MFF CAPITAL INVESTMENTS LIMITED

MFF Capital Investments Limited

Annual Report

For the year ended 30 June 2022

ABN 32 121 977 884

Contents

Chairman's Letter

for the year ended 30 June 2022

On behalf of the Board, I am pleased to write to you in the Annual Report of MFF Capital Investments Limited ("MFF" or the "Company") for the year ended 30 June 2022. Please also take the time to read the Financial Statements and the Portfolio Manager's Report which follow.

Investment Objectives and Philosophy

MFF's long-standing investment objectives are to maximize compound, risk-adjusted after-tax returns for its shareholders and to minimize the risk of permanent capital loss. The core investment philosophy underpinning these objectives is built on taking a medium to long-term view focusing on outstanding companies which are considered to be trading below their intrinsic value. Portfolio activity in Financial Year 2022 has been consistent with these objectives and investment philosophy and MFF added to holdings in businesses with very strong market positions and high market liquidity. Market fluctuations should continue to benefit MFF over the medium to longer term as they have done in the past.

However, MFF has consistently noted that market fluctuations are unpredictable, negative movements are inevitable and adverse movements may be sustained. Also, MFF has often argued for caution; for example, last year it was noted that risks associated with sustained low interest rates and high asset prices continued and the Company was cautious of elevated investor expectations. The interest rate increases and unwinding of various market prices in the latest six months have reduced some of these risk factors.

Financial Results, Markets and Portfolio Overview

The Company's profit or loss starts each new financial year at zero, based off the market values at the end of the previous financial year. Therefore, significant fluctuations in reported year to year results are to be expected. This financial year MFF recorded a net loss after tax of $170.8 million (last financial year a net profit after tax of $217.5 million). The pre-tax loss was $244.1 million (last year pre-tax profit was $310.7 million). MFF's net loss after tax is approximately 10.7% of MFF's Net Assets as at 1 July 2021.

The Company uses "mark to market" accounting for both investments and foreign exchange and the net loss for the financial year principally reflects the negative movements in the market value of MFF's investments in the second half of the financial year (please refer to Statement of Profit or Loss and Comprehensive Income). MFF reacted to the negative market price movements with significant buying for the portfolio, particularly in the second half of the year. In the first half of the financial year MFF was a significant net seller into the then higher market prices, but this changed as prices fell in calendar 2022.

Market volatility driven by factors including intensifying geopolitical tensions and uncertainty over the economic outlook meant that market prices for buying the quality companies sought after by MFF were the most favourable for several years. During the latest six months, the main portfolio activity was to add to positions in businesses regarded as advantaged (please refer to the Portfolio Manager's Report). MFF is very confident about the quality of the portfolio, with the Portfolio Manager being most positive in years about the longer-term potential for the portfolio companies at prevailing market prices.

As one possible measure of portfolio health, please note that dividends received by MFF in the financial year increased by approximately 25% (from approximately $19.3 million to approximately $24.2 million). However please note that MFF does not target particular levels of dividend receipts from portfolio companies (many of which have superb records in reinvesting their profits rather than paying them out as dividends).Ultimately the quality of the portfolio, the success of the businesses, and the favourability or otherwise of portfolio purchase prices will be reflected in future mark to market figures.

The Company's balance sheet and financial flexibility remain strong. At year end, MFF's $1,424.9 million of total equity comprised retained profits and profits reserve of $702.5 million and contributed equity of $722.4 million. Investments at market value were $1,972.0 million. The deferred tax liability was approximately $167.6 million (this relates to unrealised portfolio gains). Borrowings less cash and cash equivalents were $368.2 million (please refer to Statement of Financial Position). The portfolio remains concentrated in companies with large volumes of daily trading in comparison with MFF's holdings (in other words, almost all of MFF's portfolio holdings are very liquid, or capable of being converted rapidly to cash if necessary).

During the year, MFF paid cash dividends of approximately $30.3 million (net of dividend reinvestment of approximately $10.3 million) and cash tax payments of approximately $14.6 million. Interest paid was $1.3 million and interest received was minimal (please refer to Statement of Cash Flows).

Total operating expenses were well contained at $8.4 million this year against $7.2 million last year, with increased interest paid causing most of the difference. The allowance for income tax (mostly deferred) reduced, as a result of the reduction in unrealised mark to market gains during the year. There is a current liability for tax payable of $11.2 million as a result of taxable income during the year (please refer to Statement of Profit or Loss and Comprehensive Income), in addition to the $14.6 million paid in cash for corporate income tax during the financial year (please refer to Statement of Cash Flows). 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 and 'user pays' regulatory, stock market and other levies. These taxes and charges have been the largest expenses for the Company.

All investments held at the end of the period are listed in Note 6 of the Financial Statements. Details about the portfolio and currency positions and discussions of markets are included in the Portfolio Manager's Report (page 16). In the Financial Statements and other shareholder communications, the Company seeks to provide shareholders with very high levels of transparency about MFF, investment portfolio decisions, prospects and risks, in addition to detailed statutory information. The Company provides prompt monthly and weekly updates to shareholders (also released to the ASX), including regular details on cash/debt levels and portfolio changes during the COVID-19 pandemic and current market fluctuations.

Currency is an important factor for an internationally focused company, such as MFF. Across the full year, currency was a modest net benefit. Negative mark to market impacts from foreign currency borrowings (used to fund purchases of foreign currency denominated assets) were more than offset by mark to market impacts from foreign currency translation of the values of the investment portfolio holdings.

Dividends and Capital Structure

The Company's financial position underpins the Directors' declaration today of a fully franked final dividend of 4.0 cents per ordinary share, compared with a fully franked final dividend of 3.5 cents per ordinary share last year. This year's final dividend will be paid in November 2022, with the Dividend Reinvestment Plan to operate (at zero discount). During the year the Company paid fully franked dividends of 3.5 cents per ordinary share in both November 2021 and May 2022.

In recent years MFF has regularly increased its fully franked dividends. Today, in addition to the increased final dividend, Directors confirm details of the path and timing for further increases under MFF's ongoing dividend policy. MFF Directors intend to increase the rate of the six-monthly dividend to 4.5 cents per ordinary share with the next interim results expected to be announced towards the end of January 2023, and to 5.0 cents per ordinary share thereafter. The Directors also intend continued operation of the Dividend Reinvestment Plan (at zero discount).

The dividends expected to be paid in the 2023 financial year of 8.5 cents per ordinary share represent approximately $50 million in total; rising to 10.0 cents per share or approximately $58 million in total in the 2024 financial year. MFF expects dividends to continue to be fully franked, in the absence of legislative or similar changes. As at 30 June 2022, available franking credits for this dividend and future dividends were approximately $115.4 million (approximately 19.7 cents per ordinary share) (refer Note 2). Of course, in each case, dividends are subject to corporate, legal, taxation and regulatory considerations at the time.

In addition to dividend policy, Directors regularly consider capital management as part of overall capital allocation, with many considerations including market prices and conditions for equity and debt (for MFF and generally), and trading in MFF shares. The Board intends to maintain its prudent approach to the balance sheet and risk and capital management policies, consistent with maintaining the Company's capacity to pay future dividends in accordance with MFF's dividend policy. The Board considers that MFF's retained funds have been put to good use with strong medium-term returns that have paid fully franked dividends and built capital, and the portfolio continues to be focused upon quality companies, some of which have appreciated materially from MFF's cost prices (hence the sizable, deferred tax liability noted above). Furthermore, the Company remains small from the perspective of both its cost base and investment universe. MFF has access to debt markets (which remain favourable) and borrowing within MFF's risk controls has been disciplined, and beneficial in past market downturns. The Board has maintained the limit on borrowing at 20% of assets (at the time of borrowing). MFF has liquid investments and retains flexibility to fund further investments from the sale of existing investments (subject to paying taxes on gains) and retains access to additional equity capacity.

A long-standing important policy consideration for the Board in assessing any equity or similar issue continues to be to ensure that shareholders have equal opportunity to participate in entitlements or bonus option issues, including the opportunity to realise market value for entitlements or options. During the 2021 financial year, the Company undertook a bonus issue of options on a 1: 5 basis to shareholders. The options were issued for no consideration. Each option allows the holder to subscribe for a new share in the Company at any time until 31 October 2022 at an exercise price of $2.60 per ordinary share. The options are ASX quoted and tradeable (code MFFOA). During the 2022 financial year, approximately 12.5 million of the options were exercised and approximately 81.9 million remain to be exercised (refer to Note 8 to the Financial Statements). Shares issued upon exercise of options participate in dividends equally with all other ordinary shares from their date of issue. Your directors continue to regard the option issue to be in shareholders' overall interests, although market conditions have deteriorated and impacted the trading prices for shares and options, as well as significant impacts on other tradeable markets and on MFF's portfolio mark to market values.

The Company's capital structure has an advantage that in times of stress, MFF is not forced to sell investments to meet redemption requests. Conversely, however, the Company has not had the very material benefits of steady inflows in the generally rising markets in recent years. Over the years MFF has periodically sold existing investments to fund new investments and expects to do so in the future. The Company's opportunity cost is high when selling high quality existing investments with above average medium- term growth prospects, thereby incurring tax on accrued gains, in order to buy replacement investments of similar or inferior quality. Although these principles remain true, the Portfolio Manager has often noted that markets are also cyclical and that higher prices mean more realisations for MFF than when prices are low (as illustrated during the different periods of fiscal 2022).

In major downturns, long term shareholders may benefit from possible value accretion from share buybacks. For MFF, on-market buybacks were relatively simple to implement and were value accretive during and shortly after the financial crisis period. Share buybacks have positive and negative aspects for companies in the current position of MFF, both during and after the exercise period for the MFFOA options. As well as buyback prices per share needing to be value accretive for remaining shareholders, MFF has relatively low share turnover compared with some other companies (i.e. shares traded as a percentage of total shares on issue) which reduces aggregate possible value accretion for ongoing shareholders from a buyback programme.

MFF still hopes to identify large holding(s) in one or more competitively advantaged, strongly cash generative businesses that might provide MFF with meaningful flows of income where the Company would have control over the allocation. However, in recent years such acquisitions would have been expensive, impractical, and operationally risky for MFF, and no such acquisitions have been made by MFF. Market prices for control currently remain unfavourable compared with the benefits of MFF's existing portfolio, including its liquidity attributes which remained important in the financial year as opportunities arose to purchase high quality portfolio holdings at more attractive levels.

