Developments And Expected Results Of Operations

The Company will continue to pursue its principal investment objective which is to increase the per ordinary share net asset value of the Company, over time, in a manner consistent with prudent risk management. Additional comments on expected results of the Company are included in this report under the review of operations at Section 1.4. Refer also to the Chairman's Letter and the Portfolio Manager's Report for further information.

The methods of operating the Company are not expected to change in the foreseeable future.

1.6 Significant Changes In State Of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the year.

1.7 Events Subsequent To The End Of The Financial Year

In the latest release to the ASX on 29 July 2019, the Company reported NTA per ordinary share as at 26 July 2019 as follows:

	26 July 2019 (A) \$	30 June 2019 (B) \$
Pre-tax NTA per ordinary share	3.454	3.225
Net tax liabilities per ordinary share	0.630	0.562
Post-tax NTA per ordinary share	2.824	2.663

(A) ASX announcements are approximate and not audited by Ernst & Young.

(B) NTA audited by Ernst & Young (refer Note 17 of the financial statements).

Other than the above matters and the proposed dividend detailed at Section 1.3, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report that has significantly or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

2. Directors And Secretaries

2.1 Directors

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

Name	Directorship	Appointed
Richard Warburton AO	Chairman & Independent Non-executive Director	19 October 2006
John Ballard	Independent Non-executive Director	19 October 2006
Annabelle Chaplain	Independent Non-executive Director	21 May 2019
Robert Fraser	Independent Non-executive Director	21 May 2019
Andy Hogendijk	Independent Non-executive Director	19 October 2006
Chris Mackay	Managing Director ^(A)	29 September 2006
Peter Montgomery AM	Independent Non-executive Director	21 May 2019

^(A) Mr Mackay is also the Company's Portfolio Manager.

2.2 Secretary

Marcia Venegas was Company Secretary from 20 March 2019 to the date of this report. Marcia replaced Geoffrey Stirton, who was Company Secretary from 1 July 2018 to 20 March 2019.

There are no other officers of the Company.

2.3 Information On Directors And Secretary

The following information is current as at the date of this report.

Richard Warburton AO

Independent Non-executive Director, Chairman of the Board and member of the Audit and Risk Committee.

Richard Warburton is one of Australia's most prominent company directors. Prior to becoming a professional director, he was the Chairman and Chief Executive Officer of DuPont Australia and New Zealand where he was responsible for DuPont's petro-chemical business operations in Australia and New Zealand.

Richard is currently a Director of Sydney Adventist Hospital Foundation for which he has been Chairman since November 2017.

Richard was previously Director and Chairman of Westfield Retail Trust and Tandou Limited, Chairman of David Jones Limited, Aurion Gold Limited, Caltex Australia Limited, Citigroup Pty Limited and The Board of Taxation, and a Director of Scentre Group Limited, Tabcorp Holdings Limited, Southcorp Limited, Nufarm Limited and the Reserve Bank of Australia.

He is a Fellow (and former National President) of the Australian Institute of Company Directors.

John Ballard

Independent Non-executive Director and member of the Audit and Risk Committee.

John Ballard has extensive senior executive experience across a wide range of industries. He was previously Chairman of Elders Limited, Managing Director and Chief Executive Officer of Southcorp Limited, Managing Director Asia Pacific at United Biscuits Limited and Managing Director Snack Foods for Coca-Cola Amatil Limited, a Director of Woolworths Limited and Email Limited, Chairman of Wattyl Limited, a Director of CSR Limited and subsequently Rinker Limited, a Director of Fonterra Co-operative Group Limited, International Ferro Metals Limited and a Trustee of the Sydney Opera House Trust.

John is currently Chairman of the Advisory Boards at Pacific Equity Partners and a Director of The Brain Cancer Group. John is a Fellow of the Australian Institute of Company Directors and holds an MBA degree from Columbia University, New York.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

2.3 Information On Directors And Secretary (continued)

Annabelle Chaplain

Independent Non-executive Director.

Annabelle Chaplain was appointed as a Non-executive Director with effect from 21 May 2019. Annabelle brings extensive experience in the financial services, mining, engineering and infrastructure sectors. She has more than twenty years' experience as a director of public listed, government, private company and not for profit companies.

Annabelle is currently a Director of Seven Group Holdings Limited where she is Chair of the Audit & Risk Committee and a member of the Remuneration & Nomination Committee. She is a director of Downer EDI Ltd where she serves as a member of the Audit and Risk Committee and the Zero Harm Committee.

Annabelle is also the Chairman of Canstar Pty Ltd, a leading digital intermediary in finance in Australia and New Zealand and also, a Non-executive director of Credible Labs Inc, a US fintech company which operates a consumer finance marketplace in the US. She is a Non-executive director of the Australian Ballet.

In 2015, Annabelle was awarded Griffith University Business School's Outstanding Alumnus of the year and in 2016, Griffith University conferred on her an honorary doctorate in recognition of her distinguished service to banking, finance and the community. Annabelle is a Fellow of the Australian Institute of Company Directors and holds an MBA from the University of Melbourne.

Robert Fraser

Independent Non-executive Director.

Robert Fraser was appointed as a Non-executive Director with effect 21 May 2019. Robert is a company director and corporate adviser with over 30 years of investment banking experience, specialising in mergers and takeovers, capital management and equity capital markets.

Robert is currently the Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited stockbrokers of which he is a Director and Principal. He is a non-executive director of Magellan Financial Group Limited ("MFG"), where he is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee; Chairman of Magellan Asset Management Limited ("MAM"), the Responsible Entity and main operating subsidiary of MFG; and a Non-executive Director of ARB Corporation Limited, where he is Chairman of the Audit Committee and the Remuneration and Nomination Committee, and F.F.I. Holdings Limited.

Robert was previously a director of Gowing Bros Ltd (April 2012 – December 2016).

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

Andy Hogendijk

Independent Non-executive Director and Chairman of the Audit and Risk Committee.

Andy Hogendijk has extensive senior management and finance experience having previously been Chief Financial Officer of Suncorp Metway Limited (1997 – 2000), Commonwealth Bank of Australia Limited (1991 – 1997) and John Fairfax Group (1989 – 1991). Andy has also held several senior positions with Shell Company Australia and Australian Paper Manufacturers.

Andy is formerly a Director of AWE Limited, the Chairman of Gloucester Coal Limited, a Director of Aditya Birla Minerals Limited, Hills Motorway Management Limited and Magnesium International Limited. Andy is a Fellow of both the Australian Society of Certified Practicing Accountants and the Australian Institute of Company Directors.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

2.3 Information On Directors And Secretary (continued)

Chris Mackay

Managing Director and Portfolio Manager.

Chris Mackay was appointed Managing Director and Portfolio Manager of the Company with effect from 1 October 2013. He is a Director of Seven Group Holdings Limited (appointed June 2010) and was a Director of Consolidated Media Holdings (formerly Publishing and Broadcasting) from 2006 until its takeover by News Corporation in November 2012.

Chris has considerable experience in business management, business assessment, capital allocation, risk management and investment. He became an investment banker in 1988, after being a corporate and banking lawyer, and has broad experience in the financial and corporate sectors.

Chris co-founded Magellan after retiring as Chairman of the investment bank UBS Australasia in 2006, having previously been its Chief Executive Officer. He was a member of the Federal Treasurer's Financial Sector Advisory Council and the Business Council of Australia, and a director of the International Banks & Securities Association.

Peter Montgomery AM

Independent Non-executive Director.

Peter Montgomery was appointed as a Non-executive Director with effect from 21 May 2019. Peter is a graduate in law from Sydney University and is a Sydney solicitor. Peter has had a wide ranging multi decade business career which includes extensive public company experience both as a director and a substantial shareholder in public and private companies whose activities included radiology, aged care, retirement villages, contract oil and gas drilling, funds management and land development.

Peter has had an extensive career in sport both as an athlete, and Australian and global roles as an honorary official, including being the Foundation President of the World Olympians Association. Peter received an Order of Australia Medal in 1986 and was awarded an AM in 2006.

Marcia Venegas

Company Secretary (appointed 20 March 2019).

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

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

2.4 Directors' Meetings

The number of Board meetings, including meetings of Board Committees, held during the year ended 30 June 2019 and the number of those meetings attended by each Director is set out below:

Name	Board		Audit & Risk Committee	
	Held while a Director	Attended	Held while a Member	Attended
Richard Warburton AO	5	4	5	5
John Ballard	5	5	5	5
Annabelle Chaplain ^(A)	1	1	-	-
Robert Fraser ^(A)	1	1	-	-
Andy Hogendijk	5	5	5	5
Chris Mackay	5	5	-	-
Peter Montgomery AM ^(A)	1	1	-	-

(A) Ms Chaplain, Mr Fraser and Mr Montgomery were appointed on 21 May 2019.

2.5 Directors' Interests

The interests of Directors in the shares or options of the Company are detailed in Section 3.6.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

3. 2019 Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements of the Company for the year ended 30 June 2019. It details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons and corporate entities having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

In the 2019 financial year, the KMP included the Independent Non-executive Directors and the Company's sole employee (who is the Managing Director and Portfolio Manager) as listed in the table below:-

Name	Position	Term As KMP
Independent Non-Executive Directors		
Richard Warburton AO	Chairman	Full Year
John Ballard	Director	Full Year
Annabelle Chaplain ^(A)	Director	21 May 2019 - 30 June 2019
Robert Fraser ^(A)	Director	21 May 2019 - 30 June 2019
Andy Hogendijk	Director	Full Year
Peter Montgomery AM ^(A)	Director	21 May 2019 - 30 June 2019
Executive Director		
Chris Mackay	Managing Director/Portfolio Manager	Full Year

(A) Ms Chaplain, Mr Fraser and Mr Montgomery were appointed on 21 May 2019.

The Board does not grant options or rights to Key Management Personnel under its remuneration policy. The Remuneration Report has been prepared and audited against the disclosure requirements of the Corporations Act 2001.

3.1 Remuneration Of Independent Non-executive Directors

The Independent Non-executive Directors are remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne by the Independent Non-executive Directors. The remuneration of the Independent Non-executive Directors is not linked to the performance or earnings of the Company.

