

APPENDIX 4E PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

DETAILS OF REPORTING PERIOD**Current:** Year ended 30 September 2018**Previous:** For the period from 13 February 2017 to 30 September 2017**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	\$	MOVEMENT (UP/DOWN)	MOVEMENT (%)
Revenue from ordinary activities	7,574,003	up	410%
Profit from ordinary activities before tax attributable to members	5,287,257	up	1107%
Profit from ordinary activities after tax attributable to members	3,812,225	up	1233%

DIVIDEND INFORMATION

	CENTS PER SHARE	FRANKED AMOUNT PER SHARE	TAX RATE FOR FRANKING
2018 Interim dividend (cents per share)	1.0	1.0	30%
2018 Final dividend (cents per share)	1.0	1.0	30%

FINAL DIVIDEND DATES

Ex-dividend date	3 December 2018
Record date	4 December 2018
Last election date for the DRP	7 December 2018
Announcement of DRP issue price	10 December 2018
Payment date	12 December 2018
Date for issue of shares under DRP	12 December 2018

No dividends were paid during the period ended 30 September 2017.

NET TANGIBLE ASSETS

	30 SEPTEMBER 2018	30 SEPTEMBER 2017
Net Tangible Assets (per share) before tax	1.1746	1.0728
Net Tangible Assets (per share) after tax	1.1543	1.0805

DIVIDEND REINVESTMENT PLAN (DRP)

The Dividend Reinvestment Plan (DRP) is in operation and the recommended fully franked final dividend of 1.0 cent per share qualifies. Participating shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the issue price. The relevant issue price will be the volume weighted average price (VWAP) of shares sold on the ASX (on an ex-dividend basis) five days from the ex-dividend date inclusive of the ex-dividend date.

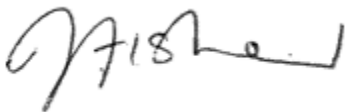
AUDIT

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

ANNUAL GENERAL MEETING (AGM)

The AGM is to be held on 22 November 2018.

Signed on behalf of Morpic Ethical Equities Fund Limited

**JOANNA FISHER**

Chairman

Sydney
31 October 2018



Annual Report

MORPHIC ETHICAL EQUITIES FUND

Year ended
30 September 2018

MORPHIC ETHICAL EQUITIES FUND LIMITED

ABN 52 617 345 123

ANNUAL REPORT

For the period from 1 October 2017 to 30 September 2018

Morphic Ethical Equities Fund Limited
Level 3
139 Macquarie Street
Sydney NSW 2000
P: (02) 9194 6707
www.morphicasset.com



CONTENTS	PAGE
CHAIRMAN'S LETTER TO SHAREHOLDERS	3
INVESTMENT MANAGER'S REPORT	5
DIRECTORS' REPORT	9
AUDITOR'S INDEPENDENCE DECLARATION	22
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	23
STATEMENT OF FINANCIAL POSITION	24
STATEMENT OF CHANGES IN EQUITY	25
NOTES TO THE FINANCIAL STATEMENTS	27
DIRECTORS' DECLARATION	54
INDEPENDENT AUDIT REPORT TO THE MEMBERS	55
SHAREHOLDER INFORMATION	59
CORPORATE DIRECTORY	63

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

I am pleased to share the Company's second annual results, which is for our first full year since our Australian Securities Exchange listing on May 2nd, 2017, and covers the period from October 1st, 2017 to our financial year end of September 30th, 2018.

I again thank all shareholders for their support of the Company and welcome shareholders who have joined us over the last year. We are pleased at how many members join us in our semi-annual presentations around mainland Australia – and look forward to seeing old and new faces at our Annual General Meeting (AGM) in Sydney next month and the other meetings we will be holding in the ten days around this, in Canberra, Melbourne, Adelaide, Perth and Brisbane.

We are pleased to say that the unique proposition underlying the Company has resulted in the Fund being shortlisted by AsiaHedge magazine as best new fund of the year.

In the Prospectus for our listing in mid-2017, we foreshadowed our intention to commence paying dividends, subject to availability of distributable profits, after the end of our first full year of operation. It gave us great pleasure therefore to bring forward the payment of our maiden fully franked dividend by six months – and we are pleased to say that we will be paying a similar fully franked final dividend of 1 cent per share for financial year 2018. This will bring the total dividend for the year to 2 cents per share. The record date for the final dividend will be 4 December 2018 and payment date will be 12 December 2018. Please note that option-holders who exercise their options prior to the record date will also be eligible for this dividend.

Our long-term ability to pay dividends will always be dependent on having distributable profits, but our intention is to slowly raise the dividend per share over time, while retaining some profits to make payments in future years. At this stage we have sufficient profits in our reserves to maintain the current level of semi-annual dividends for at least another two years.

The Company continues to advocate for a better financial system – where financial outcomes are achieved while being cognisant of their impact on the world around us. We provide shareholders with the opportunity to benefit from an actively managed portfolio of global securities that have been screened to exclude companies involved in environmentally damaging activities including coal and uranium mining, oil and gas, animal cruelty, tobacco, armaments, alcohol and gambling.

Investors globally are moving capital into socially responsible investments. Sustainable, responsible and impact investing has continued to grow, with investor concerns and actions on climate change providing one of the important drivers on this growth.

The Responsible Investment Association of Australasia (RIAA) in its latest benchmark report estimates the total value of funds incorporating Environmental, Social and Governance (ESG) and/or ethical factors into their investment process was \$866 billion in 2017, up 39% from 2016. This represents around 55.5% of total assets professionally managed in Australia valued at \$1.56 trillion.

The ESG phenomenon has blossomed in spite of an absence of detailed, globally agreed definitions on what constitutes ESG standards. Much thought went into designing the Company's screening rules to ensure that the Fund's shareholders could be confident their investments are managed to maximise returns whilst doing this in an ethical manner.

The Company remains certified by the Responsible Investment Association Australasia (RIAA) and the Manager remains a signatory to the Principles for Responsible Investment (formerly UNPRI). This ensures all shareholders know that the Fund complies with the highest standards of sustainable investing.

COMPANY PERFORMANCE

During the year to September 30th, 2018, the Company achieved a pre-tax operating profit of \$ 5,287,257 and a post-tax operating profit of \$ 3,812,225. We consider it is also useful to consider performance for a listed investment Company from the following perspectives:

1. INVESTMENT PERFORMANCE

The Company's investment portfolio performance shows how the Manager has performed before deducting management fees and taxes, as compared to the Company's investment benchmark, the MSCI All Countries Total Return Daily Index.

In its first full year of performance, the portfolio achieved pre-fee returns of 12.51% compared to the benchmark which rose 19.67% in gross terms.

2. NTA PERFORMANCE

From a shareholder perspective, it is also useful to consider movements in the Company's NTA per share, which adjusts for the impact of management fees of 1.25% and other Company related and capital raising expenses and the options exercised.

At September 30th, 2018, MEC's pre-tax NTA was \$1.1746 and its post-tax NTA was \$ 1.1543 per share. Please note that these NTA figures are after deducting one cent per share from the NTA paid as dividends on 22 August 2018.

For reference, at September 30th, 2017 MEC's pre-tax NTA was \$1.0728 and its post-tax NTA was \$1.0805 per share. This compares to the pre-tax NTA of \$1.0623 and post-tax NTA of \$1.0736 at listing.