MFF's investment approach remains focused and disciplined and the investment portfolio is well-positioned. Attractive opportunities to add to the MFF portfolio continue to emerge, as in recent months, including those arising out of the uncertainty linked with the pandemic, the Ukraine war, increased inflation, increased interest rates and other challenging geopolitical and macroeconomic factors.

Annual General Meeting

My fellow directors and I look forward to welcoming those of you who can join the Annual General Meeting on 28 September 2022. This year's AGM will be in person, with the usual dial in option also available. The Notice of Annual General Meeting will be dispatched to shareholders in the coming weeks.

Finally, I thank all shareholders for their continuing support and involvement with MFF and, as always, welcome discussion and your feedback.

Yours faithfully,

Annabelle Chaplain AM
Chairman

Sydney, 27 July 2022

Directors' Report

for the year ended 30 June 2022

The Directors of MFF Capital Investments Limited ("MFF" or the "Company") submit their annual report in respect of the period ended 30 June 2022.

1. Company Overview

The Company is a listed public company incorporated in Australia. Its principal place of business is Level 36, 25 Martin Place, Sydney, New South Wales, 2000.

The Company's shares and options are listed on the Australian Securities Exchange (ASX code: MFF and MFFOA respectively).

2. Principal Activity

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

3. Dividends

Final and Interim Dividends

During the period the Company paid the final dividend for the prior period ended 30 June 2021 of $20,205,000 (3.5 cents per ordinary share) and the interim dividend for the period ended 31 December 2021 of $20,379,000 (3.5 cents per ordinary share), both fully franked.

On 27 July 2022, the Directors declared an increased fully franked final dividend, for the period ended 30 June 2022, of 4.0 cents per ordinary share (June 2021: fully franked final dividend of 3.5 cents per ordinary share), which will be paid on 4 November 2022. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2022, is $23,374,000. The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend and no discount will be applied for the DRP.

The Directors also reiterated their intention to increase the rate of the six monthly dividend from the current rate of 4.0 cents per ordinary share to 4.5 cents per ordinary share for the 2023 interim dividend and to 5.0 cents per ordinary share thereafter, subject to corporate, legal and regulatory considerations, with continued operation of the DRP (at zero discount).

Imputation Credits

At 30 June 2022, the Company's total available imputation credits (based on a tax rate of 30%) were $104,135,000 (June 2021: $106,885,000).

4. Review of Financial Results and Operations

Financial Results for the Period

The Company recorded a pre-tax loss of $244,061,000 (June 2021: pre-tax profit $310,704,000) and a net loss after income tax of $170,779,000 (June 2021: $217,525,000 profit) for the period ended 30 June 2022. Basic earnings/(loss) per share were (29.57) cents (June 2021: 38.92 cents). The loss reflects the negative movements in the market value of the Company's investments in the second half of the period.

The Company reported pre-tax net tangible assets ("NTA") of $2.744 per ordinary share (before net tax liabilities of $0.306 per ordinary share) as at 30 June 2022 compared with $3.279 per ordinary share (before net tax liabilities of $0.474 per ordinary share) as at 30 June 2021. The Company also reported a post-tax NTA of $2.438 per ordinary share as at 30 June 2022 compared with $2.805 per ordinary share as at 30 June 2021.

As markets will always be subject to fluctuations, the investment performance and results of the past period to 30 June 2022 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 period are summarised in the Portfolio Manager's Report (refer page 16) and detailed in the Financial Statements.

Strategy and Future Outlook

The Company is invested in equities, mainly denominated in foreign currencies. As equity and currency 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.

The Company provides regular updates in the weekly and monthly NTA announcements, which can be found in the Australian Securities Exchange ("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 the Company's investment processes and some investee companies from time to time.

The Company sets out its portfolio holdings at 30 June 2022 in the Portfolio Manager's Report (this information was also released to the ASX on 1 July 2022 as part of the June 2022 monthly NTA release), and additional detail on the portfolio is set out in Note 6 to the Financial Statements.

The Company's capital structure is detailed in Note 8 to the Financial Statements including the MFF 2022 Options ("Options").

5. Likely Developments and Expected Results of Operations

The Company will continue to pursue its principal investment objective which is to increase the NTA per share of the Company, over time, in a manner consistent with prudent risk management.

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

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 period other than as disclosed in this report.

7. Subsequent Events

In the latest release to the ASX on 25 July 2022, the Company reported NTA per ordinary share as at 22 July 2022 as follows:

	22 Jul 2022 $[1]	30 Jun 2022 $[2]
Pre-tax NTA per ordinary share	2.931	2.744
Net tax liabilities per ordinary share	0.362	0.306
Post-tax NTA per ordinary share	**2.569**	**2.438**

[1] The NTA per ordinary share reported to the ASX is approximate and not audited by EY.
[2] NTA audited by EY (refer Note 14).

The above NTAs per share have not been adjusted for the possible dilution from the exercise of Options on issue on these dates.

Other than the above matters and the proposed dividend detailed at Section 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 periods.

8. Directors and Secretaries

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

		Appointed	Resigned
Annabelle Chaplain AM	Chairman & Independent Non-executive Director	21 May 2019	-
Robert Fraser	Independent Non-executive Director	21 May 2019	-
Chris Mackay	Managing Director and Portfolio Manager	29 September 2006	-
Peter Montgomery AM	Independent Non-executive Director	21 May 2019	-
John Ballard	Independent Non-executive Director	19 October 2006	2 October 2021

Secretaries

The following persons were Secretaries of the Company during the period and up to the date of this report:

	Appointed	Resigned
Marcia Venegas	20 March 2019	-
Mariana Kolaroski	23 April 2021	3 June 2022

Information on Directors and Secretaries

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

Annabelle Chaplain AM

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

Annabelle Chaplain brings extensive experience in the financial services, mining, engineering and infrastructure sectors. She has more than 25 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 (since November 2015) and Super Retail Group Ltd (since March 2020). She is also the Chairman of Canstar Pty Ltd, a leading digital intermediary in finance in Australia and New Zealand and a Non-executive Director of the Australian Ballet. Annabelle was previously a Director of Downer EDI Ltd (July 2008 - November 2019) and Credible Labs Inc (December 2017 – October 2019).

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 and Chairman of the Audit and Risk Committee.

Robert Fraser is a company director and corporate adviser with over 30 years of investment banking experience, specialising in mergers and takeovers, capital management, equity capital markets and corporate governance.

Robert is currently the Managing Director of TC Corporate Pty Limited, the corporate advisory division of Taylor Collison Limited stockbrokers of which he is a Director and Principal. He is Deputy Chairman and a Non-executive Director of Magellan Financial Group Limited ("MFG"), where he is Chairman of Magellan Asset Management Limited (Responsible Entity and main operating subsidiary of MFG), Chairman of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee. He is also 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 has a Bachelor of Economics and Bachelor of Laws (Hons) degrees from the University of Sydney and is also qualified as a licensed business broker, licensed real estate agent and a registered tax (financial) adviser.

Directors' Report

for the year ended 30 June 2022

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 and member of the Audit and Risk Committee.

Peter Montgomery 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 have included radiology, aged care, retirement villages, contract oil and gas drilling, funds management, land development and operating tourism businesses.

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.

Marcia Venegas 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 Limited in Sydney and 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.

Directors' Meetings

The number of Board meetings, including meetings of Board Committees, held during the period ended 30 June 2022 and the number of those meetings attended by each Director are set out below:

	While A Director of the Board		While a Member of the Audit & Risk Committee	
	Held	**Attended**	**Held**	**Attended**
Annabelle Chaplain AM	5	5	2	2
Robert Fraser	5	5	4	4
Chris Mackay	5	5	na	na
Peter Montgomery AM	5	5	4	4
John Ballard[1]	3	1	2	1

1 Mr Ballard resigned from the Board on 2 October 2021.

Directors' Interests

The interests of Directors in the shares and Options of the Company are detailed on page 13.

9. Remuneration Report (Audited)

This Remuneration Report outlines the remuneration arrangements of the Company for the period ended 30 June 2022. 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.

KMP, being the Independent Non-executive Directors and the Managing Director (who is the Company's sole employee and Portfolio Manager), are listed in the table below:

		Term as KMP
Directors		
Annabelle Chaplain AM	Chairman	Full Year
Robert Fraser	Director	Full Year
Chris Mackay	Director	Full Year
Peter Montgomery AM	Director	Full Year
John Ballard	Director	1 Jul 2021 to 2 Oct 2021
Executive Director		
Chris Mackay	Managing Director/Portfolio Manager	Full Year

The Board does not grant options or rights to KMP as part of their remuneration under the Company's remuneration policy. The Remuneration Report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001*.

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.

The Independent Non-executive Directors' base remuneration is reviewed annually and remained unchanged during the period ended 30 June 2022. The following table outlines the Independent Non-executive Directors' fees for the Board and Audit and Risk Committee for the period ended 30 June 2022:

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

Retirement Benefits

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

Other Benefits

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

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 by the Managing Director. The remuneration of the Managing Director is not linked to the performance or earnings of the Company. Refer to Employment Agreement on page 12 for further details.

Details of Remuneration

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

		Short Term Benefits	Post Employment Benefits	Other Benefits	Total Benefits
		Salary $	Super-annuation $	Long Service Leave $[1]	$
Independent Non-executive Directors					
Annabelle Chaplain AM	**2022**	**108,479**	**10,848**	**-**	**119,327**
	2021	100,457	9,543	-	110,000
Robert Fraser	**2022**	**95,000**	**-**	**-**	**95,000**
	2021	91,875	-	-	91,875
Peter Montgomery AM	**2022**	**75,000**	**7,500**	**-**	**82,500**
	2021	72,489	6,886	-	79,375
John Ballard[2]	**2022**	**19,038**	**1,904**	**-**	**20,942**
	2021	75,342	7,158	-	82,500
Andy Hogendijk[3]	**2022**	**-**	**-**	**-**	**-**
	2021	22,357	2,124	-	24,481
Managing Director					
Chris Mackay	**2022**	**1,476,432**	**23,568**	**24,936**	**1,524,936**
	2021	1,478,306	21,694	24,000	1,524,000
Total KMP remunerated by the Company	**2022**	**1,773,949**	**43,820**	**24,936**	**1,842,705**
	2021	1,840,826	47,405	24,000	1,912,231

1 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 period.
2 Mr Ballard resigned on 2 October 2021 and remuneration is shown for the period 1 July 2021 to 2 October 2021.
3 Mr Hogendijk resigned on 2 October 2020 and remuneration is shown for the period 1 July 2020 to 2 October 2020.