Directors' Fees

The Independent Non-executive Directors' base remuneration is reviewed annually and remained unchanged during the year ended 30 June 2019. The following table outlines the Independent Non-executive Directors' fees for the Board and Committee for the year ended 30 June 2019:-

	Position	Fees (\$)
Board	Chairman	110,000
	Independent Non-executive Director	70,000
Audit And Risk Committee	Chairman	25,000
	Member	12,500

The amount of base remuneration is not dependant on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company. The Chairman is not entitled to other committee fees.

Retirement Benefits

The Company does not provide retirement benefits (other than superannuation) to the Independent Non-executive Directors.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

3.1 Remuneration Of Independent Non-executive Directors (continued)

Other Benefits (Including Termination) And Incentives

The Company does not provide other benefits and incentives to the Independent Non-executive Directors.

3.2 Remuneration Of Managing Director

The Managing Director is remunerated by the Company. It is the policy of the Board to remunerate at market rates commensurate with the responsibilities borne. The remuneration is not linked to the performance or earnings of the Company. Refer Section 3.5 for further details on the employment agreement of Mr Mackay.

3.3 Details Of Remuneration

The total amount paid or payable to the Directors by the Company during the year is detailed below:

		Short Term Benefits	Post- Employment Benefits	Other Benefits (B)	Total Benefits
		Salary	Superannuation	Long Service Leave	
		\$	\$	\$	\$
Independent Non-Executive Directors					
Richard Warburton AO	2019	100,457	9,543	-	110,000
	2018	100,457	9,543	-	110,000
John Ballard	2019	75,342	7,158	-	82,500
	2018	75,342	7,158	-	82,500
Annabelle Chaplain ^(A)	2019	7,540	716	-	8,256
	2018	-	-	-	-
Robert Fraser ^(A)	2019	7,540	716	-	8,256
	2018	-	-	-	-
Andy Hogendijk	2019	86,758	8,242	-	95,000
	2018	86,758	8,242	-	95,000
Peter Montgomery AM ^(A)	2019	7,540	716	-	8,256
	2018	-	-	-	-
Managing Director					
Chris Mackay	2019	979,469	20,531	93,854	1,093,854
	2018	979,951	20,049	-	1,000,000
Total KMP remunerated by the Company	2019	1,264,646	47,622	93,854	1,406,122
	2018	1,242,508	44,992	-	1,287,500

(A) Ms Chaplain, Mr Fraser and Mr Montgomery were appointed on 21 May 2019 and remuneration is shown for the period 21 May 2019 to 30 June 2019.

(B) Other benefits are comprised of long service leave statutory expense. The amount disclosed in this column is the movement in the provision for long service leave during each year.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

3.4 Service Agreements

Remuneration and other terms of employment for the Independent Non-executive Directors are formalised in service agreements with the Company.

Richard Warburton AO, Chairman, Independent Non-executive Director and member of the Audit and Risk Committee

- Commenced on 19 October 2006
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$110,000.

John Ballard, Independent Non-executive Director and member of the Audit and Risk Committee

- Commenced on 19 October 2006
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$82,500.

Annabelle Chaplain, Independent Non-executive Director

- Commenced on 21 May 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$70,000.

Robert Fraser, Independent Non-executive Director

- Commenced on 21 May 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$70,000.

Andy Hogendijk, Independent Non-executive Director and Chairman of the Audit and Risk Committee

- Commenced on 19 October 2006
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$95,000.

Peter Montgomery AM, Independent Non-executive Director

- Commenced on 21 May 2019
- No term of agreement is set. Subject to the Director being re-elected by shareholders of the Company
- Base salary, inclusive of superannuation, for the year ended 30 June 2019 of \$70,000.

3.5 Employment Agreements

Remuneration and other terms of employment for the Managing Director are formalised in an employment agreement with the Company.

Chris Mackay, Managing Director and Portfolio Manager

On 1 October 2013, Mr Mackay was appointed Managing Director and Portfolio Manager of the Company. Mr Mackay entered into an employment contract. Under the terms of the contract, which would continue indefinitely until terminated, Mr Mackay:

- receives fixed compensation structured as a total employment cost package of \$1,000,000 per annum (inclusive of superannuation), which may be received as a combination of cash, non-cash benefits and superannuation contributions and is subject to annual review;
- is not entitled to receive short term incentive payments; and
- is restrained from soliciting clients, employees or agents of the Company or related parties for a period of 6 months after termination of employment.

The contract may be terminated by the Company at any time without notice for cause. Mr Mackay may terminate the contract at any time by providing the Company with not less than 6 months written notice. The Company may terminate the contract at any time by providing 6 months written notice or providing payment in lieu of that notice.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

3.5 Employment Agreements (continued)

Mr Mackay is also a substantial shareholder of MFG, the parent entity of MAM. Mr Mackay was an Advisor to MFG until he and MFG ended this agreement in September 2018. During the period 1 July 2018 to 11 September 2018 Mr Mackay was paid consultancy fees of \$62,500 (June 2018: \$250,000).

3.6 Options And Shareholdings

The number of ordinary shares held in the Company at 30 June by the KMP is below:

	Balance 30 June 2017	Additions/ (Disposals)	Issued/ Exercised	Balance 30 June 2018	Additions/ (Disposals)	Issued/ exercised/	Balance 30 June 2019
Richard Warburton AO							
- Ordinary shares	826,208	-	220,299	1,046,507	-	-	1,046,507
- MFF 2017 Options ^(B)	220,299	-	(220,299)	-	-	-	-
John Ballard							
- Ordinary shares	1,401,614	-	373,206	1,774,820	-	-	1,774,820
- MFF 2017 Options ^(B)	373,206	-	(373,206)	-	-	-	-
Annabelle Chaplain ^(A)							
- Ordinary shares	-	-	-	30,000	-	-	30,000
- MFF 2017 Options ^(B)	-	-	-	-	-	-	-
Robert Fraser ^(A)							
- Ordinary shares	-	-	-	498,676	-	-	498,676
- MFF 2017 Options ^(B)	-	-	-	-	-	-	-
Andy Hogendijk							
- Ordinary shares	599,883	6,846	-	606,729	6,473	-	613,202
- MFF 2017 Options ^(B)	-	-	-	-	-	-	-
Peter Montgomery AM ^(A)							
- Ordinary shares	-	-	-	-	-	-	-
- MFF 2017 Options ^(B)	-	-	-	-	-	-	-
Chris Mackay							
- Ordinary shares	57,200,564	2,623,608	2,062,635	61,886,807	1,836,394	-	63,723,201
- MFF 2017 Options ^(B)	341,132	1,721,503	(2,062,635)	-	-	-	-

(A) The opening balance at 30 June 2018 represents Ms Chaplain's, Mr Fraser's and Mr Montgomery's shareholdings when appointed as Directors on 21 May 2019. Their shareholdings were acquired prior to being appointed as Directors.

(B) All MFF 2017 Options held by the relevant Director were exercised on or before the expiry on 31 October 2017 (refer Note 8(b)) to the financial statements).

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' REPORT

for the year ended 30 June 2019

4. Other

4.1 Indemnification And Insurance Of Directors And Officers

The Company insures the Directors and Officers of the Company in office to the extent permitted by law for losses, liabilities, costs and charges in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

During the year, the Company paid insurance premiums to insure the Directors and Officers of the Company. The terms of the contract prohibit the disclosure of the premiums paid.

4.2 Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporation Act 2001*.

4.3 Non-Audit Services

During the year, Ernst & Young, the Company's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in Note 10 to the financial statements.

The Directors, in accordance with advice received from the Audit and Risk Committee, are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied, considering the nature and quantum of the non-audit services that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

4.4 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

4.5 Rounding Of Amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and consequently amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, or in certain cases, the nearest dollar.



Richard Warburton AO
Chairman



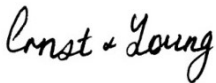
Chris Mackay
Managing Director and Portfolio Manager

Sydney, 31 July 2019

Auditor's independence declaration to the directors of MFF Capital Investments Limited

As lead auditor for the audit of the financial report of MFF Capital Investments Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Rita Da Silva
Partner
31 July 2019

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the year ended 30 June 2019

Dear Shareholder,

MFF's portfolio market appreciation is reflected in the financial results detailed elsewhere. Strong markets again lifted asset owners in financial year 2019 and patience (particularly in considering sales) rewarded MFF's portfolio positioning. Overall, our processes were solid in the year, and we benefitted from opportunities during the mid year selloff. We also benefitted from sustained positive markets and very solid business performances from the portfolio companies. However, risk/reward trade-offs have again become far more difficult in higher priced markets.

MFF's central approach requires disciplined buying, holding and selling of portfolio exposures to advantaged businesses operating with sizable, growing profitable opportunities. We also have a smaller, but more active, involvement in seeking bargains, and this often includes businesses with greater cyclicity, or lacking the long term profitable growth characteristics we prefer for our longer term holdings.

Market participants are considering whether prices for so-called growth stocks, including leading US technology stocks, will continue their very strong rises of recent years. So-called value stocks have performed far worse in that period, particularly stocks of companies with businesses that have been subject to disruption. In recent years prices for larger capitalisation companies have been relatively stronger, reflecting strong growth and high expectations, and 'reversion to the mean' has been scarce.

These trends have continued for lengthy periods, as have similar trends in previous eras. This time, stock price rises have been amplified by record low (and often negative) interest rates. During the year consensus expectations moved to anticipate further rate reductions from extremely low levels, and professional investors were willing to pay higher prices for stocks (reflecting lower discount rates for future cash flows). However, in the final calendar quarter of 2018 market professionals became extremely bearish and precipitated a sharp sell off. We had our highest level of buying for some years at that time and sold some at the generally higher prices later in fiscal 2019 to bring our gearing back to lower levels.

In summary, equity markets continue to be more difficult than earlier in the post GFC recovery. Risks, particularly price risks, are greater at the higher prevailing prices. Arguably, political and regulatory risks are also higher. Market prices typically fluctuate to a greater extent than changes in underlying business fundamentals and fluctuations in aggregated risks. This tested our processes in fiscal 2019 and pressures will continue. The positive yearly financial result should not be regarded as an indicator of future results from prevailing higher prices and risks. Luck is also a crucial variable particularly in fluctuations in any short term period, such as 12 months.