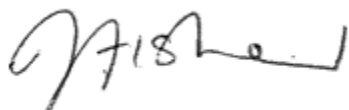
As at September 30th, 2018 MEC's shares closed at \$1.03. Despite the hefty increase in the NTA per share over the year, and the payment of a fully franked maiden dividend six months ahead of schedule, we are disappointed to note the decline in the value of the Company's shares from the \$1.06 level at which they closed a year earlier.

ANNUAL GENERAL MEETING

The second Annual General Meeting will be held at 11.00am on 22 November 2018 at The ISC Room, Level 4, Automobile Club of Australia, 89 Macquarie Street in Sydney CBD. The Directors encourage you to attend the meeting.

At the meeting, key personnel of the Manager Morphic Asset Management will be in attendance to discuss investment activity since the Company's listing, and their views for the year ahead. For more on these issues, I encourage you to visit the Company's website (www.morphicasset.com) where you can download the Manager's Monthly Performance Reports for the Company, as well as its regular Half Yearly Manager's Reports, including the [report for the half-year to 30 June 2018](#). The next half yearly report, for the period to 31 December 2018, will be published in January.

Regards,



JOANNA FISHER

Chairman

INVESTMENT MANAGER'S REPORT

We are pleased that the Fund ended its financial year with its NTA per share close to its all-time high at \$1.1746 (pre-tax).

Performance since inception is as follows:

PERFORMANCE SINCE INCEPTION (PA) GROSS	2017/18 YEAR		RETURNS SINCE INCEPTION (P.A.)	
	Gross	Net	Gross	Net
Morphic Ethical Equities Fund	12.51%	11.72%	10.35%	9.40%
MSCI All Countries Total Return Daily Index	19.67%	19.04%	16.10%	15.47%

Gross return is before investment management fees, company admin costs and all taxes

Net return is net of investment management fees, before company admin costs and all taxes

Morphic Asset Management, the Manager of the Morpheic Ethical Equities Fund (the Fund), publishes detailed reports on the performance of the Fund every six months in July and January. The latest of these was sent to shareholders in July 2018, and contained commentary on actions taken by the Manager since January 1st 2018 and our views on the investment outlook for the six months ahead. A copy of this report can be downloaded at www.morphicasset.com. The next detailed report will be published in January 2019.

Looking at the Fund's calendar year performance, while absolute returns to our investors were adequate over the whole period, in terms of relative performance against our benchmark, it was very much a story of two halves, with all the good work in the period to March 30th unwound by a disappointing second stanza.

The top five performers and detractors for the full twelve months were:

TOP 5 CONTRIBUTORS (2017/18 FINANCIAL YEAR)

1 Service Corp International	54.2
2 <i>Tokyo Century Corp</i>	<i>45.8</i>
3 <i>Panalpina Welttransport</i>	<i>41.7</i>
4 <i>Iida Group Holdings</i>	<i>37.5</i>
5 Axos Financial (Formerly Bank Of Internet)	31.7

TOP 5 DETRACTORS (2017/18 FINANCIAL YEAR)

1 Indian Bank	-74.3
2 Ateam	-44.4
3 <i>Prada</i>	<i>-38.2</i>
4 Mitsubishi UFJ Lease & Finance	-34.8
5 Haseko	-33.1

Please note that the stocks in *gold italics* were short positions.

At year end, we still held Service Corp International, Axos Financial and Haseko, and still have a short position in Iida. We have exited the overall profitable pairs between Japanese leasing companies Tokyo Century Corp and Mitsubishi UFJ Lease & Finance and the profitable short position in Panalpina Welttransport. We have stopped ourselves out of the losing positions in Prada, Ateam and Indian Bank.

At year end our top ten active positions were:

	STOCKS (<i>SHORTS</i>)	THEME	REGION	POSITION WEIGHTING (%)
1	Alstom	Global Rail	Europe	3.3%
2	China Everbright International	Environmental & Facilities	Asia Pacific	3.2%
3	Service Corp International	US Deathcare	North America	3.2%
4	Open House	Japanese Homebuilders	Asia Pacific	3.0%
5	China Water Affairs	Chinese Water Utilities	Asia Pacific	2.7%
6	Bank Leumi	Israeli Quality Banks	Middle East	2.3%
7	<i>Iida Group Holdings</i>	<i>Japanese Homebuilders</i>	<i>Asia Pacific</i>	<i>(2.0%)</i>
8	Haseko	Japanese Homebuilders	Asia Pacific	1.7%
9	Rural Electrification	Indian Infrastructure	Central Asia	1.7%
10	Power Grid	Indian Infrastructure	Central Asia	1.4%

We are pleased to note that in our top ten stocks alone, more than 12% of the Fund is deployed towards our objective of investing at least 5% of the Fund in companies that are working to make the world a better place.

This includes Alstom, which is one of the world's three largest companies building railways and trams with a view to reducing carbon pollution and improve the lives of commuters, including our long promised light rail in Sydney, where we note it is solely responsible for building (on time!) rolling stock and signaling, as well as China Everbright and China Water about which we have written over the year. In India Rural Electrification is the government's partner in rolling out electricity to the thousands of villages that are still off-grid, and is also a major lender to renewable energy generation which is taking up more and more of its funding book; and Power Grid which is responsible for building the so-called "green energy corridor" which will transmit wind and solar power in remote areas to the country's energy hungry cities.

As a signatory to the Principles of Responsible Investment we incorporate Environmental, Social and Governance (ESG) issues into our investment analysis and decision-making processes, and where possible we are an engaged owner with the boards and managements of companies whose shares we own. We also encourage other investment managers to do the same.

All our positions are subject to an ESG audit, looking at the material risks and opportunities the stock we hold expose us to from the way they conduct themselves in terms of Environmental, Social and Governance issues. During the course of the year we encountered what we felt to be substantial opportunities to improve returns for all shareholders (including the Fund) from an improved governance regime at Haseko. When the company did not respond in substance to our proposals, we went public with our requests to the company, and received substantial press coverage around the world, including Australia and Haseko's home in Japan.

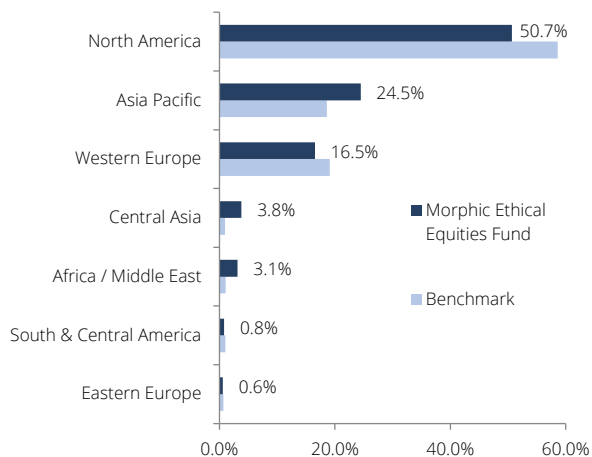
From a portfolio perspective the Fund's biggest challenges were asset allocation, and investment style. Underperformance was largely due to the following overweights and themes in our portfolio:

- Lower priced 'value' stocks underperformed what seemed to us to be overly highly priced growth;
- Middle sized companies underperformed mega-caps;
- Asia, including both Japan and Emerging Market countries like India and China, underperformed the US;
- A zero weight, and even from time to time a short position, in the energy sector.