Service Agreements

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

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

- Commenced on 21 May 2019 and appointed Chairman 1 August 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 period ended 30 June 2022 of $119,327.

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

- 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 for the period ended 30 June 2022 of $95,000.

Peter Montgomery AM, Independent Non-executive Director and member of the Audit and Risk Committee.

- 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 period ended 30 June 2022 of $82,500.

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

- Commenced on 19 October 2006 and resigned on 2 October 2021
- 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 period from 1 July 2021 to 2 October 2021 of $20,942.

Employment Agreement

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 continues indefinitely until terminated, Mr Mackay:

- receives fixed compensation structured as a total employment cost package of $1,500,000 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 six 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 six months written notice. The Company may terminate the contract at any time by providing six months' written notice or providing payment in lieu of that notice.

Magellan Asset Management

During February 2022, at the request of the Board of MFG, parent of Magellan Asset Management ("MAM") (the main service provider to the Company), Mr Mackay stepped into an oversight role in relation to portfolio management of MAM’s Global Equity strategies. Mr Mackay is not a member of the MFG or MAM Boards and has no other role with MFG or MAM. Mr Mackay did not receive any remuneration from MFG or MAM for this role or otherwise.

Shareholdings

The number of ordinary shares held in the Company at 30 June 2022 by the KMP is as follows:

	Balance 30 Jun 2020	Additions/ (Disposals)	Options Exercised	Balance 30 Jun 2021	Additions/ (Disposals)	Options Exercised	Balance 30 Jun 2022
Annabelle Chaplain AM							
Ordinary shares	132,356	206,373	-	338,729	**55,935**	**46,472**	**441,136**
MFF 2022 Options[1]		46,472	-	46,472	**-**	**(46,472)**	**-**
Robert Fraser							
Ordinary shares	498,676	-	-	498,676	**-**	**99,737**	**598,413**
MFF 2022 Options[1]		99,737	-	99,737	**-**	**(99,737)**	**-**
Chris Mackay							
Ordinary shares	69,152,632	5,250,720	13,830,530	88,233,882	**12,611,086**	**2,375,892**	**103,220,860**
MFF 2022 Options[1]		13,830,530	(13,830,530)	-	**2,375,892**	**(2,375,892)**	**-**
Peter Montgomery AM							
Ordinary shares	53,424	81,890	-	135,314	**6,577**	**216,685**	**358,576**
MFF 2022 Options[1]		216,685	-	216,685	**-**	**(216,685)**	**-**
John Ballard[2]							
Ordinary shares	1,774,820	-	-	1,774,820	**-**	**-**	**na**
MFF 2022 Options[1]		354,964	-	354,964	**-**	**-**	**na**
Andy Hogendijk[3]							
Ordinary shares	656,814	-	-	na	**-**	**-**	**na**
MFF 2022 Options[1]		131,364	-	na	**-**	**-**	**na**

[1] MFF 2022 Options issued 3 September 2020.
[2] When Mr Ballard resigned on 2 October 2021 he held 1,774,820 ordinary shares and 354,964 MFF 2022 Options.
[3] When Mr Hogendijk resigned on 2 October 2020 he held 656,814 ordinary shares and 131,364 MFF 2022 Options.

10. Other

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 period, 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.

Auditor

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

Non-Audit Services

During the period, EY, 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 period 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.

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 the following page.

Rounding of Amounts

The Company is of a kind referred to in the Australian Securities & Investments Commission's *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.

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

Annabelle Chaplain AM
Chairman

Chris Mackay
Managing Director and
Portfolio Manager

Sydney, 27 July 2022

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2022, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Clare Sporle
Partner

Sydney, 27 July 2022

Portfolio Manager's Report

for the year ended 30 June 2022

Dear Shareholder,

MFF's mark to market losses for fiscal 2022 are detailed in the Chairman's Letter and elsewhere in the Financial Statements. The year had distinct periods, which involved distinct approaches to portfolio management.

In the first half of the financial year sales of shares in portfolio companies far exceeded purchases (in cash terms $243.7 million compared with $107.7 million). In the second half, purchases in cash terms of approximately $403.1 million dwarfed sales of approximately $46.6 million. For the full year to 30 June 2022, purchases were $510.8 million and sales $290.3 million, in cash terms. Please refer to the Statement of Cash Flows in the Financial Statements.

We have added more quality companies to the portfolio on terms we regard as favourable and the competitive positions of the portfolio companies have continued to improve. The MFF portfolio is concentrated in companies which are advantaged, extremely profitable cash flow generators, with very solid post pandemic prospects and current resilience in the context of high inflation and increased official interest rates, even if a recession comes in the near term. Quality and price compared with value remain at the heart of our portfolio disciplines, and as such it is necessary to strip out much noise, including market participant panic about short term factors and what others are doing.

Over many years MFF has invested most of its assets in very high-quality companies with prospects for sustained profitable growth. We added materially to these holdings in the latest year as shown in the Note 6 table on page 32. Our loose target for these investments remains 85% of the portfolio, depending upon markets and other factors. We believe that MFF will deliver successful results over time if we stay focussed on a core advantaged portfolio of outstanding companies to benefit from compounding. There are finite opportunities to acquire on satisfactory or attractive terms companies that meet our criteria, including sustainable advantages and high probability profitable growth. We retain these businesses rather than moving quickly to sell on market price movements or changes in cycles, as we might with average businesses or even advantaged businesses without prospects for secular sustainable profitable growth.

MFF's significant gap between its pre-tax NTA and post-tax NTA primarily reflects the sustained market price appreciation of some of these core investments over years and their retention, given our assessment of the ongoing positive prospects for these businesses relative to prices and alternatives. Advantaged companies have higher probabilities of exceeding expectations as they add on new profitable activities. We believe choices of such companies often go well beyond interest rate movements and fiscal/monetary stimulus. We believe that digital trends, for example, continue to provide advantages for the portfolio even as competition and regulation attack advantages.

In addition to this core, we also buy quality companies (but possibly with lower secular growth or more cyclicality) where we perceive their market prices and other risk factors to be favourable, for example as contrarian investments where markets may be overweighting short term adverse sentiment or other headwinds. These companies have benefited MFF's figures and were very important coming out of the first wave of COVID-19 when speculation drove overall asset prices to very high levels and we were forced to search widely. We sold the majority of these ancillary holdings, and incurred tax on gains, during financial year 2021 and through the first eight months of fiscal 2022 (refer to MFF's interim and annual reports which detail all holdings bought or sold throughout each period).

From late 2020 in ASX releases we noted that 6% p.a. pre-tax might be a reasonable market benchmark in prevailing conditions, but this was far exceeded in calendar 2021, with widespread double-digit post-tax equity and other asset market returns. This price appreciation has reversed materially, with many asset classes incurring substantial price falls. The constraints of high and rising prices driven by speculation no longer apply in the areas in which we are interested.

We believe that purchase prices have moved from satisfactory to favourable in prevailing circumstances, although still less attractive than the extreme bargains which were available in past crises. Many market participants are projecting further falls in equity prices to extreme bargain levels, although conditions remain benign in benchmark US debt markets and in US bank supplied credit. We are not waiting for possible extreme bargains, as currently the key driver of overall equity markets is human activity i.e. quantitative tightening, increases in official interest rates and in rhetoric from the Federal Reserve. If this activity is paused with medium and long-term rates at or about recent levels, we expect that quality equities will be bought by many who have recently gone to the sidelines. Self-evidently, it is inevitable that central bank officials will pause at some stage.

Given MFF's Quality focus and medium to longer term investment horizons, an early Federal Reserve pause is not needed for the recent investments to be successful in aggregate. Rather than focus on predicting macroeconomic policy gyrations, we are focussed on advantaged businesses and allow for margins of safety regarding macroeconomic and other variables. For what it is worth, in recent years we have found the stated explanations from economists and central bankers to be jumbled, with arguments for severe reductions in aggregate demand contradicting what they argued for the previous decade and contradicting the deflationary conditions which prevailed pre-pandemic (and the key factors appear at least unchanged, for example significant income and wealth disparities as well as significant debt levels and demographics, suppressing velocity of money). Current supply shortages (inflationary) are not corrected by monetary actions. Some key commodity markets have reversed (with key oil and gas markets lagging). Companies are reacting to reduce costs, including employment (with lags), and services are more easily addressed by supply (including immigration, which remains lagging). Economic reopening and post pandemic supply and demand contractions/build ups normalise in aggregate in time, with increased work from home/remote work being deflationary (wages, resource usage, prices) after the initial capital spend.

As usual, we remain wary. Margins of safety matter for investing and for successful business operations given factors such as ongoing competitive pressures, regulatory and political actions, and geo-political concerns. At the margin, some of our portfolio companies benefit from reduced competition as funding sources withdraw and pandemic inspired authority and misguided regulations stifle innovation and sensible risk taking by possible disruptors/competitors. Issues surrounding China remain complex and numerous, including the CCP's COVID policies, interaction with the West and with its own companies, including ongoing (but possibly lessening) restrictions on successful technology companies and the CCP's constant assessment of policy support around excessively borrowed and/or insolvent SOEs, local government entities and other debtors. Reversals of political, community and geo-political positives are also becoming more probable in many democracies, as conditions were favourable for capital in recent decades, with examples already of voters, legislators, regulators and judges acting.

Contrary to some expectations following the extent of market falls in the latest six months, it remains possible that the current equity market cycles might be more concertinaed and quicker than usual. Many are looking at history for precedents, but fewer note the differences from the 1970's and 1980's, for example. For decades Benjamin Graham encouraged independent thought and analysis and warned about the addictive characteristics of peer activity. MFF maintained its focus on longer term risks and opportunities with specific companies and industries, including from digitisation and (de)globalisation, cash to digital payments, increased use of artificial intelligence by businesses, omnichannel online and offline service and delivery improvements, all of which we believe remain more important than current cyclical considerations and particularly sentiment moves (except to the extent that sentiment drives current market price opportunities).

We remain conscious of MFF portfolio selling disciplines. For correctly selected, sustained advantaged growth companies, the selling should be limited as compounding works positively, but very unevenly over time. Of course, we will make portfolio changes to correct errors and where opportunity costs dictate superior probability-adjusted opportunities (i.e. we prefer high probability advantaged quality rather than lower probability businesses). We also look to sell when secular growing businesses become more average, and hence will translate to more average (or below) market performance over time. Our focus is most on the sustainability of competitive advantages for the businesses and probabilities for well above average secular profitable growth. Management failures including complacency, hubris, bad capital allocation and weak successors to founders erode business advantages.