Our longer term view remains positive that conditions remain favourable for our approach focussed on advantaged businesses and sensible prices, combined with adequate processes, analysis and risk controls. However, short term markets behave capriciously and our positive longer term outlook has become more crowded as investors enjoy the benefits of market price rises. Arguably the duration of focus for decision making should be shortened in day to day processes. A long term perspective on future growth and technological change had a longer runway and more margin for safety in 2010 than 2019, but it is now more common (and hence prices higher). MFF must accept the inevitability of downward market fluctuations (such as at the end of calendar 2018), if we are to get the periodic benefits of upward fluctuations (such as for financial year 2019 as a whole).

There has been no change in our positive outlook for MFF's portfolio companies, particularly for the large holdings. During the year, the business performances of the large portfolio holdings continued to be very strong and most produced significant cash flows and improved their competitive positions. However, markets again appeared to hand them out-sized gains.

Whilst we consider that year end market prices for MFF's portfolio were not at nose bleed levels having regard to medium term prospects, interest rates, risks and alternatives, market price appreciation for the year again exceeded increases in underlying value. At least some future benefits have been brought forward. Higher market prices, and another year of sustained low interest rates, mean that our expectations for future medium term returns are lower.

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the year ended 30 June 2019

Reported earnings for our holdings increased, but overall market prices increased by greater amounts. More relevantly in considering fair values, the increases in market values were about 3 times the proportion attributable to MFF's portfolio of the earnings generated in the year. Compare the level of dividend income (in the Income Statement) received by MFF (\$30.8 million in 2018/19) with the changes in market prices of the portfolio [a few lines below in the Income statement] (\$287.2 million in 2018/19). If we estimate that the average dividend payout for the portfolio is approximately 30% and, even if we assume amazing returns on reinvestment of the retained capital by our portfolio companies, there is a huge gap. This reflects increased market prices for the portfolio compared with underlying values for another year.

MFF's financial statements include details of all holdings in the portfolio at any time in the year (refer Note 6). The portfolio actions and the other inputs into the financial results are transparent. An objective is to give you an understanding of key outputs from aspects of our processes and thinking, as reflected in the details of our portfolio, risk positions and financial results.

Our processes have continued to include consideration of regulatory and business risks as well as market price risks and portfolio considerations. Our market and portfolio risk processes also continued to include emphasis on competitively advantaged, satisfactorily priced, liquid holdings with sufficient trading volumes to allow movement in response to changes. We aim to continue these disciplines and focus, as the market cycles progress. These are not the times when extremely advantaged companies are extremely out of favour and inexpensive. Please refer to past reports where we have noted some types of opportunities we are not chasing.

Holdings at 30 June 2019 with market values of 0.5% or more of the portfolio (shown as percentages of total investment assets) are shown in the table below:

Holding	%	Holding	%
Visa	16.3	CVS Health	2.4
Mastercard	15.6	BlackRock	2.2
Home Depot	10.3	DBS Group	2.0
Bank of America	8.5	United Overseas Bank	1.9
JP Morgan Chase	6.8	Oversea - Chinese Banking	1.5
Alphabet	6.0	Coca Cola	1.0
HCA Healthcare	3.9	Microsoft	0.9
Lowe's	3.9	CapitaLand	0.8
US Bancorp	3.7	Kraft Heinz	0.7
S&P Global	3.6	Facebook	0.5
Wells Fargo	3.6	AECOM	0.5
Lloyds Banking Group	2.5		

Directors maintained individual position risk limits at 10% except for Visa and Wells Fargo which are each at 12% (all measured at cost). Net borrowings as at 30 June 2019 were approximately 2.3% of investment assets (with AUD cash approximately 3.5 %, GBP borrowings 0.6% and USD borrowings 4.9 % of investment assets) compared with net borrowings of approximately 0.2% of investment assets at 30 June 2018.

Dividend income was approximately \$8.4m higher this year than in the previous year. In 2019 the MFF portfolio benefitted from the confirmation of increased dividends from the Bank financials, as well as other moderate increases. We remain positive about the capital allocations by most of our portfolio companies, which have benefitted their business returns, focus and per ordinary share metrics as well as equity demand/supply dynamics. Capital gains and losses are far more important to the portfolio than dividend receipts.

Taxes on realised gains and transaction costs are real imposts for MFF, and increase with increased portfolio turnover [obviously both reduce pre-tax NTA figures]. Investment purchases of \$315.7 million compared with sales of \$310.9 million in the year (in cash flow terms). Sales from the portfolio were approximately 17.4% of year end portfolio value and were mostly portfolio adjustments based on risk/reward opportunity costs and

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the year ended 30 June 2019

valuations, including sales into the higher market prices after the purchases around calendar 2018 year end. The level of turnover will inevitably increase again if market prices continue to rise.

Some key business cycles remained strong including technology spending, whilst property investment and motor vehicle manufacturing and sales were weaker in many jurisdictions. Global and internet competition continues in many industries. In current markets, we continue to prefer market leading businesses providing vital services. Risks are everywhere in a low growth world with global overcapacity and technological disruption changing competitive dynamics, and artificially low interest rates distorting prices of most asset classes. Potential disruption is increasingly prevalent. We continue to underestimate investors' willingness to pay ever higher prices for technology growth whilst ignoring recurrent 'one off' losses on venture investing.

When markets present more opportunities to buy freely at very attractive prices compared with perceived values, the market prices of our portfolio will also fall, and we expect that broad market falls will also reduce the cyclical business activity benefits we currently enjoy. Sales will be needed to have full capacity when compelling opportunities arrive. In the meantime, we have remained largely invested and search around the world for lower priced opportunities to compare with our holdings.

We do not manage MFF's investments for short term results as this approach may damage medium to longer term outcomes. Chasing positive momentum and/or attempting to eliminate well priced, advantaged companies because they are out of favour, require different risk controls beyond MFF's focus. Short term market price movements may or may not have predictive value for longer periods.

Our base case risk controls allowed for significant [downward] fluctuations in market prices and this occurred in the final quarter of calendar 2018. The rapid rebound indicates that risk controls and processes must remain prepared. At last year's AGM we noted that we had 'bought on the dips' in previous years, and we did so again in Q4 calendar 2018. This may not continue to make sense, as prices and investor market participation are now both higher.

We do not offer broad market forecasts, or any forecasts for the share prices of our portfolio companies. Inexpensive asset prices can continue to decline for many reasons, whereas at other times and/or in other markets, they can rise too high for sustained periods. Equities are ranked lowest in capital markets structures, and returns to equity holders must fluctuate, and share market prices often fluctuate by greater amounts.

Longer term interest rates/bond rates remain low compared with historic levels. Business prospects and challenges evolve for currently leading companies, and extend well beyond increased regulation and taxes, digitalisation, globalisation and easy finance for niche challengers and other disruptors. Low interest rates and freely available money are important business risks and globalisation/mercantilism/optimistic forecasts continue to add to overcapacity in major industries. 'Trade wars' increase costs and inefficiencies.

From time to time we are attracted to out of favour areas where investors have a range of concerns about individual companies and loss aversion for sector groupings. Even if our analysis is correct, negative marks to market almost always result, as investor momentum is unfavourable for the area which is out of favour. Out of favour sectors have less expensive fundamentals but often markets are right, and they should be out of favour.

Political and regulatory/legal risks, geopolitics, inequality/demographic issues and populist/socialist movements continue to be important. Our portfolio includes networked internet companies and financials which have been and remain easy targets for value transfers away from shareholders and this has impacted share prices. We attempt to weigh whether the risks, imposts and capricious regulation, as well as fair regulation, are worsening, and whether they are so draconian that the largest players face less competition due to their capacity to absorb more. We do not see any reversion to a less impacted, less regulated middle whereby businesspeople, entrepreneurs and citizens are more able to get on freely with their lives and create additional wealth and wider benefits. Growing concerns about unequal wealth and income distributions are being exacerbated by regulatory stifling of growth, and low interest rates in recent years reduced earnings for (mostly older) savers causing them to save more, reduce risks, increase self-reliance and reduce velocity of money and aggregate economic opportunity.

MFF CAPITAL INVESTMENTS LIMITED

PORTFOLIO MANAGER'S REPORT

for the year ended 30 June 2019

Currencies and Interest Rates

The USD was stronger, and the AUD was weaker during the last year. These movements benefitted MFF again. As at fiscal year-end we had moved a balance into AUD cash in order to meet future tax, dividend and expense payments. We feel less negative about the AUD's prospects than we did in previous years when the currency was much higher. After balancing the factors, we maintained our unhedged currency positions together with AUD cash availability.

Sustained low interest rates are perhaps the most important variable in considering the values of high quality companies, in current conditions. Very confident arguments are made on either side regarding interest rates. Our approach has been to invest whilst allowing plenty of room for increased rates. We remain dubious of the 'lower for longer' arguments, and wary of sustained spikes in interest rates.

The longer term implications of sustained/entrenched high promise, borrow, tax and spend Government policies extend well beyond interest rates and inflation. Crisis points must be anticipated. Sustained low interest rates are beginning to have widespread implications.

Other

We expect that we will need to make some more difficult trade-offs through the course of this and future years, and MFF's portfolio turnover (sales from the portfolio) might well continue to trend higher from the extremely low levels of recent years. Shareholders should expect that we will incur tax on realised net profits (substantially relating to market gains from previous years). Investors have few simple choices as there are no obviously under-priced low risk asset classes and the opportunity cost of holding cash has been expensive.

Typical later cycle frauds and schemes are prevalent and the movies are following. Credible stories about new or emerging opportunities, markets and technologies appeal widely and are most dangerous over time, particularly if supported by strong favourable emotions, positive market action, perceived social benefits and celebrity. The IPO market is open and investors are again distracted by non financial measures.

Investors can track the portfolio and the underlying price movements, as we report MFF's net tangible asset backing to the ASX on a weekly basis and also advise changes to the portfolio and cash/borrowing levels regularly. Our monthly reports include commentary on risk factors and other matters.

I thank our Non-executive Directors, who continue to provide excellent guidance, judgement and counsel. I particularly thank Dick Warburton who tomorrow starts a well-deserved retirement from MFF with Sue, his children and grandchildren. All the Directors and everyone at Magellan and I are extremely grateful to Dick for leadership, skill, friendship and everything we could ever have hoped for. Thank you. Welcome to our new Non-executive Directors, each of whom brings excellent, deep experience and judgement.

We look forward to seeing you at the Annual General Meeting in October.