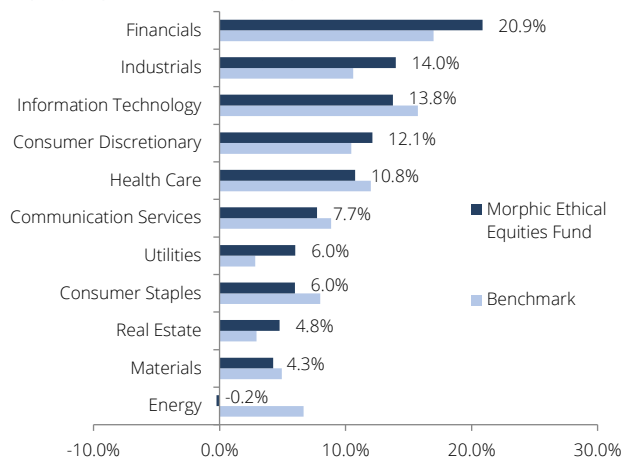
While superior stock picking in the first half of the year more than offset these macro-factors, in the second half of the year stock-picking was less successful and the Fund suffered from the effects of a surging US dollar and the increasing outperformance of the so-called FAANG stocks (Facebook, Amazon, Apple, Netflix and Google) proved too much of a headwind.

Our portfolio positioning at year end was as follows:

Equity Exposure Summary By region



Equity Exposure Summary By sector



Given the pressures building up against China from rising US tariffs and other pushback against its geopolitical objectives. We have trimmed back our exposure to the country and are maintaining our focus on non-controversial, domestic businesses, with long term drivers based around improving air and water quality, which we expect to enjoy growing government support.

We have also further trimmed our exposure to South Asia where macro-economic pressures are building, partly exacerbated by the rising oil price. We are completely out of Pakistan and have only a small position left in India.

Despite the turmoil in global stock markets in recent weeks, we remain almost fully invested. Traditionally markets are strong in the three months during and after US mid-term elections, which are due in November. Rising interest rates and residual pockets of over-valuation in the US remain a source of anxiety, but by the same token, the steepening of the yield curve should also be seen as reducing the risk of a US recession over at least the next 18 months.

Reflecting the jittery conditions we are even more than usually focussed on the liquidity of the portfolio to ensure we can react quickly if we form the view that this really is the beginning of a major bear market. At this stage we expect to be filling the portfolio with more short positions and hedges as the Fund's 2018/2019 financial year unfolds.

JACK LOWENSTEIN

Joint Chief Investment Officer

CHAD SLATER

Joint Chief Investment Officer

PORTFOLIO COMPOSITION

INVESTMENT PORTFOLIO AT 30 SEPTEMBER 2018

EQUITIES (<i>SHORTS</i>)	FAIR VALUE (\$)
Alstom	1,763,653
China Everbright International Ltd	1,734,492
Service Corp International	1,699,582
Open House Co Ltd	1,628,532
China Water Affairs Group Ltd	1,443,670
Bank Leumi	1,208,576
Haseko Corp	922,498
Rural Electrification Corporation	895,769
Power Grid Corporation of India Ltd	720,835
Axos Financial	651,630
Magellan Financial Group	491,913
Man Group PLC	262,146
IndusInd Bank	148,580
<i>Platinum Asset Management Co</i>	<i>-191,046</i>
<i>Jupiter Asset Management PLC</i>	<i>-260,759</i>
<i>Qantas</i>	<i>-372,119</i>
<i>Daito Trust Construction</i>	<i>-551,278</i>
<i>IIDA Group Holdings</i>	<i>-1,054,955</i>
	11,141,719
ETFs (<i>SHORTS</i>)	
Vanguard FTSE Developed ETF	14,331,696
iShares Core S&P500 ETF	13,957,826
SPDR S&P 500 ETF Trust	6,448,435
iShares MSCI ACWI ETF	5,052,615
Vanguard FTSE Emerging Markets ETF	4,300,878
SPDR S&P/ASX200 Fund	389,841
<i>iShares MSCI India ETF</i>	<i>-157,290</i>
<i>Energy Select Sector ETF</i>	<i>-282,631</i>
<i>MS MOWRLD Index</i>	<i>-4,781,976</i>
	39,259,394
Equity Swaps, FX, Futures and Options	2,753,610
Total Portfolio	53,154,723

DIRECTORS' REPORT

The Directors present their Report together with the Financial Report of Morphic Ethical Equities Fund Limited ("Company") for the year ended 30 September 2018 (the "Period").

INFORMATION ON DIRECTORS

The following persons were directors of the Company from registration date and up to the date of this report (unless otherwise indicated):

JOANNA FISHER | INDEPENDENT CHAIRMAN

EXPERIENCE AND EXPERTISE

JoAnna has a long-standing and international career in the financial sector in investment management, wholesale banking and capital markets. Her more than 20 years of experience encompasses business performance improvement, governance, compliance and risk management.

JoAnna spent 12 years at Bankers Trust Corporation in the USA, Japan, the UK and Australia, managing funds and developing the institutional funds management businesses. She is also a former General Manager - Strategy and Marketing for the Commonwealth Bank. JoAnna is a graduate of the Australian Institute of Company Directors and holds a Bachelor of Arts (Asian Studies) and a Bachelor of Economics from The Australian National University.

JoAnna is currently a Non-Executive Director of Mainstream Group Holdings LTD (MAI) and is a Member of the Investment Committee at the Australian Catholic Superannuation and Retirement Fund and a Member of the Finance Audit and Risk Committee of the Australian Chamber Orchestra.

OTHER CURRENT DIRECTORSHIPS

Other than acting as Non-Executive Director of Mainstream Group Holdings, JoAnna is not currently serving a directorship for any other listed companies.

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

Quantum Funds Management.

SPECIAL RESPONSIBILITIES

Chairman of the Board and member of the Audit & Risk Committee.

INTERESTS IN SHARES AND OPTIONS

Details of JoAnna's interests in shares of the Company are included later in this report.

INTEREST IN CONTRACTS

JoAnna has no interests in contracts of the Company.

JACK LOWENSTEIN | NON-INDEPENDENT DIRECTOR**EXPERIENCE AND EXPERTISE**

Jack had careers in corporate finance and as an international financial journalist and has been involved in the research and investment of global equities and other Securities for more than 30 years. Jack has a BA and a MA from Oxford University and in 2009 he completed the three-year part-time Owner/President Management Course at Harvard Business School.

He was the Deputy Chief Investment Officer at Hunter Hall, responsible for risk management and portfolio construction. He joined Hunter Hall when it had just \$13m under management in 1997 and played a key role in building it to a peak of just under \$3 billion in FUM. In his ten years as a Portfolio Manager with Hunter Hall he generated substantial out-performance.

OTHER CURRENT DIRECTORSHIPS

Jack is the Joint CIO and Managing Director of Morpic Asset Management (Morphic), the Investment Manager of the Company.

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

Nil.

SPECIAL RESPONSIBILITIES

Nil.

INTERESTS IN SHARES AND OPTIONS

Details of Jack's interests in shares of the Company are included later in this report.

INTEREST IN CONTRACTS

Jack is the Joint CIO and Managing Director of the Investment Manager and holds (together with his investment entities) 30% of the ordinary capital of the Investment Manager.

Jack has no other interests in contracts of the Company.

MARK FORSTMANN | INDEPENDENT DIRECTOR**EXPERIENCE AND EXPERTISE**

Mark has 27 years' experience in investment markets including equities, currencies and fixed interest. His career spans investment markets and film and television production. He holds a B.Sc. from Sydney University, a Graduate Diploma from AFTRS, and has studied B.A. Communications at University of Technology.

From 2015 to 2018, Mark worked as a portfolio manager in equities and alternative assets at Future Super Group, a fossil fuel free superannuation fund. He was also a director at Hunter Hall International from 2000 to 2016. Mark served on the Board of the Nature Conservation Trust of NSW between December 2009 and May 2015. Mark worked at BankAmerica in Sydney, and Banque Indosuez in both Sydney and Paris.