Environmental, social and governance (or "ESG") factors continue to rise in importance in democracies, as Europe doubles down on clean energy opportunities post the Russian invasion. Overall, we consider that large companies have continued to act in relation to ESG matters during the year. Portfolio companies accelerated their actions in relation to climate considerations and other ESG matters, and positive actions go well beyond box ticking ESG and virtue signalling. The Ukraine war has accelerated the levels of investment for lower carbon transition activities, even though near-term costs and some carbon usages have risen. Some analysts expect carbon reductions to be beneficial for their costs of capital. Climate and carbon adjustments will cost and transfer trillions, impacting markets for companies and currencies, and the AUD is not an obvious expected beneficiary. In considering global carbon aggregates, the role of the CCP remains crucial, particularly if China continues GDP growth targeting.

Views in relation to market conditions, and the full portfolio at 30 June 2022 are included in the June 2022 NTA statement released to the ASX on 1 July 2022, extracted below. In addition, all movements in all holdings each six months of the financial year are shown in Note 6 to the Financial Statements.

"MFF advises that its approximate monthly NTA per share as at 30 June 2022 was $2.745 pre-tax ($3.279 as at 30 June 2021), and $2.438 after providing for tax ($2.805 as at 30 June 2021).

MFF's primary activity in June was purchasing shares in companies we regard as excellent on terms we regard as favourable. We are more positive than we have been for many years about potential future returns over multi year periods, as mark to market declines continued in June. However, trends in markets typically persist and often move well away from underlying business values (short term market prices are driven by sentiment more than longer term business values). Investor surveys today would indicate expectations for prices to continue declining. Of course, prices mostly coalesce with business values over very long periods.

In recent years MFF's choices were difficult, with high quality companies being highly priced, and lower quality companies also pricy (for example bolstered by rampant speculation in the aftermath of the initial phase of COVID). We are now choosing between opportunities that we regard as attractive for the medium term and beyond, with opportunity cost assessments replacing lack of opportunities. We expect to continue to purchase shares in companies we regard as excellent if prices remain favourable.

MFF remains concentrated in advantaged businesses with high probabilities for continuing profitable growth well beyond current inflation, interest rate, stagflation, geopolitical, pandemic, economic and other challenges. Updates for our portfolio companies in June were more upbeat than for markets generally, [even] as cyclicality is becoming present (even in advantaged pockets such as digital advertising). Our US bank companies passed extremely onerous stress tests and have far larger capital buffers than in previous economic slowdowns. Market gyrations broadened further in June with some more amplification to the downside and provided decent conditions for MFF to add purchases of core advantaged holdings many of which, ideally, will be held for decades. Our best purchase opportunities have been when markets were falling and panic was around, for many reasons which seemed valid at the time, but in market terms often represented material wealth transfers from the pressured and impatient, to others including deeply researched, objective, patient, longer term investors.

Risks and uncertainty continue to drive institutional investors forced to take shorter and shorter time frames by factors including agency risks. In June context for the so-called institutional imperative included central banks led by the US Federal Reserve raising interest rates and rate rise rhetoric and inflation rates remaining elevated. However, companies are retrenching and cutting short term forecasts, debt markets are beginning to display distress and failures, as money supply and consumer sentiment readings have been collapsing. Negative investor sentiment is contagious, momentum is negative and short sellers are encouraged by six months of success. We are not seeking to time markets and have been buyers in recent months as markets have been falling, in contrast with persistent sales in the second half of 2021 (MFF's 31 December 2021 half yearly Statement of Cash Flows disclosed cash received from sales of securities of $243.7million).

Few holders of financial assets are sanguine about price falls (including because of loss aversion per Kahneman and Tversky). In this downturn, institutions, and many other investors (including wealthy investors) have moved rapidly to limit "uncertainty" (conflated with risk) despite lower prices and despite the considerable length of time markets have had to absorb most of the recent risk issues, some of which are fading). Most sellers in a downturn start with tradeable markets; hence US margin debt has been on a down trend this quarter. Some are forced sellers and many more also suffer from agency risk. In market downturns many aspiring long term investors become (to their detriment in aggregate) short term analysts of fluctuating economic data and fluctuating sentiment, attempting to "find the bottom", avoid the recession, bet on the current crop of relatively strong market performers or whatever. We have duration advantages compared with consensus and choose to focus on long term advantaged businesses where we have confidence about higher business values. In future weeks, months, years and decades current factors causing consensus uncertainty will have passed (outside of China COVID zero policies, most analysts no longer list COVID as a top ranking factor). In markets, collective wisdom and "expert opinion" inevitably change materially (sometimes very rapidly). Overall, they are reactive to changes in market prices. In contrast, outside of markets, collective wisdom often helpfully improves high quality analysis and decision making.

Value based investment is successful over time, provided proper processes and objective disciplines are applied regularly and where active investment analysis is conducted independently of movements in market prices. Fluctuations in market prices are far wider than changes in underlying values of the businesses represented by the shares or other securities, even for the largest and most widely analysed companies in the world. Sadly, during the month, many economists and market participants were forced to act upon tortuous, logically inconsistent worries about overheating/inflation with excessive interest rates, and imminent recession.

The product of all such views arguably may be manifested in the US 10 year bond rate (the benchmark or risk free rate). This rate rose very slightly month end on month end, and finished at approximately 3.0% p.a. Market prices for the MFF equity portfolio are more attractive than this rate, which equates to a pre-tax multiple of over 30 times without any growth. MFF's portfolio of quality businesses is also at lower risk for inflation than the bonds, and has much lower business risk than most assets, as MFF's structure allows the quality, profitable, growing portfolio to be held for duration, and with scope for the portfolio to be enhanced over time based on absolute and relative valuations/opportunity costs, subject to tax being paid on realised gains. Although we are not in the business of forecasting interest rates, beyond understanding input factors within broad parameters, it is apparent that some of the recent hyperbolic fears are being corrected/reversed, for example by inventory gluts needing to be reversed, supply meeting higher prices in commodity and other markets, capitalistic competition and countervailing forces (see Tesco pushing back on Heinz as a public example). Coherent arguments have commenced in pockets for 1. deflationary conditions to return (for example, renewed impacts of very low velocity of money given wealth concentrations and inability of technology and other entrepreneurs to realise their business value given misguided antitrust actions and closed refinancing markets); and 2. sustained profitable business growth again becoming scarce. Material market changes would result if either or both become consensus, or even if/when meaningful immigration recommences.

Market reaction to central bank, political and corporate updates and short term profit/recession warnings often reflected and reinforced adverse sentiment and geopolitical, supply chain, inflation and other economic concerns. Our focus remained on sustainably advantaged, profitably growing companies, chosen for financial and business strength and resilience to deal with adversity, which is inevitable. Some portfolio companies are benefiting from rising interest rates, have advantaged pricing power to address inflation risks and from the so-called reopening happening with considerable pent up demand, and we remain positive about the business positions of the portfolio companies. Overall, we are very positive about capital allocation by the portfolio companies (lower prices mean better priced buybacks for the majority of our portfolio companies buying back their shares). A number of portfolio companies had materially dialled up capital expenditures, Research & Development and other operating expenditures and, having built excess capacity (including to deal with COVID labour impacts and supply chain disruptions) are able to reduce these expenditures. Underlying demand for MFF portfolio company goods and services has remained excellent, gross margins largely intact, with progress being made on various short term labour and supply chain issues. We await with interest portfolio and other company results over the next decade and updates on dealing with the issues of the day, as well as opportunities.

MFF retains excellent balance sheet strength, and the portfolio is concentrated in very liquid securities (multiples of daily trading compared with our holding sizes), which assists MFF in opportunity cost comparisons with portfolio component after tax market values. (i.e. swap to the highest quality/lowest priced opportunities even if that means selling some existing holdings to improve the overall portfolio). MFF has capacity as well as focus to continue to increase our exposure to outstanding investments, ideally on attractive terms, if recent market volatility continues to improve potential purchase prices. MFF continues to benefit from considerable net unrealised portfolio gains compared with cost, but any sale proceeds for reinvestment are after tax. Each market downturn is unique, and this downturn has encouraged our focus on quality businesses in adding to the portfolio, as prices for quality have become more favourable for purchases and we are currently less focussed on "defensives" or so-called traditional value plays. We are confident that portfolio holdings, including recent purchases, will be more valuable businesses over the years. Market timing is not an objective; we hope for the best possible portfolio of advantaged businesses for the medium to longer term, based upon opportunity costs and other portfolio construction factors. We expect that the aftermath of this downturn will be favourable for MFF as have the aftermaths of previous downturns, in each case, over time.

All holdings in the portfolio as at 30 June 2022 are shown in the table that follows (shown as percentages of investment assets). All holdings, and all movements in holdings each six months of the financial year, are shown in Note 6 to the Financial Statements.

	%		%
Visa	**13.9**	JP Morgan Chase	**1.5**
MasterCard	**13.1**	Allianz	**1.5**
Amazon	**9.8**	Intercontinental Exchange	**1.5**
Alphabet Class C	**6.9**	Lloyds Banking Group	**1.3**
Home Depot	**6.6**	United Overseas Bank	**1.0**
Microsoft	**6.3**	Chipotle Mexican Grill	**0.9**
Alphabet Class A	**5.2**	DBS Group	**0.9**
American Express	**3.8**	Oversea - Chinese Banking	**0.9**
Bank of America	**3.7**	Lowe's	**0.7**
CVS Health	**3.6**	HCA Healthcare	**0.7**
Meta Platforms	**3.6**	Ritchie Bros Auctioneers	**0.6**
CK Hutchison	**2.5**	Schroders	**0.4**
Prosus	**2.4**	US Bancorp	**0.4**
Asahi Group	**2.2**	Sonic Healthcare	**0.3**
Flutter Entertainment	**1.9**	UnitedHealth Group	**0.1**
Morgan Stanley	**1.8**	L'Oreal	**0.1**

Recent discussions of currency positioning will not be repeated as the key principles remain broadly unchanged. Similarly, the key points discussed regarding MFF's funding remain broadly unchanged, including 1. borrowing amidst inflationary conditions; and 2. foreseeable after tax interest costs are not an impediment to sensible borrowing by MFF for long term quality businesses given MFF's sensible borrowing limits, even assuming further material interest rate increases.