Yours faithfully,



Chris Mackay
Portfolio Manager

Sydney, 31 July 2019

Important note

MFF Capital Investments Limited ABN 32 121 977 884 (**MFF**) has prepared the information in this Portfolio Manager's Report ("Report"). This Report has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. It is not an offer or invitation for subscription or purchase, or a recommendation of any financial product and is not intended to be relied upon by investors in making an investment decision. Past performance is not a reliable indicator of future performance. To the extent any general financial product advice is provided in this Report, it is provided by MFF as a corporate authorised representative of Magellan Asset Management Limited ABN 31 120 593 946 AFSL 304 301. An investor, before acting on anything that he or she construes as advice, should consider the appropriateness of such construction and advice having regard to their objectives, financial situation or needs.

MFF CAPITAL INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Investment Income			
Dividend income		30,839	22,486
Interest income		809	689
Net change in fair value of investments		287,191	324,681
Net gains/(losses) on foreign currency cash and borrowings		864	3,812
Net gains/(losses) on foreign exchange settlements & contracts		1,701	(1,235)
Other income		-	93
Total Net Investment Income		321,404	350,526
Expenses			
Research and services fees	13	5,000	5,000
Finance costs – interest expense		2,117	829
Managing Director's salary		1,000	1,000
Non-Executive Directors' fees		312	288
Long service leave statutory expense		94	-
Transaction costs		40	49
Registry fees		143	175
ASX listing, clearing and settlement fees		140	133
Fund administration and operational costs		84	76
Auditor's remuneration	10	73	67
Employment related taxes		70	69
Regulatory levy		47	-
Other expenses		46	100
Total Operating Expenses		9,166	7,786
Profit/(Loss) Before Income Tax Expense		312,238	342,740
Income tax (expense)/benefit	3(a)	(93,663)	(102,822)
Net Profit/(Loss) After Income Tax Expense		218,575	239,918
Other comprehensive income		-	-
Total Comprehensive Income/(Loss) For The Year		218,575	239,918
Basic Earnings/(Loss) Per Share (cents)	9	40.37	45.64
Diluted Earnings/(Loss) Per Share (cents)	9	40.37	44.91

The above Statement of Profit or Loss and Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

MFF CAPITAL INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Current Assets			
Cash and cash equivalents	4(a)	244	108
Investments	6	1,788,870	1,496,481
Receivables	5	730	935
Prepayments		9	8
Total Current Assets		1,789,853	1,497,532
Total Assets		1,789,853	1,497,532
Current Liabilities			
Payables	7	1,141	1,031
Current tax liability		13,024	23,310
Borrowings	4(b)	40,614	2,454
Total Current Liabilities		54,779	26,795
Non-Current Liabilities			
Deferred tax liability	3(c)	291,386	232,544
Provision for long service leave		94	-
Total Non-Current Liabilities		291,480	232,544
Total Liabilities		346,259	259,339
Net Assets		1,443,594	1,238,193
Equity			
Contributed equity	8	605,464	602,399
Retained profits		838,130	635,794
Total Equity		1,443,594	1,238,193

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

MFF CAPITAL INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Contributed Equity			
Balance At Beginning Of Year		602,399	543,954
Transactions with owners in their capacity as owners:			
Issue of securities:			
- on Dividend Reinvestment Plan	8(a)	3,065	2,508
- on exercise of MFF 2017 Options	8(a)	-	55,937
Balance At End Of Year		605,464	602,399
Retained Profits			
Balance At Beginning Of Year		635,794	409,182
Total comprehensive income/(loss) for the year		218,575	239,918
Dividends paid	2	(16,239)	(13,306)
Balance At End Of Year		838,130	635,794
Total Equity		1,443,594	1,238,193

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

MFF CAPITAL INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Cash Flows From Operating Activities			
Dividends received (net of withholding tax)		27,299	22,423
Interest received		809	689
Payments for purchase of investments		(315,690)	(255,342)
Proceeds from sale of investments		310,860	278,281
Net realised gain/(loss) on foreign exchange settlements and contracts		1,701	(1,235)
Research and services fees paid		(5,000)	(5,025)
Tax paid		(41,602)	(17,963)
Other income received		-	93
Other expenses paid		(1,974)	(1,938)
Net Cash Inflow/(Outflow) From Operating Activities	4(f)	(23,597)	19,983
Cash Flows From Financing Activities			
Net proceeds/(repayment) of borrowings	4(e)	39,024	(64,843)
Interest paid		(2,117)	(829)
Proceeds from exercise of MFF 2017 options	8(a)	-	55,937
Dividends paid (net of DRP)	2	(13,174)	(10,798)
Net Cash Inflow/(Outflow) From Financing Activities		23,733	(20,533)
Net increase/(decrease) in cash and cash equivalents		136	(550)
Cash and cash equivalents at the beginning of year		108	658
Cash And Cash Equivalents At The End Of Year	4(a)	244	108

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

Overview

This financial report is for MFF Capital Investments Limited (“MFF” or the “Company”) for the year ended 30 June 2019. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia, whose securities are publicly traded on the Australian Securities Exchange.

1. Basis Of Preparation

This financial report for the year ended 30 June 2019 is a general purpose financial report and has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and other mandatory professional reporting requirements. It is presented in Australian Dollars (“\$”) and was approved by the Board of Directors on 31 July 2019. The Directors have the power to amend and reissue the financial report.

(a) Compliance With International Financial Reporting Standards (“IFRS”)

This financial report complies with Australian Accounting Standards and IFRS as issued by the International Accounting Standards Board.

(b) Historical Cost Convention

This financial report has been prepared on a going concern basis and under the historical cost convention except for assets which are measured at fair value.

(c) Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period except for the adoption of the new standards and amendments which became mandatory for the first time this reporting period commencing 1 July 2018 that are described in Note 1(d). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(d) Changes In Accounting Policy, Accounting Standards And Interpretations

From 1 July 2018, the Company applied in full AASB 9: *Financial Instruments* (“AASB 9”), and applied, for the first time, AASB 15: *Revenue from Contracts with Customers* (“AASB 15”). The nature and effect of these changes are disclosed below.

- **AASB 9: *Financial Instruments***

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139: *Financial Instruments: Recognition and Measurement*.

AASB 9 was issued in phases, with the phased approach reflecting a number of versions of the standard being issued. The Company early adopted the first version of AASB 9 (issued in 2010) on 1 July 2010, which provided guidance on the classification and measurement of financial assets and financial liabilities. On the adoption of AASB 9 (2010), the four current categories of financial assets and financial liabilities were replaced with two measurement categories: fair value and amortised cost.

The subsequent versions of AASB 9 incorporate AASB 9 (2010) which the Company had already adopted, add requirements for transition; guidance on general hedge accounting; and the new expected credit loss model for impairment. The final complete standard, AASB 9 (2014), was effective for the Company commencing 1 July 2018, and included new hedge accounting requirements and an expected-loss impairment model that requires credit losses to be recognised on a more timely basis.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

(d) Changes In Accounting Policy, Accounting Standards And Interpretations (continued)

- **AASB 9: *Financial Instruments* (continued)**

There was no impact on the Company's financial statements on the full adoption of AASB 9 as the Company does not apply hedge accounting, and the balance of financial assets scoped into AASB 9 (2014) impairment requirements are not material. As a result, the Company's existing policy, under AASB 9, remains unchanged.

- **AASB 15: *Revenue From Contracts With Customers***

AASB 15 superseded the revenue recognition guidance in AASB 118 *Revenue* and related interpretations. Although AASB 15 is principles-based, it is a significant change from the previous revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaced the previous notion of risk and rewards.

There were no material changes to the timing or recognition of the Company's key revenues as interest revenue, dividend income and investment gains are excluded from the scope of AASB 15.

Several other amendments and interpretations applied for the first time in the reporting period commencing 1 July 2018, but did not result in any adjustments to the amounts recognised in the financial statements or disclosures.

(e) Segment Reporting

An operating segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to those of other segments.

The Managing Director and Portfolio Manager makes the investment decisions for the Company and the Company's operating segments are determined based on information reviewed by the Portfolio Manager to make investment decisions. The Portfolio Manager manages the Company's investments on a portfolio basis and considers the Company operates in a single operating segment.

(f) Foreign Currency Translation

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

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

(g) Investment Income

Dividend Income

Dividend income is recognised on the applicable ex-dividend date gross of withholding tax. Foreign dividends received are recognised net of withholding tax in the Statement of Cash Flows.

Net Change In Fair Value Of Investments

Realised and unrealised gains and losses on investments measured at fair value through profit or loss are recognised in the Statement of Profit or Loss and Comprehensive Income. The net changes in fair value does not include dividend income.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

(g) Investment Income (continued)

Interest Income

Interest income is recognised on an accruals basis using the effective interest rate method. If revenue is not received at balance date, it is included in the Statement Of Financial Position as a receivable and carried at amortised cost.

(h) Expenses

All expenses are recognised in the Statement of Profit or Loss and Comprehensive Income on an accruals basis.

Directors' Fees

Directors' fees (including superannuation) and related employment taxes are included as an expense in the Statement of Profit or Loss and Comprehensive Income as incurred. Information regarding the Directors' remuneration is provided in the Remuneration Report on pages 12 to 15 of the Directors' Report.

Research And Services Fees

Research and services fees are set out in Note 13.

Finance Costs

The basis on which finance costs incurred on borrowings are recognised is included in Note 1(q).

Performance Fees

Performance fees are set out in Note 13. During each measurement period, the Company will assess the likelihood of whether the respective performance fees will be payable. A performance fee in respect of a period is recognised in the Statement of Profit or Loss and Comprehensive Income if the Company's total shareholder return exceeds 10% per annum, annually compounded, at the end of the relevant measurement period, which is the date where certainty exists that the criteria has been met and the liability has been crystallised.

(i) Income Tax

The income tax expense/benefit for the year is the tax payable/receivable on the current year's taxable income based on the current income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all deductible temporary differences and unused tax losses carried forward to the extent that it is probable that future taxable amounts will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of any deferred income tax assets is reviewed at each balance date and recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised only to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Deferred tax assets and deferred tax liabilities are offset as there is a legally enforceable right to set-off current tax assets and liabilities.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

(j) Goods And Services Tax ("GST")

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of GST, except when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of that purchase or as an expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included in the Statement Of Financial Position as receivable or payable.