Mark has recently joined Nexus Initiative, an impact fund manager and originator of community assets.

OTHER CURRENT DIRECTORSHIPS

None.

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

Hunter Hall International Limited.

SPECIAL RESPONSIBILITIES

Mark is a member of the Audit & Risk Committee.

INTERESTS IN SHARES AND OPTIONS

Details of Mark's interests in shares of the Company are included later in this report.

INTEREST IN CONTRACTS

Mark has no interests in contracts of the Company.

VIRGINIA MALLEY | INDEPENDENT DIRECTOR**EXPERIENCE AND EXPERTISE**

Virginia has worked in the financial services sector for 30 years. Virginia is a Fellow of the Australian Institute of Company Directors and completed the Company Director Course in 2007. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Juris Doctor from the University of Technology Sydney, and a Graduate Diploma of Environmental Law and a Master of Law from the University of Sydney. In November 2016, she was recognised with a Faculty Award for excellence and ongoing contribution to the gold standard in governance education by the Australian Institute of Company Directors.

In 1987, she joined Macquarie Bank as a credit analyst and became Chief Risk Officer of the Funds Management Group in 2003. During this period, she developed and implemented risk management frameworks for the domestic and Asian joint venture funds management businesses. Following her executive career at Macquarie, Virginia served as a non-executive director on a number of subsidiary boards including Macquarie Investment Management Limited until 2012.

OTHER CURRENT DIRECTORSHIPS

Virginia is currently a director of Perpetual Superannuation Limited and Perpetual Equity Investment Company Limited and is a member of the Clean Energy Regulator and the Deputy Chair of the Biodiversity Conservation Trust of NSW.

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

1 Page Limited.

SPECIAL RESPONSIBILITIES

Chairman of the Audit & Risk Committee.

INTERESTS IN SHARES AND OPTIONS

Details of Virginia's interests in shares of the Company are included later in this report.

INTEREST IN CONTRACTS

Virginia has no interests in contracts of the Company.

CHAD SLATER | ALTERNATE DIRECTOR**EXPERIENCE AND EXPERTISE**

Chad is an Executive Director and Joint Chief Investment Officer of Morpic which he co-founded in 2012.

Chad was previously a Portfolio Manager and Head of Currency and Macroeconomics at Hunter Hall for five years. Prior to this, he was an Investment analyst at BT Financial Group including a secondment to Putnam Investments in Boston. He began his career as an Economist at Australian Federal Treasury.

- Chad holds a B.Comm and a B.Econ (Hons) from the University of Queensland and has completed the Chartered Financial Analyst (CFA) program and been awarded the CFA Charter.
- Other Current Directorships
- Chad is Joint CIO and Executive Director of Morpic.

FORMER DIRECTORSHIPS IN THE LAST 3 YEARS

Nil.

SPECIAL RESPONSIBILITIES

Nil.

INTERESTS IN SHARES AND OPTIONS

Details of Chad's interests in shares of the Company are included later in this report.

INTEREST IN CONTRACTS

Chad is the Joint CIO and Executive Director of the Investment Manager and holds (together with his investment entities) 15% of the ordinary capital of the Investment Manager.

Chad has no other interests in contracts of the Company.

COMPANY SECRETARIES

The following persons held the position of Company Secretary at the end of the Period:

JOSEPHINE JANG

Josephine is a chartered accountant with 14 years' experience in the fund management industry in Australia. She joined Optimal Fund Management as its Chief Financial Officer and Company Secretary in 2014 and continues to hold this position. She was also the Company Secretary of Morpic Asset Management Pty Limited from November 2013 to December 2017. Prior to joining Optimal, Josephine worked for KPMG in its Melbourne and London offices in the Financial Services Assurance Division.

JACK LOWENSTEIN

Jack Lowenstein is also a non-independent director. Please refer to page 10 in the Director's Report section for details of Jack's experience and qualifications.

ATTENDANCE AT MEETINGS

BOARD OF DIRECTORS MEETINGS

DIRECTORS	MEETINGS HELD AND ENTITLED TO ATTEND	MEETINGS ATTENDED
JoAnna Fisher	5	5
Jack Lowenstein	5	4
Mark Forstmann	5	5
Virginia Malley	5	5
Chad Slater*	1	1

* As alternative director to Jack Lowenstein, Chad attends meetings in Jack's absence.

AUDIT & RISK COMMITTEE MEETINGS

DIRECTORS	MEETINGS HELD AND ENTITLED TO ATTEND	MEETINGS ATTENDED
JoAnna Fisher	4	4
Mark Forstmann	4	4
Virginia Malley	4	4

PRINCIPAL ACTIVITY

The Company's principal activity is investing in global listed securities screened to exclude entities involved in environmentally damaging activities (including coal and uranium mining and oil and gas), intensive farming and aquaculture, tobacco, armaments, alcohol and gambling.

The Company's investment objectives are to: deliver investors an ethically screened portfolio; generate superior risk adjusted returns; and provide capital growth and consistent income. No change in this activity took place during the period or is likely to in the future.

REVIEW OF OPERATIONS

The Company's investments during the period resulted in operating profit of \$5,287,257 before tax and \$3,812,225 after tax. This reflects the strong performance of the investment portfolio over the Period as outlined below.

INVESTMENT RETURNS

	RETURNS OVER THE PERIOD 1 OCTOBER 2017 TO 30 SEPTEMBER 2018		RETURNS SINCE INCEPTION 3 MAY 2017 TO 30 SEPTEMBER 2018	
	Gross	Net	Gross	Net
Investment Portfolio	12.51%	11.72%	10.35%	9.40%
MSCI All Countries Total Return Daily Index	19.67%	19.04%	16.10%	15.47%

Gross return is before investment management fees, company admin costs and all taxes

Net return is net of investment management fees, before company admin costs and all taxes

From a shareholder perspective it is useful to consider movement in the Company's Net Tangible Asset Value (NTA) per share, which adjusts for impact of management fees and other company costs. The NTA changes over the Period and since inception are outlined below.

NTA PERFORMANCE	30 SEPTEMBER 2018	30 SEPTEMBER 2017	2 MAY 2018 (LISTING)	RETURN OVER PERIOD	RETURNS SINCE INCEPTION (PA)
Pre-tax NTA per share	1.1746	1.0728	1.0623	9.49%	10.57%
Post-tax NTA per share	1.1543	1.0805	1.0736	6.83%	7.52%

DIVIDENDS PAID OR RECOMMENDED

Since the end of the Period, the Directors declared a fully franked final dividend of 1.0 cents per share. This with the fully franked interim dividend of 1.0 cents per share paid to shareholders on 22 August 2018 brings the Company's maiden fully franked full year dividend to 2.0 cents per share. The final dividend is to be paid on 12 December 2018.

The Board is committed to paying fully franked dividends to shareholders and raising the dividend over time, provided the Company has distributable profits, franking credits and it is within prudent business practices.

NET ASSETS

As at 30 September 2018 the net assets of the Company were \$52,547,228. Please refer to the Statement of Financial Position for further details.

STATE OF AFFAIRS

During the Period there was no significant change in the state of affairs of the Company.

EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 13 March 2017. Please refer to the Chairman's and Investment Manager's reports for further guidance.

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium for an insurance policy insuring all directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

ENVIRONMENTAL REGULATIONS

The Company's operations are not subject to any significant environmental regulations.