Net debt shown as a percentage of investment assets, was approximately 18.7% as at 30 June 2022. AUD net cash was 1.7% (taxes, other expenses and dividends are paid in AUD whilst proceeds of MFF Options (ASX ticker: MFFOA) exercises are received in AUD), USD net debt 17.9% and other currency borrowing/cash exposures were below 1% of investment assets as at 30 June 2022 (all approximate). Key currency rates for AUD as at 30 June 2022 were 0.688 (USD), 0.658 (EUR) and 0.566 (GBP) compared with rates for the previous month which were 0.717 (USD), 0.670 (EUR) and 0.569 (GBP)."

Portfolio Manager's Report

for the year ended 30 June 2022

MFF releases regular portfolio and investment information to the ASX including the weekly NTA details, as well as monthly NTA updates and commentary. The July 2022 NTA is scheduled to be released to the ASX on 1 August 2022.

Yours faithfully,

Chris Mackay
Portfolio Manager

Sydney
27 July 2022

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.

Statement of Profit or Loss and Comprehensive Income

for the year ended 30 June 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Investment Income			
Dividend and distribution income		**24,151**	19,290
Interest income		**30**	69
Net change in fair value of investments[1]		**(243,198)**	324,843
Net gains/(losses) on foreign currency cash and borrowings	4	**(16,343)**	(31,631)
Net gains/(losses) on foreign exchange settlements & contracts		**(335)**	6,638
Other income		**6**	47
Net change in fair value of US treasury bills		**-**	(1,364)
Total Net Investment Income/(Loss)		**(235,689)**	317,892
Expenses			
Research and services fees	13	**4,001**	4,000
Finance costs – interest expense		**1,338**	310
Managing Director's salary		**1,500**	1,500
Non-Executive Directors' fees		**318**	388
Long service leave statutory expense		**25**	24
Registry fees		**210**	226
ASX listing, clearing and settlement fees		**173**	206
Transaction costs		**379**	125
Employment related taxes		**86**	84
Fund administration and operational costs		**95**	92
Auditor's remuneration	10	**84**	69
Regulatory levy		**51**	51
Other expenses		**112**	113
Total Expenses		**8,372**	7,188
Profit/(Loss) Before Income Tax Expense/(Benefit)		**(244,061)**	310,704
Income tax (expense)/benefit	3	**73,282**	(93,179)
Net Profit/(Loss) After Income Tax Expense/(Benefit)		**(170,779)**	217,525
Other comprehensive income		**-**	-
Total Comprehensive Income/(Loss)		**(170,779)**	217,525
Basic Earnings/(Loss) Per Share (cents)	9	**(29.57)**	38.92
Diluted Earnings/(Loss) Per Share (cents)	9	**(29.57)**	38.75

[1] Includes realised and unrealised gains/(losses) on investments.

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

Statement of Financial Position

as at 30 June 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Current Assets			
Cash and cash equivalents	4	**33,214**	3,023
Investments	6	**1,972,040**	1,994,678
Receivables	5	**1,249**	617
Prepayments		**20**	20
Total Current Assets		**2,006,523**	1,998,338
Total Assets		**2,006,523**	1,998,338
Current Liabilities			
Payables	7	**1,204**	1,231
Current tax payable		**11,214**	89
Borrowings	4	**401,386**	134,036
Total Current Liabilities		**413,804**	135,356
Non-Current Liabilities			
Net deferred tax liability	3	**167,568**	269,230
Provision for long service leave	7	**215**	190
Total Non-Current Liabilities		**167,783**	269,420
Total Liabilities		**581,587**	404,776
Net Assets		**1,424,936**	1,593,562
Equity			
Contributed equity	8	**722,390**	679,653
Profits reserve		**461,193**	461,193
Retained profits		**241,353**	452,716
Total Equity		**1,424,936**	1,593,562

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

Statement of Changes in Equity

for the year ended 30 June 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Contributed Equity			
Balance at Beginning of Period		**679,653**	631,752
Transactions with owners in their capacity as owners:			
Securities issued under Dividend Reinvestment Plan	8	**10,255**	7,748
Shares issued on exercise of options	8	**32,482**	40,323
Transaction cost on issue of options net of tax		**-**	(170)
Balance at End of Period		**722,390**	679,653
Retained Profits			
Balance at Beginning of Period		**452,716**	486,453
Total comprehensive income/(loss)		**(170,779)**	217,525
Transfer to profits reserve	1.10	**-**	(217,525)
Dividends paid	2	**(40,584)**	(33,737)
Balance at End of Period		**241,353**	452,716
Profits Reserve			
Balance at Beginning of Period		**461,193**	243,668
Transfer from retained earnings	1.10	**-**	217,525
Balance at End of Period		**461,193**	461,193
Total Equity		**1,424,936**	1,593,562

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

Statement of Cash Flows

for the year ended 30 June 2022

	Note	30 Jun 2022 $'000	30 Jun 2021 $'000
Cash Flows from Operating Activities			
Dividends and distributions received (net of withholding tax)		**20,828**	16,480
Interest received		**30**	69
Payments for purchase of equity investments		**(510,818)**	(939,258)
Proceeds from sale of equity investments		**290,259**	134,288
Payments for purchase of US treasury bills		**-**	(605,456)
Proceeds from sale of US treasury bills		**-**	604,093
Net realised gain/(loss) on foreign exchange settlements and contracts and cash		**(335)**	6,638
Research and services fees paid	13	**(4,001)**	(4,000)
Tax paid		**(14,564)**	(3,350)
Other income received		**6**	47
Other expenses paid		**(3,036)**	(2,844)
Net Cash Inflow/(Outflow) from Operating Activities	4	**(221,631)**	(793,293)
Cash Flows From Financing Activities			
Net proceed/(repayment) of borrowings		**251,007**	102,405
Proceeds on exercise of options	8	**32,482**	40,323
Payment of issue costs on options		**-**	(242)
Interest paid		**(1,338)**	(310)
Dividends paid (net of DRP)		**(30,329)**	(25,990)
Net Cash Inflow/(Outflow) from Financing Activities		**251,822**	116,186
Net increase/(decrease) in cash and cash equivalents		**30,191**	(677,107)
Cash and cash equivalents at beginning of period		**3,023**	680,130
Cash and Cash Equivalents at End of Period	4	**33,214**	3,023

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

Notes to the Financial Statements

for the year ended 30 June 2022

Overview

This annual financial report is for MFF Capital Investments Limited ("MFF" or the "Company") for the period ended 30 June 2022. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies, applied to the annual financial statements, have been consistently applied to the period 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.

Assets and liabilities with recovery or settlement dates within 12 months after the balance date (current) and more than 12 months after the balance date (non-current) are presented separately in the Statement of Financial Position.

1. Basis of Preparation

The financial report for the period ended 30 June 2022 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 27 July 2022. The Directors have the power to amend and reissue the financial report.

1.1. Compliance with International Financial Reporting Standards

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

1.2. 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.

1.3. Accounting Policies

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

The Company has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective at balance date.

1.4. New and Amended Accounting Standards

There are no new accounting standards, amendments to existing standards or interpretations that are effective as of 1 July 2021 that have a material impact on the amounts recognised by the Company in the prior periods or will affect the current or future periods.

1.5. 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.

1.6. 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.

1.7. 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 change in fair value does not include dividend income.

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.

1.8. 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 (refer to the Directors' Report on page 10).

Finance Costs

The basis on which finance costs incurred on borrowings is recognised is included in Note 4.

1.9. Goods and Services Tax

Revenue, expenses and assets (with the exception of receivables) are recognised net of the amount of Goods And Services Tax ("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 a 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.

1.10. Profits Reserve

The profits reserve consists of current and/or prior period profits transferred from retained earnings that are preserved for future dividend payments. The profits reserve will reduce when dividends are paid from this reserve.

1.11. 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 Australian Securities & Investments Commission's *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

1.12. Critical Accounting Estimates and Judgements

In applying the Company's accounting policies, a number of estimates and assumptions have been made concerning the future. The Directors base their judgements and estimates on historical experience and various other factors they believe to be reasonable under the circumstances, but which are inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

As all investments are valued with reference to listed quoted prices and the Company's cash and borrowing facility continue to be held and provided respectively by strongly rated financial institutions, the Company's financial assets are not subject to significant judgement or complexity, nor are the Company's liabilities.

Notes to the Financial Statements

for the year ended 30 June 2022

2. Dividends

Dividends paid by the Company during the period are:

	30 Jun 2022 $'000	30 Jun 2021 $'000
For the Period Ended 30 June 2022:		
Fully franked final dividend for 2021 (3.5 cent per ordinary share) paid 5 November 2021	**20,205**	-
Fully franked interim dividend for 2022 (3.5 cent per ordinary share) paid 13 May 2022	**20,379**	-
For the Period Ended 30 June 2021:		
Fully franked final dividend for 2020 (3.0 cent per ordinary share) paid 6 November 2020	**-**	16,747
Fully franked interim dividend for 2021 (3.0 cent per ordinary share) paid 14 May 2021	**-**	16,990
Total Dividends Paid During the Period	**40,584**	33,737

All dividends were fully franked at the corporate tax rate of 30%.

Dividend Declared

In addition to the above dividends paid during the period, on 27 July 2022 the Directors declared a final dividend of 4.0 cents per ordinary share, fully franked at the corporate tax rate of 30% in respect of the period ended 30 June 2022. The amount of the proposed dividend, based on the number of ordinary shares on issue at 30 June 2022, is approximately $23,374,000 and will be paid on 4 November 2022.

A dividend payable to shareholders is only recognised if the dividend is declared, by the Directors, on or before the end of the period, 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.

Dividend Reinvestment Plan

The Company's DRP was available to eligible shareholders during the period ended 30 June 2022. 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 period ended 30 June 2022. 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 ASX 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. Refer to Note 8 for details of ordinary shares issued under the DRP during the period.

Imputation Credits

	30 Jun 2022 $'000	30 Jun 2021 $'000
Imputation credits at balance date	**104,135**	106,885
Imputation credits that will arise from the payment of income tax payable	**11,214**	89
Total imputation credits available for subsequent reporting periods based on a tax rate of 30% (June 2021: 30%)	**115,349**	106,974

3. Income Tax

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

	30 Jun 2022 $'000	30 Jun 2021 $'000
(a) Income Tax (Expense) / Benefit Attributable to the Period, Payable on Operating Profit, is as Follows:		
Profit/(loss) before income tax expense	**(244,061)**	310,704
Prima facie income tax (expense)/benefit on net profit at 30%	**73,218**	(93,211)
Permanent differences	**64**	2
Prior year (under)/over provision	**-**	30
Income Tax (Expense) / Benefit reported in the Statement of Profit or Loss and Comprehensive Income	**73,282**	(93,179)
(b) Major Components of Income Tax Benefit / (Expense) are:		
Current income tax expense	**(28,308)**	(4,120)
Deferred income tax (expense)/benefit:		
Origination and reversal of temporary differences	**101,590**	(89,059)
Income Tax (Expense) / Benefit reported in the Statement of Profit or Loss and Comprehensive Income	**73,282**	(93,179)
(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	**(167,531)**	(269,281)
Deferred tax liability from future foreign income tax offsets	**(133)**	(61)
Deferred tax liability from unrealised foreign currency gains	**(43)**	(43)
Deferred tax asset from accrued expenses and transaction costs	**139**	155
Total Net Deferred Tax Asset/(Liability)	**(167,568)**	(269,230)

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

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.