Cash flows are included in the Statement Of Cash Flows on a gross basis. The GST component of cash flows arising from financing activities which are recoverable from, or payable to the taxation authority, is presented as operating cash flow.

(k) Financial Assets And Liabilities

The Company classifies and measures its financial assets and financial liabilities in accordance with AASB 9: *Financial Instruments*. Under AASB 9, all investments are measured at fair value.

Purchases and sales are recognised on trade date, being the date the Company commits to purchase or sell the asset. Financial assets and financial liabilities are derecognised when the Company no longer controls the contractual rights that comprise the financial instrument which is normally the case when the instrument is sold.

(l) Cash and Cash Equivalents

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

(m) Receivables

Receivables are initially measured at fair value and include dividends, distributions and amounts due on investments sold but not settled at balance date. Receivables relating to the sale of investments are usually settled between two and five days after trade date. Until 30 June 2018 a provision was deducted from receivables for uncollectible amounts. From 1 July 2018 this provision is based on expected credit losses. Expected credit losses are calculated as the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The Company applies the simplified approach for receivables whereby the loss allowance is based on lifetime expected credit losses at each balance date.

(n) Investments

The Company's investments comprise shares in listed entities and are recognised at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments are expensed in the Statement of Profit or Loss and Comprehensive Income as incurred. Changes in the fair value of investments are recognised in the Statement of Profit or Loss and Comprehensive Income. When investments are disposed, the net gain or loss on sale is recognised in the Statement of Profit or Loss and Comprehensive Income on the date of sale.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities as movements in the fair value of these securities represent the Company's main income generating activity.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

(o) Payables

Payables are initially measured at fair value. Payables comprise trade creditors and accrued expenses owing by the Company at balance date which are unpaid. Payables relating to the purchase of investments are usually settled between two and five days after trade date. Trade creditors are unsecured and usually paid within 30 days of recognition.

A dividend payable to shareholders of the Company is recognised if it has been approved by the Directors on or before balance date but has not been paid.

(p) Employee Expenses And Entitlements

Wages, Salaries And Annual Leave

Liabilities for wages, salaries and annual leave (including non-monetary benefits) are recognised in payables within accrued employee entitlements and are measured at the amounts to be expected to be paid when the liabilities are settled. The employee entitlement liability expected to be settled within 12 months from balance date is recognised in current liabilities. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefit on-costs are included in accrued employee entitlements in the Statement of Financial Position and employee costs in the Statement of Profit or Loss and Comprehensive Income when the employee entitlements to which they relate are recognised in liabilities.

Long Service Leave

Liabilities for long service leave are recognised when employees reach a qualifying period of continuous service. Non-current liabilities are measured as the present value of expected future payments and expected to be paid after 12 months of balance date.

(q) Borrowings

Borrowings are initially recognised at fair value. Any transaction costs directly related to the borrowings are recognised in the Statement of Profit or Loss and Comprehensive Income. Borrowings are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Finance costs include interest expense related to the borrowings which are expensed in the Statement of Profit or Loss and Comprehensive Income using the effective interest method.

(r) Contributed Equity

The Company's ordinary shares are classified as equity and recognised at the value of consideration received by the Company. Incremental costs directly attributable to the issue of new shares and options are recognised in equity as a deduction, net of tax. Where the Company purchases its own issued shares under a buy-back, the consideration paid, including any directly attributable transaction costs, is deducted from contributed equity. The Company previously had listed options on issue until they expired on 31 October 2017 ("MFF 2017 Options"), (refer Note 8(b)). MFF 2017 Options were classified as equity until their expiry.

(s) Earnings/(Loss) Per Share

Basic earnings per share is calculated as net profit / (loss) after income tax expense for the year divided by the weighted number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary units that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, namely the MFF 2017 Options when the Company's average share price exceeded the exercise price over the period the MFF 2017 Options were on issue (refer Note 9).

(t) Rounding Of Amounts

All amounts in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar, unless otherwise stated in accordance with the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

1. Basis Of Preparation (continued)

(u) Critical Accounting Estimates And Judgements

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

Where listed equities have no active market the Directors determine fair value with reference to external observable information and conditions existing at balance date. Fair values may however move materially with movements in market prices (refer Note 11(d)).

As all investments are valued with reference to listed quoted prices and the Company's cash and borrowing facility are provided by strongly rated financial institutions (refer Note 4 and 11(c)), the Company's financial assets are not subject to significant judgement or complexity nor are the Company's liabilities.

2. Dividends

Dividends paid and payable by the Company during the year are:

	30 June 2019 \$'000	30 June 2018 \$'000
For The Year Ended 30 June 2019:		
Fully franked interim dividend (1.5 cent per ordinary share)		
– paid 17 May 2019	8,124	-
Fully franked final dividend for June 2018 (1.5 cent per ordinary share)		
– paid 9 November 2018	8,115	-
For The Year Ended 30 June 2018:		
Fully franked interim dividend (1.5 cent per ordinary share)		
– paid 18 May 2018	-	8,105
Fully franked final dividend for June 2017 (1.0 cent per ordinary share)		
– paid 10 November 2017	-	5,201
Total Dividends Declared And Paid During The Year	16,239	13,306

Of the \$16,239,000 dividends paid during the year ended 30 June 2019, \$13,174,000 was paid in cash to ordinary shareholders that did not elect to participate in the Company's Dividend Reinvestment Plan ("DRP") and \$3,065,000 of dividends were paid via the issue of 1,086,826 ordinary shares under the terms of the DRP (refer Note 2(b)).

(a) Dividend Declared

In addition to the above dividends declared and paid during the year, on 31 July 2019 the Directors declared a fully franked final dividend of 2.0 cents per ordinary share in respect of the year ended 30 June 2019. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2019 is approximately \$10,842,000 and will be paid on 8 November 2019.

A dividend payable to shareholders is only recognised if the dividend is declared, by the Directors, on or before the end of the financial year, but not paid at balance date. Accordingly, the final dividend is not recognised as a liability at balance date.

The DRP will operate in conjunction with this dividend and no discount will be applied to the DRP.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

2. Dividends (continued)

(b) Dividend Reinvestment Plan

The Company's DRP was available to eligible shareholders during the year ended 30 June 2019. Under the terms of the DRP, eligible shareholders are able to elect to reinvest their dividends in additional MFF shares, free of any brokerage or other transaction costs. Shares are issued and/or transferred to DRP participants at a predetermined price, less any discount that the directors may elect to apply from time to time. No discount has been applied to shares issued under the DRP during the year ended 30 June 2019. The DRP issue price is equal to the average of the daily volume weighted average market price of all Company shares sold in the ordinary course of trading on the Australian Securities Exchange during the five trading day period commencing from the day the Company's shares go ex-dividend or other dates as determined by the Board.

During the year ended 30 June 2019, the following ordinary shares were issued under the terms of the DRP (refer Note 8(a)):

- on 17 May 2019: 517,758 ordinary shares were issued at a reinvestment price of \$2.964 and;
- on 9 November 2018: 569,068 ordinary shares were issued at a reinvestment price of \$2.688.

(c) Imputation Credits

	30 June 2019 \$'000	30 June 2018 \$'000
Imputation credits at balance date	45,594	10,951
Imputation credits that arise from the payment of income tax payable	13,024	23,310
Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2018: 30%)	58,618	34,261

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

3. Income Tax

	30 June 2019 \$'000	30 June 2018 \$'000
(a) Income Tax (Expense) Attributable To The Year, Payable On The Operating Profit, Is As Follows:		
Profit/(loss) before income tax expense	312,238	342,740
Prima facie income tax (expense)/benefit on net profit at 30%	(93,671)	(102,822)
Prior year (under)/over provision	8	-
Income Tax Expense Reported In The Statement Of Profit Or Loss And Other Comprehensive Income	(93,663)	(102,822)
(b) Major Components Of Income Tax (Expense) Are:		
Current income tax expense	(34,821)	(34,516)
Deferred income tax (expense)/benefit		
- origination and reversal of temporary differences	(58,842)	(68,306)
	(93,663)	(102,822)
(c) Deferred Tax Asset/(Liability)		
Deferred tax liability balances comprise temporary differences attributable to:		
Amounts recognised in the Statement of Financial Position:		
- Deferred tax liability from changes in fair value of investments	(291,295)	(232,491)
- Deferred tax liability from future foreign income tax offsets	(91)	(82)
- Deferred tax liability from unrealised foreign currency gains	(44)	(35)
- Deferred tax asset from accrued expenses and transaction costs	44	64
Total Net Deferred Tax Asset/(Liability)	(291,386)	(232,544)

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

4. Cash And Cash Equivalents, And Net Interest Bearing Borrowings

	30 June 2019 \$'000	30 June 2018 \$'000
(a) Cash And Cash Equivalents		
Cash at bank - denominated in Australian Dollars	244	108
(b) Set-Off Cash And Borrowings - Net Borrowings		
Cash - denominated in Australian Dollars	62,107	19,095
Cash - denominated in US Dollars	-	6,695
Total Cash	62,107	25,790
Borrowings - denominated in US Dollars	(87,514)	-
Borrowings - denominated in British Pounds	(9,935)	(23,706)
Borrowings - denominated in Singapore Dollars	(5,262)	(4,521)
Borrowings - denominated in Canadian Dollars	(10)	(9)
Borrowings - denominated in Euros	-	(8)
Total Borrowings	(102,721)	(28,244)
Net Cash/(Borrowings) with MLI	(40,614)	(2,454)

The Company holds cash at bank, which is at call and subject to floating interest rates, with an Australian bank. The foreign currency cash balances, which are held with Merrill Lynch International ("MLI"), a wholly owned subsidiary of Bank of America, are demand deposits and also subject to floating interest rates.

(c) Set-Off Arrangement

The foreign currency cash balances held with MLI are set-off against the borrowings drawn under the multi-currency financing facility provided by Merrill Lynch Markets (Australia) Pty Limited ("MLMA"), which is discussed in detail at Note 4(d). The Company and MLI intend to net settle and are permitted to do so under the terms of the facility. As a result, at 30 June 2019, the Company's borrowings with MLI of \$102,721,000 (June 2018: \$28,244,000) have been presented net of the total cash deposits held with MLI of \$62,107,000 (June 2018: \$25,790,000). As a result, a net borrowing position of \$40,614,000 (June 2018: \$2,454,000) is presented as borrowings in the Statement of Financial Position.