ROUNDING OF AMOUNTS TO NEAREST DOLLAR

In accordance with ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

REMUNERATION REPORT

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 September 2018, under the requirements of Section 300A of the Corporations Act.

KEY MANAGEMENT PERSONNEL

The directors and other key management personnel of the Company during the whole of the financial year, and up to the date of this report are (unless otherwise indicated):

JOANNA FISHER

JACK LOWENSTEIN

MARK FORSTMANN

VIRGINIA MALLEY

CHAD SLATER

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act and the Company's Constitution.

The Company's board comprises of four directors of which three are Independent Directors and one is a Non-Independent Director. An alternate director represents the Non-Independent director from time to time. The Board from time to time determines remuneration of Directors within the maximum amount approved by the Company at general meetings.

The Directors Remuneration reflects the demands that are made on them and their responsibilities. The performance of Directors is reviewed by the board annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors.

The maximum total remuneration of the Directors has been set at \$140,000 per annum. The amount paid for Financial Year ended 30 September 2018 was \$140,000 (30 September 2017: \$58,013).

Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not directly linked to the Company's performance.

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current year.

YEAR ENDED 30 SEPTEMBER 2018		SHORT-TERM EMPLOYEE BENEFITS	POST- EMPLOYMENT BENEFITS	
DIRECTOR	POSITION	CASH SALARY (\$)	SUPERANNUATION (\$)	TOTAL (\$)
JoAnna Fisher	Independent Chairman	54,795	5,205	60,000
Jack Lowenstein	Non-Independent Director	-	-	-
Mark Forstmann	Independent Director	36,530	3,470	40,000
Virginia Malley	Independent Director	36,530	3,470	40,000
Chad Slater	Alternate Director	-	-	-
		127,855	12,145	140,000

PERIOD ENDED 30 SEPTEMBER 2017		SHORT-TERM EMPLOYEE BENEFITS	POST- EMPLOYMENT BENEFITS	
DIRECTOR	POSITION	CASH SALARY (\$)	SUPERANNUATION (\$)	TOTAL (\$)
JoAnna Fisher	Independent Chairman	22,706	2,157	24,863
Jack Lowenstein	Non-Independent Director	-	-	-
Mark Forstmann	Independent Director	15,137	1,438	16,575
Virginia Malley	Independent Director	9,430	7,145	16,575
		47,273	12,145	140,000

The Company has no employees other than the Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

DIRECTOR RELATED ENTITY REMUNERATION

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012. The Managing Director, Jack Lowenstein holds (together with his investment entities) 30% of the ordinary capital of the Manager.

The Executive Director of Morpnic Asset Management, Chad Slater holds (together with his investment entities) 15% of the ordinary capital of the Manager.

a) **Management fee**

The Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

b) **Performance fee**

The Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's

outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12-month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management and performance fees paid to the Manager during the year were as follows:

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Management fees paid and payable during the year	674,384	255,901
Management fees payable at year end	56,693	50,004

There were no performance fees earned or paid during the year.

EQUITY INSTRUMENT DISCLOSURES RELATING TO DIRECTORS

The relevant interests of the Directors and their related entities in the Securities of the Company were:

SHARES AS AT 30 SEPTEMBER 2018

DIRECTOR	OPENING BALANCE	ACQUISITIONS/ OPTIONS EXERCISED	DISPOSALS	NUMBER OF SHARES
JoAnna Fisher	100,000	920	-	100,920
Jack Lowenstein	524,001	29,702	(18,000)	535,703
Mark Forstmann	40,000	368	-	40,368
Virginia Malley	52,300	480	-	52,780
Chad Slater*	46,709	26,632	(18,000)	55,341
	763,010	58,102	(36,000)	785,112

* Chad's opening balances are as at his date of appointment, 28 February 2018.

SHARES AS AT 30 SEPTEMBER 2017

DIRECTOR	OPENING BALANCE	ACQUISITIONS/ OPTIONS EXERCISED	DISPOSALS	NUMBER OF SHARES
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	524,001	-	524,001
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	716,301	-	716,301

OPTIONS AS AT 30 SEPTEMBER 2018

DIRECTOR	OPENING BALANCE	ACQUISITIONS	DISPOSALS	NUMBER OF OPTIONS
JoAnna Fisher	100,000	-	-	100,000
Jack Lowenstein	724,000	100,000	(20,000)	804,000
Mark Forstmann	40,000	120,000	-	160,000
Virginia Malley	52,300	-	-	52,300
Chad Slater*	130,454	-	(20,000)	110,454
	1,046,754	220,000	(40,000)	1,226,754

* Chad's opening balances are as at his date of appointment, 28 February 2018.

OPTIONS AS AT 30 SEPTEMBER 2017

DIRECTOR	OPENING BALANCE	ACQUISITIONS	DISPOSALS	NUMBER OF OPTIONS
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	724,000	-	724,000
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	916,300	-	916,300

ISSUED SHARES AND OPTIONS

Investors received, for no additional consideration, one initial option for every one share subscribed for, exercisable at \$1.10 on or before 30 November 2018. The Company issued 43,000 shares by way of exercise of options during the financial year and since the end of the reporting period.

Shares in issue:	45,524,927
Options in issue:	43,382,026

--- END OF REMUNERATION REPORT ---

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

NON-AUDIT SERVICES

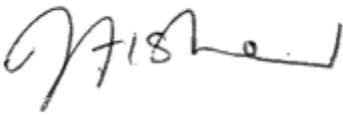
The Board of Directors, in accordance with Advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 13 did not compromise the external auditor's independence for the following reasons:

1. all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
2. 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 page 22.

Signed in accordance with a resolution of the directors.

**JOANNA FISHER**

Chairman
Morphic Ethical Equities Fund Limited

Sydney, 31 October 2018

AUDITOR'S INDEPENDENCE DECLARATION



**Auditor's Independence Declaration
To the Directors of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

In relation to the independent audit of Morphic Ethical Equities Fund Limited for the year ended 30 September 2018, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Morphic Ethical Equities Fund Limited.

S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

31 October 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTE	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2018 (\$)
Investment income			
Interest income		2,024	1,406
Dividend income		1,398,759	500,435
Net gains on financial instruments held at fair value through profit or loss		6,021,323	565,169
Net (losses)/gains on foreign exchange		149,235	418,505
Other income		2,662	820
Total investment income		7,574,003	1,486,335
Expenses			
Audit and tax		61,026	34,025
Administration and Middle office fees		190,970	57,137
Directors' fees	15	140,000	58,013
Dividends on borrowed stock		260,917	142,876
Interest expense (including on borrowed stock)		300,022	178,271
Management fees		674,384	255,901
Transaction costs		270,002	169,848
Withholding tax expense		173,765	66,196
Other operating expenses		215,660	85,929
Total expenses		2,286,746	1,048,196
Profit for the year before income tax expense		5,287,257	438,139
Income tax expense	4(a)	1,475,032	152,045
Profit for the year		3,812,225	286,094
Other comprehensive income		-	-
Total comprehensive income for the year		3,812,225	286,094
Basic earnings per share	5	8.38 cents	0.64 cents
Diluted earnings per share	5	8.38 cents	0.64 cents