Borrowings

The 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.

	30 Jun 2022 $'000	30 Jun 2021 $'000
Cash at bank - denominated in Australian Dollars	**33,214**	3,023
Total Cash	**33,214**	3,023
Set-Off Cash and Borrowings with MLI		
Borrowings - denominated in US Dollars	**(353,671)**	(41,751)
Borrowings - denominated in British Pounds	**(14,889)**	(7,667)
Borrowings - denominated in Singapore Dollars	**(11,074)**	(151)
Borrowings - denominated in Hong Kong Dollars	**(7,969)**	(743)
Borrowings - denominated in Japanese Yen	**(7,868)**	(73,732)
Borrowings - denominated in Euros	**(5,467)**	(9,981)
Borrowings - denominated in Australian Dollars	**(437)**	(1)
Borrowings - denominated in Canadian Dollars	**(11)**	(10)
Net Borrowings with MLI	**(401,386)**	(134,036)

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.

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") (refer below). The Company and MLI intend to net settle and are permitted to do so under the terms of the facility. At 30 June 2022, the Company's borrowings with MLI of $401,386,000 (June 2021: $134,036,000) have been presented net of the Company's cash deposits held with MLI of nil (June 2021: nil). As a result, a borrowings position of $401,386,000 (June 2021: borrowings $134,036,000) is included in borrowings in the Statement of Financial Position.

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 the International Prime Brokerage Agreements ("IPBA") between the Company and MLI. The IPBA provides MLI with a fixed charge over the Company's right, title and interest in the assets held in custody with MLI (refer Note 6), as security for the performance of its obligations under the IPBA.

Reconciliation of Borrowings arising from Financing Activities

	30 Jun 2022 $'000	30 Jun 2021 $'000
Financing facility borrowings at the beginning of the period	**(134,036)**	-
Net (proceeds)/repayment of borrowings	**(251,007)**	(102,405)
Foreign exchange movement	**(16,343)**	(31,631)
Financing Facility Borrowings at end of Period	**(401,386)**	(134,036)

Reconciliation of Net Cash Inflow/(Outflow) from Operating Activities

	30 Jun 2022 $'000	30 Jun 2021 $'000
Net profit/(loss) after income tax expense	**(170,779)**	217,525
Net gain/(loss) on foreign currency cash and borrowings	**16,343**	31,631
Finance costs - interest expense	**1,338**	310
Net change in fair value of investments	**22,638**	(1,129,812)
(Increase)/decrease in receivables and prepayments	**(632)**	(294)
Increase/(decrease) in payables and provisions	**(2)**	39
Increase/(decrease) in deferred taxes on transactions costs	**-**	73
Increase/(decrease) in current and deferred taxes	**(90,537)**	87,235
Net Cash Inflow/(Outflow) from Operating Activities	**(221,631)**	(793,293)

5. Receivables

Receivables comprise amounts due from brokers for sales of assets unsettled at balance date, dividends and trust distributions declared but not yet received, and reclaimable taxes. Receivables relating to the sale of investments are usually settled between two and five days after trade date. Receivables are recognised and carried at amortised cost using the effective interest rate method and adjusted for changes in foreign exchange rates where applicable. A provision is deducted from receivables for uncollectible amounts based on expected credit losses, if applicable. 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.

	30 Jun 2022 $'000	30 Jun 2021 $'000
Dividends receivable	**759**	348
Payroll tax refund	**-**	2
GST receivable	**215**	212
Foreign tax recoverable	**275**	55
Total Receivables	**1,249**	617
Denomination of current receivables by currency:		
US Dollars	**332**	155
Australian Dollars	**215**	214
Canadian Dollars	**-**	1
Euro	**247**	45
Japanese Yen	**455**	202
Total Receivables	**1,249**	617

Ageing Analysis of Receivables

At balance date, the Company's receivables, excluding recoverable GST and foreign withholding tax, were due within 0 to 30 days (June 2021: 0 to 30 days). Recoverable GST is due within 30 to 90 days (June 2021: 30 to 90 days). Foreign withholding tax is due within 2 to 5 years dependent on the jurisdiction (June 2021: 2 to 5 years). No amounts are impaired or past due at 30 June 2022 or 30 June 2021.

6. Investments and Derivatives

The Company classifies its equity securities, derivative assets and derivative liabilities as financial assets and liabilities at fair value through profit or loss.

The Company discloses the fair value measurements of financial assets and financial liabilities using a three-level fair value hierarchy to reflect the source of valuation inputs used when determining the fair value as follows:

- 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 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 Directors' valuation.

The Company does not hold any level 2 or level 3 assets. There have been no transfers between any of the three levels in the hierarchy during the period and the Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the period.

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.

The fair value of equity securities traded in active markets is based on their quoted market prices at balance date without any deduction for estimated future selling costs. The quoted market price used for securities held by the Company is the closing price for the security as quoted on the relevant stock exchange. If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques including recent arm's length market transactions, reference to the current fair value of other instruments that are substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques commonly used by market participants.

Derivatives are contracts whose value is derived from one or more underlying price, index or other variable. Derivatives are included in the Statement of Financial Position as an asset when the fair value at balance date is positive and classified as a liability when the fair value at balance date is negative.

Notes to the Financial Statements

for the year ended 30 June 2022

Details of Investments

	Domicile	30 Jun 2022 Holding	31 Dec 2021 Holding	30 Jun 2021 Holding	30 Jun 2022 Value $'000	30 Jun 2021 Value $'000
Listed Equity Securities (Level 1)						
Visa	i	**954,222**	954,222	970,222	**273,218**	302,169
MasterCard	i	**564,261**	564,261	577,061	**258,872**	280,625
Amazon	i	**1,245,880**	855,560[1]	855,560[1]	**192,431**	196,022
Alphabet Class C	i	**42,676**	33,790	33,790	**135,755**	112,805
Home Depot	i	**328,130**	328,959	403,417	**130,875**	171,356
Microsoft	i	**331,616**	195,749	195,749	**123,855**	70,634
Alphabet Class A	i	**32,092**	8,964	8,964	**101,704**	29,155
American Express	i	**369,641**	-	-	**74,514**	-
Bank of America	i	**1,618,594**	1,247,260	1,247,260	**73,274**	68,498
CVS Health	i	**525,232**	637,910	637,910	**70,774**	70,899
Meta Platforms	i	**300,425**	272,979	302,723	**70,448**	140,206
CK Hutchison	iv	**5,075,500**	4,825,500	3,384,000	**49,899**	35,116
Prosus	ii	**489,323**	475,530	352,400	**46,481**	45,908
Asahi Group	iii	**912,200**	880,200	368,300	**43,403**	22,944
Flutter Entertainment	vi	**262,471**	194,443	141,082	**38,215**	34,125
Morgan Stanley	i	**328,472**	272,826	262,526	**36,332**	32,063
JP Morgan Chase	i	**185,428**	138,783	138,783	**30,366**	28,753
Allianz	ix	**107,733**	97,733	54,756	**29,829**	18,190
Intercontinental Exchange	i	**210,700**	210,700	211,146	**28,814**	33,384
Lloyds Banking Group	vi	**33,817,391**	33,497,676	28,864,206	**25,269**	24,798
United Overseas Bank	vii	**747,623**	747,623	501,323	**20,507**	12,827
Chipotle Mexican Grill	i	**9,476**	-	-	**18,014**	-
DBS Group	vii	**578,094**	578,094	521,294	**17,929**	15,399
Oversea - Chinese Banking	vii	**1,435,499**	1,435,499	1,178,399	**17,085**	13,954
Lowe's	i	**52,219**	52,219	52,219	**13,264**	13,492
HCA Healthcare	i	**53,805**	31,010	20,710	**13,150**	5,703
Ritchie Bros Auctioneers	i	**126,968**	126,968	116,968	**12,013**	9,236
Schroders	vi	**211,299**	201,035	186,668	**8,340**	8,896
US Bancorp	i	**117,361**	213,789	307,265	**7,854**	23,317
Sonic Healthcare	viii	**165,094**	202,715	202,715	**5,450**	7,784
UnitedHealth Group	i	**3,562**	3,562	3,562	**2,661**	1,900
L'Oreal	v	**2,887**	4,911	52,777	**1,445**	31,330
Procter & Gamble	i	**-**	2,998	221,535	**-**	39,816
Mitsubishi	iii	**-**	-	710,300	**-**	25,812
Itochu	iii	**-**	-	524,400	**-**	20,139
Mitsui & Co	iii	**-**	-	641,400	**-**	19,248
Sumitomo Corp	iii	**-**	-	917,300	**-**	16,381
Marubeni	iii	**-**	-	680,300	**-**	7,888
PM Capital Global Opportunities Fund	viii	**-**	-	946,112	**-**	1,504
Berkshire Hathaway Class B	i	**-**	-	3,253	**-**	1,204
Magellan High Conviction Trust	viii	**-**	-	765,374	**-**	1,198
Total Investments					**1,972,040**	1,994,678

[1] Amazon stock split occurred on 6 June 2022. Comparatives have been adjusted to provide meaningful comparison with current holding.

No other securities were bought or sold by the Company in the periods.

Stock Exchange Domicile

The relevant stock exchange pertaining to each investment shown on page 32 is as follows:

i	United States	iii	Japan	v	France	vii	Singapore
ii	Netherlands	iv	Hong Kong	vi	United Kingdom	viii	Australia
						ix	Germany

Foreign Exchange Rates

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

	30 Jun 2022	30 Jun 2021
US Dollar	**0.68765**	0.75075
Euro	**0.65776**	0.63306
Japanese Yen	**93.42070**	83.32576
Hong Kong Dollar	**5.39596**	5.83021
British Pound	**0.56622**	0.54345
Singapore Dollar	**0.95700**	1.00916

7. Payables

Payables comprise trade creditors and accrued expenses owing by the Company at balance date. Amounts due to brokers 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. Payables and accruals are recognised at amortised cost, using the effective interest rate method, at the point where the Company becomes obliged to make payments in respect of the purchase of these goods and services.