(d) Multi-Currency Financing Facility

The Company has a multi-currency financing facility with MLMA. Amounts drawn as borrowings are repayable on written demand. The financing facility is a service provided under an addendum to the International Prime Brokerage Agreements ("IPBA") between the Company and MLI. Pursuant to the IPBA, MLI acts as a custodian for almost all of the Company's assets, including investment assets and has a fixed charge over the Company's right, title and interest in the assets held in custody with MLI (refer Note 6 and 11 (c)), as security for the performance of its obligations under the IPBA.

(e) Reconciliation Of Borrowings Arising From Financing Activities

	2019 \$'000	2018 \$'000
Financing facility borrowings at the beginning of the year	(2,454)	(71,092)
Cash flows	(39,024)	64,843
Foreign exchange movement	864	3,795
Financing Facility Borrowings At The End Of The Year	(40,614)	(2,454)

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

4. Cash And Cash Equivalents, And Net Interest Bearing Borrowings (continued)

(f) Reconciliation Of Net Profit After Income Tax To Net Cash From Operating Activities

	30 June 2019 \$'000	30 June 2018 \$'000
Net profit/ (loss) after income tax expense	218,575	239,918
Net gains/(loss) on foreign currency cash and borrowings	(864)	(3,812)
Net (gain)/loss on foreign exchange settlements & contracts	1	49
Finance costs - interest expense	2,117	829
Net (increase)/decrease in fair value of investments	(292,389)	(280,189)
(Increase)/decrease in receivables and prepayments	204	(401)
Increase/(decrease) in payables and provisions	203	(21,267)
Increase/(decrease) in current and deferred taxes	48,556	84,856
Net Cash Inflow/(Outflow) From Operating Activities	(23,597)	19,983

5. Receivables

	30 June 2019 \$'000	30 June 2018 \$'000
Dividends receivable	517	460
Outstanding settlements	-	369
GST receivable	212	83
Foreign tax recoverable	1	23
Total Receivables	730	935
Denomination of current receivables by currency:		
US Dollars	517	829
Australian Dollars	212	83
Canadian Dollars	1	13
Euros	-	10
	730	935

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

6. Investments

Details of the Company's investments are set out below:

Company Name		30 June 2019 Holding	31 December 2018 Holding	30 June 2018 Holding	30 June 2019 Value \$'000	30 June 2018 Value \$'000
Visa	i	1,180,653	1,180,653	1,180,653	291,988	212,002
Mastercard	i	739,727	739,727	739,727	278,846	196,784
Home Depot	i	622,738	622,738	611,738	184,554	161,568
Bank of America	i	3,677,450	3,560,891	3,199,040	151,972	122,099
JP Morgan Chase	i	768,846	703,987	574,011	122,489	81,046
Alphabet	i	69,257	75,955	52,255	106,677	78,898
HCA Healthcare	i	365,105	365,105	481,326	70,326	66,826
Lowe's	i	486,496	566,249	995,821	69,957	128,836
US Bancorp	i	885,305	817,405	774,805	66,106	52,444
S&P Global	i	199,438	235,346	76,750	64,738	21,181
Wells Fargo	i	946,742	875,342	836,342	63,840	62,789
Lloyds Banking Group	ii	44,127,423	42,277,461	37,977,562	45,289	42,780
CVS Health	i	549,990	492,640	449,635	42,706	39,155
BlackRock	i	59,497	56,497	2,102	39,789	1,421
DBS Group	iii	1,300,600	1,073,700	817,500	35,562	21,593
United Overseas Bank	iii	1,244,200	972,300	749,700	34,242	19,914
Oversea - Chinese Banking	iii	2,247,656	1,742,800	1,451,500	26,988	16,771
Coca Cola	i	248,133	285,629	324,989	18,005	19,292
Microsoft	i	81,420	57,920	2,100	15,543	280
CapitaLand	iii	3,815,300	3,771,800	3,530,800	14,185	11,075
Kraft Heinz	i	290,773	227,817	181,208	12,862	15,405
Facebook	i	33,068	400,930	225,067	9,095	59,187
AECOM	i	150,215	292,765	292,765	8,102	13,088
Schroders	ii	157,221	150,578	148,397	7,000	6,576
Singapore Technologies Engineering	iii	1,044,600	1,081,600	1,152,800	4,555	3,765
Ferguson	ii	12,000	-	-	1,219	-
SIA Engineering	iii	453,300	620,400	620,400	1,198	1,928
SATS	iii	188,700	216,100	216,100	1,037	1,070
Colgate-Palmolive	i	-	85,820	121,120	-	10,624
Mondelez	i	-	25,761	185,506	-	10,299
Apple	i	-	131,985	30,301	-	7,501
Starbucks	i	-	-	74,123	-	4,901
General Mills	i	-	-	46,300	-	2,774
Pepsico	i	-	-	17,702	-	2,609
Total Investments					1,788,870	1,496,481

Domicile

- i United States
- ii United Kingdom
- iii Singapore

Tencent (Hong Kong) was bought and then sold during the year ended 30 June 2018.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

6. Investments (continued)

Foreign Exchange Rates

The Australian Dollar exchange rates against the following currencies (London 4.00pm rates) are:

	30 June 2019	30 June 2018
US Dollar	0.70175	0.73885
British Pound	0.55139	0.55963
Singapore Dollar	0.94943	1.00742

7. Payables

	30 June 2019 \$'000	30 June 2018 \$'000
Research and services fees payable	1,100	1,000
Accrued expenses	41	31
Total Payables	1,141	1,031
Denomination of current payables by currency:		
Australian Dollars	1,141	1,031
	1,141	1,031

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

8. Contributed Equity

	30 June 2019 Number of Securities	30 June 2018 Number of Securities	30 June 2019 \$'000	30 June 2018 \$'000
(a) Ordinary Shares				
Opening balance	540,997,040	483,717,927	602,399	544,592
Shares issued under DRP - 10 Nov 2017	-	497,883	-	988
Shares issued under DRP - 18 May 2018	-	642,300	-	1,520
Shares issued under DRP - 9 Nov 2018	569,068	-	1,530	-
Shares issued under DRP - 17 May 2019	517,758	-	1,535	-
Shares issued under DRP	1,086,826	1,140,183	3,065	2,508
Total shares issued from exercise of options	-	56,138,930	-	55,937
Transfer of options transaction costs	-	-	-	(109)
Transfer of rights transaction costs	-	-	-	(529)
Total Ordinary Shares	542,083,866	540,997,040	605,464	602,399
(b) MFF 2017 Options				
Opening balance	-	59,871,984	-	(109)
Shares issued from exercise of options	-	(56,138,930)	-	-
Lapsed options 31 Oct 2017	-	(3,733,054)	-	-
Transfer to share capital	-	-	-	109
Total MFF 2017 Options	-	-	-	-
(c) Rights				
Opening balance	-	-	-	(529)
Transfer to share capital	-	-	-	529
Total Rights Issued	-	-	-	-
Total Contributed Equity			605,464	602,399

(d) Ordinary Shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

(e) Share Buy-Back

On 26 August 2009, the Company announced its intention to undertake a second on-market buy-back of up to 20,000,000 shares after completion of the first buy-back. Under this buy-back, the Company has bought back and cancelled 13,155,651 shares at a total cost of approximately \$8,276,000. On 28 July 2017, the Company authorised a further extension to the on-market share buy-back, which was discontinued on 27 July 2018, due to market circumstances. The Company did not acquire any shares pursuant to the on-market buy-back during the year ended 30 June 2019 (June 2018: nil).

(f) Dividend Reinvestment Plan

Refer Note 2(b) for details on the DRP.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

9. Earnings Per Share ("EPS")

	30 June 2019	30 June 2018
Basic Earnings Per Share (cents)	40.37	45.64
Diluted Earnings Per Share (cents)	40.37	44.91
Weighted Average Number Of Ordinary Shares		
Weighted average number of ordinary shares on issue used in calculating basic EPS	541,422,723	525,679,557
add: equivalent number of unexercised options for the purposes of calculating diluted EPS	-	8,512,139
Weighted average number of ordinary shares on issue used in calculating diluted EPS	541,422,723	534,191,696
Earnings Reconciliation		
Net profit after income tax expense used in the calculation of basic and diluted EPS (\$'000)	218,575	239,918

The MFF 2017 Options were considered to be potential ordinary shares until they expired on 31 October 2017, and as a result, the options were included in the determination of diluted earnings per share to the extent they were dilutive up until that date.

10. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the Company, Ernst & Young:

	30 June 2019 \$	30 June 2018 \$
Audit Services		
Statutory audit and review of the financial reports	59,500	58,300
Non-Audit Services		
Taxation services	13,136	8,200
Total Auditor's Remuneration	72,636	66,500

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management

(a) Financial Risk Management

The Company's investing activities expose it to various types of risk including: credit risk, liquidity and refinancing risk, price risk, currency risk and interest rate risk.

The Company has investment restrictions designed to reduce some risks. These restrictions are determined from time to time by the Board and currently include requirements that:

- individual investments comprising the investment portfolio will not exceed 10% at cost (or higher amount authorised by the board, with a 12% limit in respect of two holdings currently) of the investment portfolio value of the Company at the time of the investment; and
- at time of borrowing, total borrowings must not exceed 20% of the Company's investments at market value.

The Company did not use derivatives or undertake short selling during the year ended 30 June 2019. The use of derivatives and short selling has never been used by MFF since inception. The circumstances of their use are subject to Board approval and currently derivatives are permitted only where the Portfolio Manager considers that a derivative is preferable to purchasing ordinary share capital, in accordance with the investment objectives and philosophy and short selling is permitted only in relation to implementing hedges of underlying investments or merger arbitrage relating to a portfolio investment. The Portfolio Manager and Board periodically consider whether derivatives might potentially offer some hedging protection for the portfolio. To date, MFF's potential partial offsets to some portfolio risks have included MFF's currency positions to the extent that they have been inversely correlated.

(b) Capital Management

The Company's primary capital management objective is to manage capital in a manner that is consistent with seeking, via methods consistent with the Company's risk parameters, to maximise compound after-tax returns for shareholders, from the Company's investment portfolio.

The Company recognises that its capital position and market prices will fluctuate in accordance with market conditions and, in order to adjust the Company's capital structure, it may vary the amount of dividends paid, issue new shares or options from time to time, or buy-back its own shares.