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	NOTE	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
Assets			
Current assets			
Cash and cash equivalents	14(a)	10,299,591	7,909,720
Receivables	6	534,308	805,413
Prepayments		16,486	44,777
Investments	7	60,806,780	62,937,766
Total current assets		71,657,165	71,697,676
Non-current assets			
Deferred tax asset	4(c)	926,933	944,248
Total non-current assets		926,933	944,248
Total assets		72,584,098	72,641,924
Liabilities			
Current liabilities			
Borrowings	14(a)	10,392,308	11,470,028
Payables	10	141,310	129,009
Investments	7	7,652,057	11,334,656
Current tax liability	4(b)	590,361	-
Total current liabilities		18,776,036	22,933,693
Non-current liabilities			
Deferred tax liability	4(c)	1,260,834	593,491
Total non-current liabilities		1,260,834	593,491
Total liabilities		20,036,870	23,527,184
Net assets		52,547,228	49,114,740
Equity			
Issued capital	11(a)	48,903,901	48,828,646
Retained losses	12(a)	(827,095)	(422,299)
Profits reserve	12(b)	4,470,422	708,393
Total equity		52,547,228	49,114,740

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTE	ISSUED CAPITAL (\$)	RETAINED EARNINGS/ (LOSSES) (\$)	PROFITS RESERVED (\$)	TOTAL EQUITY (\$)
Balance on date of registration (13 February 2017)		1	-	-	1
Profit for the period			286,094		286,094
Total comprehensive income for the period		-	286,094	-	286,094
Other					
Transfer to profits reserve	12(a)(b)	-	(708,393)	708,393	-
		-	(708,393)	708,393	-
Transactions with owners in their capacity as owners					
Shares issued during the period	11(a)	48,884,689	-	-	48,884,689
Options exercised during the period	11(a)	1,117,160	-	-	1,117,160
Initial public offering costs, net of deferred tax impact	11(a)	(1,173,204)	-	-	(1,173,204)
		48,828,645	-	-	48,828,645
Balance at 30 September 2017		48,828,646	(422,299)	708,393	49,114,740
Profit for the year		-	3,812,225	-	3,812,225
Total comprehensive income for the year		-	3,812,225	-	3,812,225
Other					
Transfer to profits reserve	12(a)(b)	-	(4,217,021)	4,217,021	-
		-	(4,217,021)	4,217,021	-
Transactions with owners in their capacity as owners					
Shares issued during the year	11(a)	27,955	-	-	27,955
Options exercised during the year	11(a)	47,300	-	-	47,300
Dividends provided for or paid	12(b)	-	-	(454,992)	(454,992)
		75,255	-	(454,992)	(379,737)
Balance at 30 September 2018		48,903,901	(827,095)	4,470,422	52,547,228

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	NOTE	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Cash flows from operating activities			
Dividends received		1,265,939	423,225
Other income received		2,662	820
Interest paid		(290,486)	(184,377)
Dividends on borrowed stock		(260,164)	(142,876)
Management fees paid		(667,695)	(205,897)
Directors' fees paid		(133,165)	(58,013)
Withholding tax paid		(173,765)	(66,196)
Other operating expenses paid		(417,149)	(187,450)
Transaction costs paid		(270,002)	(169,848)
Income tax paid		(200,013)	-
Net cash outflow from operating activities	14(b)	(1,143,838)	(590,612)
Cash flows from investing activities			
Proceeds from sale of investments		52,662,183	10,674,845
Payments for purchase of investments		(47,528,261)	(62,053,627)
Net cash inflow/(outflow) from investing activities		5,133,922	(51,378,782)
Cash flows from financing activities			
Dividends paid net of dividend reinvestment		(427,037)	-
Proceeds from shares issued under initial public offering		-	48,884,690
Net proceeds from exercise of options		47,300	1,117,160
Issue costs paid		-	(1,676,006)
Net cash (outflow)/inflow from financing activities		(379,737)	48,325,844
Net increase/(decrease) in cash and cash equivalents		3,610,347	(3,643,550)
Effect of exchange rate fluctuations on cash		(142,756)	83,242
Cash and cash equivalents at beginning of the financial year		(3,560,308)	-
Cash and cash equivalents at end of the financial year	14(a)	(92,717)	(3,560,308)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morphic Ethical Equities Fund Limited ("the Company") is a publicly listed company, incorporated and domiciled in Australia. The Company was incorporated with the Australian Securities and Investments Commission ("ASIC") on 13 February 2017. The registered office and principal place of business of the Company is Level 3, 139 Macquarie Street, Sydney NSW 2000.

These general-purpose financial statements are for the year ended 30 September 2018, and were authorised for issue by the Directors on 30 October 2018.

The Company's principal objectives are to:

- deliver investors an ethically screened portfolio;
- deliver investors superior risk adjusted returns; and
- provide capital growth and consistent income.

The Manager achieves this through a long and short equity strategy focusing on global securities.

The Company primarily invests in global listed securities. It may also invest in cash, unlisted global securities, fixed interest instruments, commodities, credit instruments and currencies through assets, exchange traded funds or other derivatives, including futures, options, forwards and swaps.

The material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with the Australian Accounting Standards, issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standard.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement of fair value of selected assets and liabilities.

Values for the comparative period are for the period 13 February 2017 to 30 September 2017 with the company listing on the ASX on 2 May 2017, as a result the information may not be directly comparable.

The financial statements present reclassified comparative information where required for consistency with the current year's presentation.

b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

c) Investments

i. Recognition/derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

ii. **Classification and Measurement**

The Company's investments are classified as held at fair value through profit or loss. They comprise:

Financial instruments held at fair value through profit or loss (financial instruments held for trading)

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss.

Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rates swaps are included under this classification. The Company does not designate any derivatives as hedges against any specific assets or liabilities.

Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in listed equity securities. The fair value through profit or loss classification is available for the majority of financial assets held by the Company and the financial liabilities arising from the units must be fair valued.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed, and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy as outlined in the Prospectus. The Company's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

iii. **Fair Value**

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued.

If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

iv. **Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

d) Foreign currency translation**i. Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

ii. Transactions and balances

Transactions during the period denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains on investments.

e) Income tax

The charge for current income tax expense is based on the taxable income for the period. It is calculated using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred taxes are recognised in profit or loss except where they relate to items that may be recognised directly in equity, such as unrealised gains and losses on long-term equity, in which case they are adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as being part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

g) Income

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Dividend income is recognised in profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

Interest revenue is recognised as it accrues using the effective interest method, taking into account the effective yield on the financial asset.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. This may also include foreign exchange gains and losses when applicable.

h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

i) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

j) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

k) Payables

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Amounts payable for securities purchased are recorded when the purchase has occurred.

l) Derivative financial instruments

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

m) Amounts due/to from brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by period end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Earnings per share**i. Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would increase earnings per share or decrease the loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

p) Dividends

Provisions for dividends payable are recognised in the reporting period in which they are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

q) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(c) to these financial statements.

r) New and revised accounting requirements applicable to the current reporting period

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 October 2017 that have a material impact on the Company.

s) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2018 reporting period and have not been early adopted by the Company. The directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective for reporting period commencing after 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Company's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Company.

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's investments for impairment so there is no transfer of unrealised impairment losses from the asset revaluation reserve to the income statement.

- AASB 15 *Revenue from Contracts with Customers* (effective for reporting period commencing after 1 January 2018).

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends and distributions, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 September 2018, will result in any material change in relation to the financial statements of the Company.

t) Rounding of amounts to nearest dollar

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar, unless otherwise indicated.

2. FINANCIAL RISK MANAGEMENT

a) Objectives, strategies, policies and processes

The Company's Investment Strategy is to construct a portfolio of ethically screened global Securities and Derivatives, designed to provide superior risk adjusted returns to Shareholders. This return will comprise a combination of capital growth and income, thus allowing franked dividends to be paid to Shareholders when prudent, and provided the Company has sufficient profit reserves and franking credits available.