	30 Jun 2022 $'000	30 Jun 2021 $'000
Current Liabilities		
Research and services fees payable (including GST)	**1,100**	1,100
Accrued expenses	**104**	131
Total Current Liabilities	**1,204**	1,231
Non-Current Liabilities		
Provision for long service leave	**215**	190
Total Non-Current Liabilities	**215**	190
Total Payables	**1,419**	1,421
Denomination of payables by currency:		
Australian Dollars	**1,419**	1,421
Total Payables	**1,419**	1,421

Employee Entitlements

Employee entitlements comprise the Managing Director's salary and Non-Executive Directors' fees.

Liabilities for employee entitlements are recognised in accrued expenses and are measured at the amounts expected to be paid when the liabilities are settled. A liability expected to be settled within 12 months from balance date is recognised in current liabilities.

Employee entitlements are included in payables in the Statement of Financial Position and expensed 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 are expected to be paid after 12 months of balance date.

8. 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.

	30 Jun 2022 Number of Securities	30 Jun 2021 Number of Securities	30 Jun 2022 $'000	30 Jun 2021 $'000
Ordinary Shares				
Opening balance	**568,040,118**	549,625,047	**679,653**	631,752
Shares issued under DRP:				
6 November 2020	**-**	1,396,780	**-**	3,668
14 May 2021	**-**	1,509,524	**-**	4,080
5 November 2021	**1,720,999**	-	**4,984**	-
13 May 2022	**2,104,731**	-	**5,271**	-
Shares issued on exercise of Options	**12,493,241**	15,508,767	**32,482**	40,323
Transaction costs on issue of shares net of tax	**-**	-	**-**	(170)
Total Contributed Equity	**584,359,089**	568,040,118	**722,390**	679,653
MFF 2022 Options				
Opening balance	**94,419,784**	-	**-**	-
Options issued 3 September 2020	**-**	109,928,551	**-**	-
Shares issued from exercise of Options during period	**(12,493,241)**	(15,508,767)	**-**	-
Total MFF 2022 Options	**81,926,543**	94,419,784	**-**	-

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.

MFF 2022 Options

Each eligible shareholder of the Company received one option for every five ordinary shares held at 27 August 2020 for nil consideration. A total of 109,928,551 Options were issued by the Company on 3 September 2020. The Options are listed on the ASX (ASX code: MFFOA) with an exercise price of $2.60 and expire on 31 October 2022. Each Option entitles the holder to the right to acquire one ordinary share in the Company and is exercisable at any time on or prior to 5pm (Sydney time) on 31 October 2022.

The Options are not entitled to dividends, and ordinary shares issued on exercise of the Options rank equally with all other ordinary shares from the date of exercise and entitle the holder to receive dividends, if such shares have been issued, on or prior to the applicable record date for determining entitlements.

Dividend Reinvestment Plan

Refer to Note 2 for details on the DRP.

Notes to the Financial Statements

for the year ended 30 June 2022

9. Earnings per Share

Basic earnings per share is calculated as net profit/(loss) after income tax expense for the period divided by the weighted average 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.

	30 Jun 2022	30 Jun 2021
Basic Earnings/(Loss) Per Share (cents)	**(29.57)**	38.92
Diluted Earnings/(Loss) Per Share (cents)	**(29.57)**[1]	38.75
Weighted Average Number of Ordinary Shares		
Weighted average number of ordinary shares on issue used in calculating basic EPS	**577,511,045**	558,860,197
add: equivalent number of unexercised options for the purposes of calculating diluted EPS	**-**	2,532,347
Weighted average number of ordinary shares on issue used in calculating diluted EPS	**577,511,045**	561,392,544
Earnings Reconciliation		
Net profit/(loss) after income tax expense used in the calculation of basic and diluted EPS ($'000)	**(170,779)**	217,525

[1] As the Company has a net loss after income tax expense for the period, outstanding Options are currently antidilutive and have not been considered for the dilutive EPS calculation.

MFF 2022 Options issued on 3 September 2020 and which remain unexercised at the end of the period are considered potential ordinary shares and included in the determination of diluted earnings per share to the extent they are dilutive. Details of the Options are set out in Note 8.

10. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the Company, EY:

	30 Jun 2022 $	30 Jun 2021 $
Fees for audit and review of statutory financial reports	**61,900**	60,700
Fees for other services:[1]		
Taxation compliance services[2]	**8,800**	8,600
Taxation advisory services	**13,007**	-
Total Auditor Remuneration	**83,707**	69,300
% of non-audit fees paid to auditor	**26.1%**	12.4%

[1] Categorised as non-audit services.
[2] Relates to the review of the Company's income tax return.

External Auditor

The Audit & Risk Committee's work consists of overseeing the relationship with the Company's external auditors including safeguarding independence and approving non-audit fees and their appointment.

EY was appointed auditor of the Company in 2008. The external audit was last put out to tender in 2018, which aligned to the auditor's 10 year anniversary, and EY was reappointed auditor as it scored highest across all requirements and the Board was satisfied that appropriate safeguards were in place to ensure the required independence of EY. The Company outsourced the tender process to its services provider, Magellan Asset Management ("MAM"), however the Company's Audit & Risk Committee retained ultimate authority over the tender process, audit firm evaluation and recommendation of the selection to the Board. Ms Clare Sporle has served as lead audit partner since August 2019. In accordance with the *Corporations Act 2001*, the next rotation of the lead partner is planned to occur after the completion of the 30 June 2024 financial year audit.

Separately, the Audit & Risk Committee formally evaluates the performance of the auditor annually and with no agreed tenure in the agreement with EY, an audit tender can be called at any time.

11. Capital and Financial Risk Management

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 period ended 30 June 2022. The use of derivatives and short selling has never been used by the Company 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, the Company's potential partial offsets to some portfolio risks have included the Company's currency positions to the extent that they have been inversely correlated.

Capital Management

The Board of Directors is committed to prudent capital management and a conservative approach to protect shareholder value in all market conditions. The Company's capital consists of contributed equity, retained profits and a profits reserve to preserve the Company's capacity to pay future dividends, consistent with the dividend policy. The Company is not subject to any externally imposed capital requirements.

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.

On 3 September 2020 the Company issued bonus options to shareholders (refer Note 8).

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.

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.

At balance date, the credit quality of Bank of America / Merrill Lynch's senior debt is rated by Standard & Poor's as being A- and by Moody's as being A2 (30 June 2021: A- and A2 respectively). MLI and MLMA are wholly owned subsidiaries of Bank of America which disclosed net assets attributable to common stockholders as at 30 June 2022 of approximately US $240.0 billion. Bank of America does not guarantee the obligations in respect of either MLI or MLMA.

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 by regularly monitoring receivables on an ongoing basis.

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 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. At balance date, borrowings repayable on demand were $401,386,000 (June 2021: $134,036,000).

Maturities of Financial Liabilities

At balance date, the Company's financial liabilities comprise payables which mature in 0 to 30 days (June 2021: 0 to 30 days) and borrowings which are repayable on written demand (June 2021: repayable on written demand) (refer Note 4).

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 fair 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 Financial Risk Management on page 36).

Over the past 10 years, the annual movement in the major global share indices (S&P 500 and MSCI) has varied between +35.05% and -6.48% (in AUD) and +40.79% and -14.34% (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 could occur 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. For illustrative purposes, each 5% incremental increase in the market prices of the Company's investment portfolio, compared with that at balance date, would increase the total equity and net profit after tax by approximately $69,021,000 (June 2021: $69,814,000) and each 5% incremental decrease would have an equal and opposite impact.

Currency Risk

The Company has exposure to foreign currency denominated cash and borrowings (refer Note 4) 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.

For illustrative purposes, 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 Jun 2022 Net Increase/ (Decrease) in Net Profit A$'000		30 Jun 2021 Net Increase/ (Decrease) in Net Profit A$'000
Australian Dollar strengthens by 10% against:		Australian Dollar strengthens by 10% against:	
US Dollar	**24,757**	US Dollar	2,923
British Pound	**1,042**	British Pound	537
Singapore Dollar	**775**	Singapore Dollar	11
Hong Kong Dollar	**558**	Hong Kong Dollar	52
Japanese Yen	**551**	Japanese Yen	5,161
Euro	**383**	Euro	699
Canadian Dollar	**1**	Canadian Dollar	1
Total	**28,067**	Total	9,384

Notes to the Financial Statements

for the year ended 30 June 2022

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 $109,667,000 (June 2021: $138,922,000 decrease). A 10% decline in the Australian Dollar would have had an equal and opposite impact.

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

	30 Jun 2022 $'000	30 Jun 2021 $'000
All amounts stated in AUD equivalents[1]		
US Dollars	**1,314,849**	1,589,641
Euro	**72,535**	85,492
British Pounds	**56,935**	60,152
Singapore Dollars	**44,447**	42,029
Hong Kong Dollars	**41,930**	34,373
Japanese Yen	**35,990**	38,882
Canadian Dollars	**(11)**	(9)
Total	**1,566,675**	1,850,560

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

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

	30 Jun 2022 $'000	30 Jun 2021 $'000
All amounts stated in AUD equivalents		
Assets - exposed to foreign currencies[1]	**1,967,624**	1,984,595
Assets - not exposed to foreign currencies	**38,899**	13,743
Assets - as per Statement of Financial Position	**2,006,523**	1,998,338
Liabilities - exposed to foreign currencies[1]	**(400,949)**	(134,035)
Liabilities - not exposed to foreign currencies	**(180,638)**	(270,741)
Liabilities - as per Statement of Financial Position	**(581,587)**	(404,776)
Net assets - exposed to foreign currencies	**1,566,675**	1,850,560
Net assets - not exposed to foreign currencies	**(141,739)**	(256,998)
Net Assets - as per Statement of Financial Position	**1,424,936**	1,593,562

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

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 interest bearing borrowings as follows:

	Interest Rate %	30 Jun 2022 Cash & Cash Equivalents/ (Borrowings) $'000	Interest Rate %	30 Jun 2021 Cash & Cash Equivalents/ (Borrowings) $'000
Australian Dollars	**0.80**	**33,214**	0.05	3,023
Total Cash		**33,214**		3,023
US Dollars	**(2.32)**	**(353,671)**	(0.85)	(41,751)
British Pounds	**(1.94)**	**(14,889)**	(0.81)	(7,667)
Singapore Dollars	**(2.31)**	**(11,074)**	(0.94)	(151)
Hong Kong Dollars	**(1.62)**	**(7,969)**	(0.85)	(743)
Japanese Yen	**(0.72)**	**(7,868)**	(0.69)	(73,732)
Euros	**(0.17)**	**(5,467)**	(0.18)	(9,981)
Australian Dollars	**(1.89)**	**(437)**	(0.76)	(1)
Canadian Dollars	**(2.98)**	**(11)**	(1.16)	(10)
Total Net Cash/(Borrowings) with MLI		**(401,386)**		(134,036)

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 as follows:

	30 Jun 2022 +1% $'000	30 Jun 2022 -1% $'000	30 Jun 2021 +1% $'000	30 Jun 2021 -1% $'000
Cash and cash equivalents	**232**	**(232)**	21	(21)
Borrowings	**(2,810)**	**2,810**	(938)	938
Impact on Net Profit and Total Equity - Increase/(Decrease)	**(2,578)**	**2,578**	(917)	917

12. Related Parties

Key Management Personnel

The KMP of the Company comprise the Independent Non-executive Directors and the Managing Director for the periods ended 30 June 2022 and 30 June 2021.