At 30 June 2019, the Company's capital consists of shareholder equity. MFF 2017 Options expired on 31 October 2017 (refer Note 8(b)). In addition the Company had an on-market share buy-back program that was discontinued on 27 July 2018 (refer Note 8(e)).

The Company's overall approach to capital management remains unchanged and it is not subject to any externally imposed capital requirements.

(c) Credit Risk

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

The Company's key credit risk exposure is to MLI and MLMA. The services provided by MLI under an IPBA include clearing and settlement of transactions, securities lending and acting as custodian for most of the Company's assets. Under an addendum to the IPBA, MLMA may also provide financing services to the Company. The Company has granted MLI a fixed charge over the Company's right, title and interest in the assets held in custody with MLI, as security for the performance of its obligations under the IPBA.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management (continued)

(c) Credit Risk (continued)

In the event of MLI becoming insolvent, the Company would rank as an unsecured creditor and, to the extent MLI has exercised a right of use over the Company's securities, the Company may not be able to recover such equivalent securities in full. Cash which MLI holds or receives on behalf of the Company (refer Note 4) is not segregated from MLI's own cash and therefore may be used by MLI in the course of its business.

The credit quality of Bank of America / Merrill Lynch's senior debt is rated, as at 30 June 2019, by Standard & Poor's as being A- and by Moody's as being A2 (A- and A3 respectively at 30 June 2018). MLI and MLMA are wholly owned subsidiaries of Bank of America which disclosed net assets attributable to common stockholders as at 30 June 2019 of approximately US\$247 billion. Bank of America does not guarantee the obligations in respect of either MLI or of MFF.

The Company also minimises credit risk by investing and transacting with counterparties that are reputable and have acceptable credit ratings determined by a recognised rating agency, and regularly monitoring receivables on an ongoing basis.

Ageing Analysis Of Receivables

At 30 June 2019, the Company's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2018: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2018: 30 to 90 days). Foreign withholding tax is due within 2 to 5 years dependent on the jurisdiction (June 2018: 2 to 5 years). No amounts are impaired or past due at 30 June 2019 or 30 June 2018.

(d) Fair Value Measurement

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. The Company invests in securities and rights in listed entities. The fair value of these investments is based on the closing price^(A) for the security as quoted on the relevant exchange;
- Level 2: valuation techniques using market observable inputs, either directly or indirectly. The fair value of assets and liabilities with short-term maturities are valued at the amount at which the asset or liability could be exchanged in a current transaction between willing parties. The fair value of variable-rate receivables/borrowings is based on parameters such as interest rates and individual creditworthiness of the investee company; and
- Level 3: valuation techniques using non-market observable data with the fair value for investments based on a Director's valuation.

(A) Prior to 1 July 2018, the fair value of these investments was based on closing bid prices. The impact of the change was not material.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management (continued)

(d) Fair Value Measurement (continued)

The table below presents the fair value measurement hierarchy of the Company's financial assets and liabilities:

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Assets			
Level 1: Investments - valued using quoted price	6	1,788,870	1,496,481
Level 2: Receivables ^(A)	5	730	935
Total Financial Assets		1,789,600	1,497,416
Liabilities			
Level 2: Payables ^(A)	7	1,141	1,031
Level 2: Borrowings ^(B)	4(b), 4(c)	40,614	2,454
Total Financial Liabilities		41,755	3,485

(A) Given the short-term maturities, the fair value of the receivables is the amount of the expected dividend or outstanding settlement, and the fair value of payables is the face value of the invoice.

(B) Given the short-term maturities of borrowings, the fair value equates to principal plus accrued interest.

The Company does not hold any level 3 assets.

There have been no other transfers between any of the three levels in the hierarchy during the year and the Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

(e) Liquidity And Refinancing Risk

Liquidity risk refers to the risk that the Company will not have sufficient funds to settle liabilities or obligations on the due date or will be forced to sell financial assets at a value which is less than they are worth.

A key component of liquidity risk is refinancing risk, which may arise in the unlikely event that MLMA demanded repayment of the borrowings at short notice under the terms of the multi-currency facility (refer Note 4). The Directors are confident that the net borrowings could be repaid via settlement proceeds from the sale of part of the Company's highly liquid investment portfolio, even in the unlikely event that the Company was unable to achieve satisfactory terms for refinancing elsewhere. Net borrowings repayable on demand at 30 June 2019 were \$40,614,000 (June 2018: \$2,454,000).

Maturities Of Financial Liabilities

At 30 June 2019, the Company's financial liabilities comprise payables and borrowings which mature in 0 to 30 days (June 2018: 0 to 30 days).

(f) Price Risk

Price risk is the risk that the value of the Company's investment portfolio will fluctuate as a result of changes in market prices of individual investments and / or the market as a whole. The Company's investments are carried at market value with changes recognised in the Statement of Profit or Loss and Comprehensive Income. Price risk is managed by ensuring that all activities are transacted in accordance with the Company's investment policy and within approved limits (refer Note 11(a)).

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management (continued)

(f) Price Risk (continued)

Over the past 10 years, the annual movement in the major global share indices (MSCI and S&P 500) has varied between +32.79% and -0.76% (in AUD) and +30.51% and -4.98% (in USD). This range of yearly performances of markets may not be a reliable guide to future performances, and the Company's investment portfolio does not attempt to mirror the global indices, but this very wide range of historic movements in the indices provides an indication of the magnitude of equity price movements that might reasonably be expected within the portfolio over the next 12 months.

The impact of equity price movements, expressed in percentage terms, on the net profit reported by the Company, is essentially linear. Each 5% incremental increase in the market prices of the Company's investment portfolio compared with 30 June 2019 would increase the total equity and net profit after tax by approximately \$62,610,000 (June 2018: \$52,377,000) and each 5% incremental decrease would have an equal and opposite impact.

(g) Currency Risk

The Company has exposure to foreign currency denominated cash and borrowings (refer Note 4(b)) and also other assets and liabilities denominated in foreign currencies as it invests in listed international companies. Therefore the Company is exposed to movements in the exchange rate of the Australian Dollar relative to foreign currencies.

At balance date, had the Australian Dollar strengthened by 10% against the foreign currencies in which the Company holds foreign currency denominated monetary assets and liabilities (cash and borrowings), with all other variables held constant, the impact of monetary assets and liabilities on the Company's total equity and net profit after tax would have been:

30 June 2019			30 June 2018		
Australian Dollar strengthens against:	by:	Net increase / (decrease) in net profit A\$'000	Australian Dollar strengthens against:	by:	Net increase / (decrease) in net profit A\$'000
US Dollars	10%	6,126	US Dollars	10%	(527)
British Pounds	10%	695	British Pounds	10%	1,659
Singapore Dollars	10%	368	Singapore Dollars	10%	316
Canadian Dollars	10%	1	Canadian Dollars	10%	-
Euros	10%	-	Euros	10%	-
		<u>7,190</u>			<u>1,448</u>

A 10% decline in the Australian Dollar against these foreign currencies would have an equal and opposite impact on the Company's total equity and net profit after tax. Currency movements may not be correlated.

Had the Australian Dollar strengthened by 10% against the foreign currencies in which the Company holds total foreign currency denominated monetary and non-monetary assets and liabilities with all other variables held constant, total equity and net profit after tax would have decreased by \$118,067,000 (2018: \$103,306,000 decrease). A 10% decline in the Australian Dollar would have had an equal and opposite impact.

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management (continued)

(g) Currency Risk (continued)

The Company's total net exposure to fluctuations in foreign currency exchange rates at balance date is:

	30 June 2019	30 June 2018
<i>All amounts stated in AUD equivalents ^(A)</i>	<i>\$'000</i>	<i>\$'000</i>
US Dollars	1,530,596	1,378,532
Singapore Dollars	112,506	71,595
British Pounds	43,573	25,651
Canadian Dollars	(9)	4
Euros	-	2
	1,686,666	1,475,784

(A) Foreign currency cash balances held with MLI are set-off against foreign currency borrowings provided by MLMA (refer Note 4(c)).

Financial assets and financial liabilities in the Statement of Financial Position exposed to foreign currencies:

	30 June 2019	30 June 2018
<i>All amounts stated in AUD equivalents</i>	<i>\$'000</i>	<i>\$'000</i>
Assets - exposed to foreign currencies ^(A)	1,789,388	1,497,333
Assets - not exposed to foreign currencies	456	191
Assets - As Per Statement Of Financial Position	1,789,844	1,497,524
Liabilities - exposed to foreign currencies ^(A)	(102,722)	(21,549)
Liabilities (on offset) - not exposed to foreign currencies	60,967	18,064
Liabilities - As Per Statement Of Financial Position	(41,755)	(3,485)
Net assets - exposed to foreign currencies	1,686,666	1,475,784
Net assets - not exposed to foreign currencies	61,423	18,255
Net Assets - As Per Statement Of Financial Position	1,748,089	1,494,039

(A) Foreign currency cash and borrowings, where applicable, are subject to set-off (refer Note 4(c)).

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

11. Capital And Financial Risk Management (continued)

(h) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates primarily to cash balances and net interest bearing borrowings as follows:

	Interest Rate	30 June	Interest Rate	30 June
Cash & Cash Equivalents		2019	Cash & Cash Equivalents	2018
/ (Borrowings)			/ (Borrowings)	
%	\$'000		%	\$'000
Australian Dollars	1.15	244	1.35	108
Total Cash		244		108
Australian Dollars	1.15	62,107	1.40	19,095
British Pounds	(1.47)	(9,935)	(1.25)	(23,706)
US Dollars	(3.15)	(87,514)	1.81	6,695
Singapore Dollars	(2.55)	(5,262)	(2.13)	(4,521)
Canadian Dollars	(2.71)	(10)	(2.42)	(9)
Euros	-	-	(0.38)	(8)
Total Net Borrowings With MLI		(40,614)		(2,454)
		(40,370)		(2,346)

Sensitivity Analysis

The sensitivity of the Company's net profit after tax and total equity to a reasonably possible upwards or downwards movement in interest rate risk, assuming all other variables remain constant is set out below:

Interest Rate Risk	Impact On Net Profit [Increase / (Decrease)]		Impact On Total Equity [Increase / (Decrease)]	
	+1%	-1%	+1%	-1%
30 June 2019	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2	(2)	2	(2)
Borrowings	(284)	284	(284)	284
	(282)	282	(282)	282
30 June 2018				
Cash and cash equivalents	-	-	-	-
Borrowings	(17)	17	(17)	17
	(17)	17	(17)	17

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

12. Related Parties

(a) Key Management Personnel ("KMP")

The KMP of the Company comprise the Independent Non-executive Directors and the Managing Director for the years ended 30 June 2019 and 30 June 2018.