The Company will primarily invest in global listed Securities and Derivatives. The Company may also invest in unlisted Securities, fixed interest instruments, commodities, credit instruments and currencies, all of which may be invested through assets, Exchange Traded Funds or other Derivatives, including futures, options, forwards and swaps.

The portfolio excludes direct investments in entities involved in environmental destruction, including coal and uranium mining, oil and gas, intensive animal farming and aquaculture, tobacco and alcohol, armaments, gambling and rainforest and old growth logging. A minimum of 5% of the portfolio will be invested in the Securities of entities that the Manager believes are working to make a positive future for the world we live in.

The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 13 March 2017. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include credit risk, liquidity risk and market risk (including price risk, foreign currency risk and interest rate risk). The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets is therefore limited to the amount carried in the Statement of Financial Position.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in global listed securities with a number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker received payment.

Cash

The majority of the Company's cash balances are held with financial institutions that have a Standard and Poor's credit rating of BBB+. The majority of maturities are within three months. The weighted average interest rate of the Company's cash and cash equivalents at 30 September 2018 is (0.17%) (30 September 2017: (0.12%)).

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

AS AT 30 SEPTEMBER 2018	LESS THAN 1 MONTH (\$)	1-6 MONTHS (\$)	6-12 MONTHS (\$)	OVER 12 MONTHS (\$)	TOTAL
Borrowings	10,392,308	-	-	-	10,392,308
Payables	141,310	-	-	-	141,310
Financial liabilities held at fair value through profit or loss	2,609,321	-	-	-	2,609,321
Current tax liability	-	590,361	-	-	590,361
Contractual cash flows (excluding gross settled derivatives)	13,142,939	590,361	-	-	13,733,300
As at 30 September 2017					
Borrowings	11,470,028	-	-	-	11,470,028
Payables	129,009	-	-	-	129,009
Financial liabilities held at fair value through profit or loss	6,716,301	-	-	-	6,716,301
Contractual cash flows (excluding gross settled derivatives)	18,315,338	-	-	-	18,315,338

The table below analyses the Fund's derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	LESS THAN 1 MONTH (\$)	1-6 MONTHS (\$)	6-12 MONTHS (\$)	OVER 12 MONTHS (\$)	TOTAL (\$)
AS AT 30 SEPTEMBER 2018					
Foreign currency forward contracts	-	(2,275,000)	-	-	(2,275,000)
Futures	(7,839,619)	-	-	-	(7,839,619)
Total	(7,839,619)	(2,275,000)	-	-	(10,114,619)
AS AT 30 SEPTEMBER 2017					
Foreign currency forward contracts	12,441,540	-	-	-	12,441,540
Futures	(2,637,078)	-	-	-	(2,637,078)
Total	9,804,462	-	-	-	9,804,462

d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company is exposed to market risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and liabilities at fair value through profit or loss.

The Company employs qualitative and quantitative methods to manage the level of risk in the Company. The following investment guidelines are used as part of the risk management process:

- Maximum exposure limits to single security positions.
- Stop-loss guidelines which set maximum loss tolerance for each individual position.
- Internal limits for aggregate exposures to individual countries, industries and asset classes
- Value at Risk (VAR) calculations

VAR calculations are monitored daily by the Manager to ensure compliance with set limits. The Manager will also conduct stress and scenario analysis of price movements of the Portfolio to monitor the impact of such movements on the Portfolio valuation. Portfolio risk limits are monitored daily and any breaches are to be fixed as soon as possible by adjusting the interests in the Portfolio.

i. Interest rate risk

The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows, the risk is measured using sensitivity analysis on page 38.

The table below summarises the Company's exposure to interest rates risk. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity date.

AS AT 30 SEPTEMBER 2018	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE (%)	FLOATING INTEREST RATE (\$)	FIXED INTEREST RATE (\$)	NON INTEREST BEARING (\$)	TOTAL (\$)
Financial Assets					
Cash and cash equivalents	0.17%	10,299,591	-	-	10,299,591
Receivables		-	-	534,308	534,308
Prepayments		-	-	16,486	16,486
Financial assets designated at fair value through profit or loss		-	-	56,025,840	56,025,840
Financial assets held for trading		-	-	4,780,940	4,780,940
Total Financial Assets		10,299,591	-	61,357,574	71,657,165
Financial Liabilities					
Borrowings	3.51%	10,392,308	-	-	10,392,308
Payables		-	-	141,310	141,310
Financial liabilities designated at fair value through profit or loss		-	-	2,609,321	2,609,321
Financial liabilities held for trading		-	-	5,042,736	5,042,736
Total Financial Liabilities		10,392,308	-	7,793,367	18,185,675

AS AT 30 SEPTEMBER 2017	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE (%)	FLOATING INTEREST RATE (\$)	FIXED INTEREST RATE (\$)	NON INTEREST BEARING (\$)	TOTAL (\$)
Financial Assets					
Cash and cash equivalents	0.12%	7,909,720	-	-	7,909,720
Receivables		-	-	805,413	805,413
Prepayments		-	-	44,777	44,777
Financial assets designated at fair value through profit or loss		-	-	58,755,527	58,755,527
Financial assets held for trading		-	-	4,182,239	4,182,239
Total Financial Assets		7,909,720	-	63,787,956	71,697,676
Financial Liabilities					
Borrowings	1.02%	11,470,028	-	-	11,470,028
Payables		-	-	129,009	129,009
Financial liabilities designated at fair value through profit or loss		-	-	6,716,301	6,716,301
Financial liabilities held for trading		-	-	4,618,355	4,618,355
Total Financial Liabilities		11,470,028	-	11,463,665	22,933,693

ii. **Other Price Risk**

Other Price Risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Other price risk exposure arises from the Company's investment portfolio.

iii. **Foreign currency risk**

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

The Company uses forward foreign exchange contracts to reduce currency risk on specific investments within the portfolio.

The following table summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar as per next page.

AS AT 30 SEPTEMBER 2018	USD (\$)	JPY (\$)	EURO (\$)	DKK (\$)	OTHER CURRENCIES (\$)	TOTAL (\$)
Cash and cash equivalents	8,245,599	20,550	570,770	1,013	812,090	9,650,022
Receivables	178,678	304,633	-	-	28,457	511,768
Investments	50,938,680	2,551,030	1,763,653	-	4,386,738	59,640,101
Borrowings	(5,992,689)	(639,364)	(90,909)	-	(2,508,846)	(9,231,808)
Payables	-	(753)	-	-	-	(753)
Investments	(5,221,898)	(1,606,233)	-	-	-	(6,828,131)
	48,148,370	629,863	2,243,514	1,013	2,718,439	53,741,199
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	1,883,291	-	-	-	-	1,883,291
Net exposure	50,031,661	629,863	2,243,514	1,013	2,718,439	55,624,490