Remuneration of Key Management Personnel

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

	30 Jun 2022 $	30 Jun 2021 $
Short term benefits	**1,773,949**	1,840,826
Post-employment benefits	**43,820**	47,405
Other benefits	**24,936**	24,000
Total	**1,842,705**	1,912,231

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

Notes to the Financial Statements

for the year ended 30 June 2022

13. Research and Services Fees

MAM provides investment research and administrative services to the Company in accordance with the Services Agreement between the Company and MAM. Research and services fees are $1,000,000 per quarter payable in arrears.

For the period ended 30 June 2022, research and services fees paid/payable (inclusive of GST) totalled $4,000,710 (June 2021: $4,000,366).

14. 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 2022 and the NTA per ordinary share reported to the ASX on 1 July 2022.

	30 Jun 2022 $	30 Jun 2022 $	30 Jun 2021 $	30 Jun 2021 $
	Pre-tax	**Post-tax**	**Pre-tax**	**Post-tax**
ASX Reported NTA per Ordinary Share[1]	**2.745**	**2.438**	3.280	2.804
NTA per Ordinary Share[2]	**2.744**	**2.438**	3.279	2.805

[1] The NTA per ordinary share reported to the ASX includes estimates for accrued expenses and tax liabilities.
[2] 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 ASX reported NTA per share and the NTA per share represents period end adjustments, rounding and updating of tax balances.

15. Contingent Assets, Contingent Liabilities and Commitments

At balance date, the Company has no material contingent assets, liabilities or commitments (June 2021: nil).

16. Segment Information

The Company's investments are managed on a single portfolio basis (refer Note 1.5), and are in one business segment being equity investment, and in one geographic segment being Australia. The Company continues to have foreign exposures as it invests in companies which operate internationally.

17. Subsequent Events

In the latest release to the ASX on 25 July 2022, the Company reported NTA per share as at 22 July 2022 as follows:

	22 Jul 2022 $[1]	30 Jun 2022 $[2]
Pre-tax NTA per ordinary share	**2.931**	**2.744**
Net tax liabilities per ordinary share	**0.362**	**0.306**
Post-tax NTA per ordinary share	**2.569**	**2.438**

[1] The NTA per ordinary share reported to the ASX is approximate and not audited by EY.
[2] NTA audited by EY (refer Note 14).

The above NTAs per share have not been adjusted for the possible dilution from the exercise of Options on issue on these dates.

On 27 July 2022, the Directors declared a fully franked final dividend of 4.0 cents per ordinary share in respect of the period ended 30 June 2022 (refer Note 2).

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 periods.

Directors' Declaration

for the year ended 30 June 2022

In the Directors' opinion:

a. the Financial Statements and Notes set out on pages 21 to 40 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 2022 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and

   ii. complying with Australian Accounting Standards, International Financial Reporting Standards as disclosed in Note 1.1, 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 period ended 30 June 2022.

Signed in accordance with a resolution of the Directors.

Annabelle Chaplain AM
Chairman

Chris Mackay
Managing Director and
Portfolio Manager

Sydney
27 July 2022

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2022, the Statement of Profit or Loss and 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 the Company is in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
2. 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 (including Independence Standards)* (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 judgement, 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

The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2022, the value of these listed equities was 98.3% of the total assets of the Company.

As detailed in the Company's accounting policy, described in Note 6 of the Financial Report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

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.

How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the recognition and valuation of investments.

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 2022 and considered the auditor's qualifications and objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations as at 30 June 2022.

We assessed the fair value of all investments in the portfolio held at 30 June 2022 to independently sourced market prices.

We assessed the adequacy of the disclosures in Note 6 and 11 of the financial report in accordance with the requirements of Australian Accounting Standards.

Information other than the Financial Report and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the Financial Report and our Auditor's Report thereon.

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

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

Building a better working world

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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, actions taken to eliminate threats or safeguards applied.

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 period 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 10 to 13 of the Directors' Report for the period ended 30 June 2022.

In our opinion, the Remuneration Report of MFF Capital Investments Limited for the period ended 30 June 2022, 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

Ernst & Young

Clare Sporle
Partner

Sydney, 27 July 2022

Share and Option Holder Information

for the year ended 30 June 2022

Shareholder Information

Distribution of Shareholders

The distribution of ordinary shareholders of the Company as at 25 July 2022 is as follows:

	Holders	Number of Ordinary Shares	%
1-1,000	2,211	977,989	0.17
1,001-5,000	3,414	9,558,233	1.64
5,001-10,000	2,756	20,565,850	3.52
10,001-100,000	7,035	209,978,152	35.93
100,001 and over	655	343,278,865	58.74
Total	**16,071**	**584,359,089**	**100.0**
Number of holders with less than a marketable parcel	558	52,797	-

Twenty Largest Shareholders

The names of the 20 largest ordinary shareholders of the Company as at 25 July 2022 are as follows:

	Number of Ordinary Shares	%
Magellan Equities Pty Limited	53,967,547	9.24
HSBC Custody Nominees (Australia) Limited	43,805,740	7.50
Christopher John Mackay	28,456,981	4.87
Naumov Pty Ltd	18,869,807	3.23
Netwealth Investments Limited Wrap Services	10,307,374	1.77
Mutual Trust Pty Ltd	5,161,222	0.88
Citicorp Nominees Pty Limited	4,987,668	0.85
Jetan Pty Ltd	3,506,581	0.60
Nota Bene Investments Pty Ltd	3,124,623	0.53
Netwealth Investments Limited Super Services	2,618,706	0.45
J P Morgan Nominees Australia Pty Limited	2,589,258	0.44
Midas Touch Investments P/L	2,579,813	0.44
Chriswall Holdings Pty Limited No 4	2,300,000	0.39
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	2,076,220	0.36
Navigator Australia Ltd	1,929,572	0.33
Glenn Bates Consulting Pty Ltd	1,774,820	0.30
Marshstoke Pty Ltd	1,618,016	0.28
Magellan Equities Pty Limited (Super Account)	1,602,756	0.28
Dirdot Pty Limited	1,527,940	0.26
Invia Custodian Pty Limited	1,480,203	0.25
Total Ordinary Shares held by the 20 Largest Shareholders	**194,284,847**	**33.25**
Total Ordinary Shares on Issue	**584,359,089**	**-**

Substantial Shareholders

The shareholders appearing on the Company's Register of Substantial Shareholders as at 25 July 2022 are as follows:

	Number of Ordinary Shares
Christopher Mackay and Associates	103,220,860[1]

[1] As disclosed in the latest Appendix 3Y dated 1 July 2022.

Share and Option Holder Information

for the year ended 30 June 2022

Ordinary Share Capital

All issued ordinary shares carry one vote per share and carry the right to dividends. MFF did not undertake an on-market buyback during the financial year.

Option Holder Information

Distribution of Option Holders

The distribution of MFFOA holders of the Company as at 25 July 2022 is as follows:

	Holders	Number of Options	%
1-1,000	4,048	1,444,215	1.76
1,001-5,000	4,692	11,943,337	14.58
5,001-10,000	1,420	10,073,323	12.30
10,001-100,000	1,175	28,824,428	35.18
100,001 and over	89	29,641,240	36.18
Total	**11,424**	**81,926,543**	**100.0**

Twenty Largest Option Holders

The names of the 20 largest MFFOA holders of the Company as at 25 July 2022 are as follows:

	Number of Options	%
HSBC Custody Nominees (Australia) Limited	3,441,788	4.20
Netwealth Investments Limited Wrap Services	1,012,663	1.24
J P Morgan Nominees Australia Pty Limited	991,503	1.21
Mr Michael Louis Poli	980,046	1.20
National Nominees Limited	886,437	1.08
Dr Stephen John Ahern	801,155	0.98
Tulloch Equities Pty Ltd	796,885	0.97
Mrs Kylie Denton	780,000	0.95
Mr David Denton & Mrs Kylie Denton	720,000	0.88
Mutual Trust Pty Ltd	703,442	0.86
Investment Management Co Pty Ltd	650,000	0.79
Jetan Pty Ltd	628,711	0.77
Nota Bene Investments Pty Ltd	624,925	0.76
Perpetual Corporate Trust Ltd	612,500	0.75
Citicorp Nominees Pty Limited	599,541	0.73
Naze Nominees Pty Ltd	500,000	0.61
Chriswall Holdings Pty Limited	460,000	0.56
Australian Executor Trustees Limited	429,558	0.52
Liangrove Media Pty Limited	400,000	0.49
Invia Custodian Pty Limited	394,400	0.48
Total Options held by the 20 Largest Option Holders	**16,413,554**	**20.03**
Total Options on Issue	**81,926,543**	**-**

Corporate Information

for the year ended 30 June 2022

Directors

Annabelle Chaplain AM - Chairman
Robert Fraser
Chris Mackay - Managing Director and Portfolio Manager
Peter Montgomery AM

Company Secretary

Marcia Venegas

Registered Office

Level 36
25 Martin Place
Sydney NSW 2000
Telephone: +61 2 9235 4887
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: 1300 005 016 (Australia), +61 2 9290 9600 (International)
Fax: +1300 653 459
Email: magellan@boardroomlimited.com.au

Securities Exchange Listing

Australian Securities Exchange code (ordinary shares): MFF Australian Securities Exchange code (MFF 2022 Options): MFFOA

Website

www.mffcapital.com.au