(b) Remuneration Of Key Management Personnel

The following remuneration was paid or payable by the Company to the KMP, during the year:

	2019 \$	2018 \$
Short term benefits	1,264,646	1,242,508
Post-employment benefits	47,622	44,992
Other benefits	93,854	-
Total	1,406,122	1,287,500

Further details of remuneration paid to the Directors is disclosed in the Remuneration Report in the Directors' Report.

13. Research And Services Fees

Magellan Asset Management Limited ("MAM") provides investment research and administrative services to the Company in accordance with the current Services Agreement between the Company and MAM.

Research and services fees comprise a base payment of \$1,000,000 per quarter payable in arrears and a performance fee of \$1,000,000 per annum if the Company's total shareholder return exceeds 10% per annum, annually compounded.

For the year ended 30 June 2019, research and services fees paid/payable totalled \$5,000,000 (June 2018: \$5,000,000) which included a performance fee of \$1,000,000 for the period 1 January 2017 to 31 December 2018 as the Company's total shareholder return exceeded 10% per annum, annually compounded.

MAM is entitled to a performance fee with respect to the remaining measurement period, 1 January 2017 to 31 December 2019, should the criteria stated above be met. The performance fee that may be payable, in respect to that period, is \$1,000,000. This performance fee is a contingent liability on the basis that markets are subject to fluctuations and therefore uncertainty exists as to whether the criteria of the performance fee will be achieved.

The Services Agreement was amended during the year to remove MAM's entitlement to performance fees for periods after 31 December 2019.

14. Segment Information

The Company's investments are managed on a single portfolio basis, and in one business segment being equity investment, and in one geographic segment, Australia. The Company continues to have foreign exposures as it invests in companies which operate internationally.

15. Contingent Assets, Liabilities And Commitments

Other than the performance fee for the period ending 31 December 2019 (refer Note 13) the Company has no other material contingent assets, liabilities or commitments as at 30 June 2019 (June 2018: nil).

MFF CAPITAL INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2019

16. Events Subsequent To The End Of The Financial Year

On 31 July 2019, the Directors declared a final fully franked dividend of 2.0 cents per ordinary share in respect of the year ended 30 June 2019 (refer Note 2(a)).

In the latest release to the ASX on 29 July 2019, the Company reported net tangible assets ("NTA") per ordinary share as at 26 July 2019 as follows:

	26 July 2019 (A) \$	30 June 2019 (B) \$
Pre-tax NTA per ordinary share	3.454	3.225
Net tax liabilities per ordinary share	0.630	0.562
Post-tax NTA per ordinary share	2.824	2.663

(A) ASX announcements are approximate and not audited by Ernst & Young.

(B) NTA audited by Ernst & Young (refer Note 17).

Other than the above matters, the Directors are not aware of any matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

17. Net Tangible Assets Per Ordinary Share

The following table shows the NTA per ordinary share presented in the Statement of Financial Position as at 30 June 2019 and the NTA per ordinary share reported to the ASX on 1 July 2019.

	30 June 2019 \$	30 June 2019 \$	30 June 2018 \$	30 June 2018 \$
	Pre-tax	Post-tax	Pre-tax	Post-tax
ASX Reported NTA Per Ordinary Share ^(A)	3.225	2.663	2.761	2.298
NTA Per Ordinary Share ^(B)	3.225	2.663	2.762	2.289

(A) The NTA per ordinary share reported to the ASX includes estimates for accrued expenses and tax liabilities.

(B) The NTA per ordinary share refers to the net assets of the Company presented in the Statement of Financial Position, including the net current and deferred tax liabilities/assets, divided by the number of ordinary shares on issue at that date.

The movement between the NTA per ordinary share figures in the table represents period end adjustments, rounding and updating of tax balances.

MFF CAPITAL INVESTMENTS LIMITED

DIRECTORS' DECLARATION

for the year ended 30 June 2019

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 47 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of MFF Capital Investments Limited as at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, International Financial Reporting Standards (IFRS) as disclosed in Note 1(a), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that MFF Capital Investments Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2019.

Signed in accordance with a resolution of the Directors.



Richard Warburton AO
Chairman



Chris Mackay
Managing Director and Portfolio Manager

Sydney, 31 July 2019

Independent Auditor's Report to the members of MFF Capital Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MFF Capital Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of MFF Capital Investments Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

1. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
<p>The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2019, the value of these listed equities was \$1,788,870,000 which equates to 99.9% of the total assets of the Company.</p> <p>As detailed in Company's accounting policy, described in Note 1k and 1n of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.</p> <p>Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.</p>	<p>We assessed the effectiveness of the controls relating to the recognition and valuation of investments.</p> <p>We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2019 and considered the auditor's qualifications and objectivity and results of their procedures.</p> <p>We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2019.</p> <p>We assessed the fair value of all investments in the portfolio held at 30 June 2019 to independently sourced market prices.</p> <p>We assessed the adequacy of the disclosures in Note 11 of the financial report in accordance with the requirements of Australian Accounting Standards.</p>

2. Research and Services Fees including Performance Fees

Why significant	How our audit addressed the key audit matter
<p>Research and services fees, including performance fees, paid to the service provider, Magellan Asset Management Limited, are the most significant operating expense for the Company.</p> <p>The Company's accounting policy for research, services and performance fees is described in Note 1h and Note 13 to the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the liability has been crystallised.</p> <p>As at 30 June 2019, research and services fees totalled \$5,000,000 which equates to 55% of total operating expenses. Of this amount, performance fees (excluding GST recovered) totalled \$1,000,000 which equates to 11% of total operating expenses.</p> <p>The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.</p> <p>The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees relating to future periods, resulted in this being a key audit matter. The disclosure of these amounts is included in Note 13 and Note 15 to the financial report.</p>	<p>We assessed the effectiveness of the controls in relation to the calculation of research, services and performance fees at the service provider responsible for calculation.</p> <p>We recalculated research, services and performance fees, in accordance with the relevant Services agreement, including agreeing the fee rate to the calculation.</p> <p>We assessed the performance fee calculations, including testing the inputs into the Total Shareholder Return calculation model and assessed whether the calculation was in line with the relevant Services agreement.</p> <p>We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2019. Where the criteria were not met, we considered whether the possible performance fees for the period ending 31 December 2019 is appropriately recognised as a contingent liability.</p> <p>We assessed the adequacy of the disclosures in Note 13 and Note 15 of the financial report.</p>

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 15 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of MFF Capital Investments Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



Rita Da Silva
Partner

Sydney
31 July 2019

MFF CAPITAL INVESTMENTS LIMITED

SHAREHOLDER INFORMATION

for the year ended 30 June 2019

Distribution Of Shareholders

The distribution of shareholders of the Company as at 26 July 2019 is presented below:

Distribution Schedule Of Holdings	Holders	Number Of Ordinary Shares	Percentage Of Shares On Issue
1-1,000	1,403	635,690	0.12
1,001-5,000	3,005	8,871,377	1.64
5,001-10,000	2,849	21,410,164	3.95
10,001-100,000	7,562	224,821,713	41.47
100,001 and over	623	286,344,922	52.82
Total	15,442	542,083,866	100.00
Number of holders with less than a marketable parcel	241	8,677	0.00

Twenty Largest Shareholders

The names of the 20 largest shareholders of the Company as at 26 July 2019 are listed below:

Holder Name	Number Of Ordinary Shares	Percentage Of Shares On Issue
HSBC Custody Nominees (Australia) Limited	29,321,904	5.41
Magellan Equities Pty Limited	27,159,805	5.01
Christopher John Mackay	21,133,412	3.90
Naumov Pty Ltd	14,001,808	2.58
Netwealth Investments Limited	8,505,182	1.57
Mutual Trust Pty Ltd	5,579,212	1.03
J P Morgan Nominees Australia	4,949,935	0.91
Citicorp Nominees Pty Limited	3,841,310	0.71
Citicorp Nominees Pty Limited	3,312,896	0.61
Netwealth Investments Limited	3,221,847	0.59
Nota Bene Investments Pty Ltd	3,124,623	0.58
National Nominees Limited	3,007,935	0.55
Mr Victor John Plummer	3,000,000	0.55
Navigator Australia Ltd	2,738,816	0.51
Chriswall Holdings Pty Limited	2,300,000	0.42
Rogand Superannuation	2,101,569	0.39
Nulis Nominees (Australia)	2,099,873	0.39
Invia Custodian Pty Limited	1,972,000	0.36
Glenn Bates Consulting Pty Ltd	1,774,820	0.33
Midas Touch Investments P/L	1,761,535	0.32
Total Shares Held By The Twenty Largest Shareholders	144,908,482	26.73
Total Shares On Issue	542,083,866	

MFF CAPITAL INVESTMENTS LIMITED

SHAREHOLDER INFORMATION

for the year ended 30 June 2019

Substantial Shareholders

The names of the substantial shareholders appearing on the Company's Register of Substantial Shareholders as at 26 July 2019 are listed below:

Shareholder	Number Of Ordinary Shares
Christopher Mackay and Associates	63,723,201

Ordinary Share Capital

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Stock Exchange Listing

The Company's ASX code for its ordinary shares is "MFF".

MFF CAPITAL INVESTMENTS LIMITED

CORPORATE INFORMATION

for the year ended 30 June 2019

Directors

Richard Warburton AO
John Ballard
Annabelle Chaplain
Robert Fraser
Andy Hogendijk
Chris Mackay
Peter Montgomery AM

Company Secretary

Marcia Venegas

Registered Office

Level 36, 19 Martin Place
Sydney NSW 2000
Telephone: +61 2 9235 4888
Fax: +61 2 9235 4800
Email: info@magellangroup.com.au

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Share Registrar

Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Telephone: +61 2 9290 9600
Fax: +61 2 9279 0664
Email: enquiries@boardroomlimited.com.au

Securities Exchange Listing

Australian Securities Exchange (ASX)
ASX code (ordinary shares): MFF

Website

<http://www.mffcapital.com.au>