AS AT 30 SEPTEMBER 2017	USD (\$)	JPY (\$)	EURO (\$)	DKK (\$)	OTHER CURRENCIES (\$)	TOTAL (\$)
Cash and cash equivalents	2,090,193	456,788	203,252	-	290,003	3,040,236
Receivables	307,781	471,192	-	-	-	778,973
Investments	50,889,253	7,499,246	2,762,686	1,194,604	-	62,345,789
Borrowings	(5,031,345)	(1,011,152)	(17,736)	(330)	(149,746)	(6,210,309)
Payables	-	(28,048)	-	-	-	(28,048)
Investments	(5,961,801)	(3,211,644)	16,272	-	(1,602,112)	(10,759,285)
	42,294,081	4,176,382	2,964,474	1,194,274	(1,461,855)	49,167,356
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	887,459	424,573	(185,319)	-	(1,275,028)	(148,315)
Net exposure	43,181,540	4,600,955	2,779,155	1,194,274	(2,736,883)	49,019,041

iv. **Sensitivity analysis**

The following tables show the sensitivity of the Company's operating profit/(loss) to price risk, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	PRICE RISK		INTEREST RATE RISK		FOREIGN EXCHANGE RISK	
	Impact on operating profit/(loss)		Impact on operating profit/(loss)		Impact on operating profit/(loss)	
	-10%	+10%	-100 bps	+100 bps	-10%	+10%
30 September 2018	(5,315,472)	5,315,472	3,478	(3,478)	(5,562,449)	5,562,449
30 September 2017	(5,160,311)	5,160,311	1,075	(1,075)	(4,901,904)	4,901,904

3. FAIR VALUE MEASUREMENT

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

FAIR VALUE HIERARCHY

AASB 13: Fair value measurement requires disclosure of fair value measurements by level of the fair value hierarchy:

- Level 1 - measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability; and
- Level 3 - measurements based on unobservable inputs from the asset or liability.

i. **Recognised fair value measurements**

The following table presents the Company's assets measured and recognised at fair value as at 30 September 2018.

AS AT 30 SEPTEMBER 2018	LEVEL 1 (\$)	LEVEL 2 (\$)	LEVEL 3 (\$)	TOTAL (\$)
Financial assets Designated at fair value through profit or loss				
Listed equities	11,544,549	-	-	11,544,549
Listed unit trusts	44,481,291	-	-	44,481,291
Total financial assets designated at fair value through profit or loss	56,025,840	-	-	56,025,840
Held for trading				
Futures	21,102	-	-	21,102
Options	20,821	-	-	20,821
Forward currency contracts	-	8,291	-	8,291
Swap contracts	-	4,730,726	-	4,730,726
Total financial assets held for trading	41,923	4,739,017	-	4,780,940
Total financial assets	56,067,763	4,739,017	-	60,806,780
Financial liabilities				
Designated at fair value through profit or loss				
Listed equities	2,169,399	-	-	2,169,399
Listed unit trusts	439,922	-	-	439,922
Total financial liabilities designated at fair value through profit or loss	2,609,321	-	-	2,609,321
Held for trading				
Swap contracts	-	5,042,736	-	5,042,736
Total financial liabilities held for trading	-	5,042,736	-	5,042,736
Total financial liabilities	2,609,321	5,042,736	-	7,652,057

AS AT 30 SEPTEMBER 2017	LEVEL 1 (\$)	LEVEL 2 (\$)	LEVEL 3 (\$)	TOTAL (\$)
Financial assets Designated at fair value through profit or loss				
Listed equities	15,764,206	-	-	15,764,206
Listed unit trusts	42,991,321	-	-	42,991,321
Total financial assets designated at fair value through profit or loss	58,755,527	-	-	58,755,527
Held for trading				
Futures	30,544	-	-	30,544
Options	20,044	-	-	20,044
Forward currency contracts	-	13,684	-	13,684
Swap contracts	-	4,117,967	-	4,117,967
Total financial assets held for trading	50,588	4,131,651	-	4,182,239
Total financial assets	58,806,115	4,131,651	-	62,937,766
Financial liabilities				
Designated at fair value through profit or loss				
Listed equities	6,716,301	-	-	6,716,301
Total financial liabilities designated at fair value through profit or loss	6,716,301	-	-	6,716,301
Held for trading				
Futures	53,313	-	-	53,313
Options	7,246	-	-	7,246
Swap contracts	-	4,557,796	-	4,557,796
Total financial liabilities held for trading	60,559	4,557,796	-	4,618,355
Total financial liabilities	6,776,860	4,557,796	-	11,334,656

ii. **Transfer between levels**

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

iii. **Fair value of financial instruments not carried at fair value**

The carrying value of trade receivables and trade payables approximate their fair value because of the short-term nature of the instruments and low credit risk.

4. TAXATION

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
--	---	---

a) Numerical reconciliation of income tax (benefit)/expense

Prima facie tax payable on profit before income tax at 30%

Adjusted for tax effect of amounts which are not deductible (taxable) in calculating taxable income:

	1,586,177	131,442
- Imputation gross up on dividends received	1,271	-
- Franking credits on dividends received	(4,236)	254
- Withholding tax on dividends received	(121,635)	19,859
- Other differences	13,455	490
Income tax (benefit)/expense	1,475,032	152,045

Applicable weighted average effective tax rate

30.9%

34.7%

The income tax (benefit)/expense results in a:

- Current tax asset	-	-
- Current tax liability	790,374	-
- Deferred tax asset	17,315	(441,446)
- Deferred tax liability	667,343	593,491
Income tax (benefit)/expense	1,475,032	152,045

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
--	---	---

b) Movement in current tax liability

Opening balance	-	-
Income tax payment made	(200,013)	-
Charged/credited to profit or loss		
- To profit or loss	790,374	-
Closing balance	590,361	-

c) Net deferred tax assets/(liabilities)	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
Deferred tax liabilities		
Deferred income tax comprises the estimated tax payable at the current income tax rate of 30% on the following items:		
Tax on unrealised gains on investment portfolio	(1,194,355)	(558,278)
Accrued interest	-	(2,253)
Dividends receivable	(66,479)	(32,960)
Accruals	-	-
Net deferred tax liabilities	(1,260,834)	(593,491)
Movements		
Opening balance	(593,491)	-
Charged/credited to profit or loss		
- To profit or loss	(667,343)	(593,491)
- To equity	-	-
Closing balance	(1,260,834)	(593,491)
Deferred tax assets		
Deferred tax assets comprise the estimated tax deductible at the current income tax rate of 30% on the following items:		
Transaction costs on equity issue	502,802	502,802
Reduction in transaction costs on equity issue	(201,120)	(100,560)
Other	127,572	44,327
Tax losses for the year	497,679	497,679
Net deferred tax assets	926,933	944,248
Movements		
Opening balance	944,248	-
Charged/credited		
- to profit or loss	83,245	441,446
- to equity	(100,560)	502,802
Closing balance	926,933	944,248

5. EARNINGS PER SHARE

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2018 (\$)
Basic earnings per share	8.38 cents	0.64 cents
Diluted earnings per share	8.38 cents	0.64 cents
Profit used in calculating basic earnings per share	3,812,225	286,094
Profit used in calculating diluted earnings per share	3,812,225	286,094
Weighted average number of ordinary shares used in the calculation of basic earnings per share	45,480,574	45,005,248
Weighted average number of shares used in the calculation of diluted earnings per share	45,480,574	45,005,248

The weighted average number of shares used as a denominator in calculating basic and diluted earnings per share is based on the weighted average number of shares from 1 October 2017 to 30 September 2018.

6. RECEIVABLES

	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
Dividends receivable	210,030	77,210
Interest receivable	-	7,512
GST receivable	20,395	16,538
Due from brokers - receivable for securities sold	303,883	704,153
Total receivables	534,308	805,413

7. INVESTMENTS

	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
Financial assets		
Designated at fair value through profit or loss		
Listed equities	11,544,549	15,764,206
Listed unit trusts	44,481,291	42,991,321
Total financial assets designated at fair value through profit or loss	56,025,840	58,755,527
Held for trading		
Futures	21,102	30,544
Options	20,821	20,044
Forward currency exchange contracts	8,291	13,684
Swap contracts	4,730,726	4,117,967
Total financial assets held for trading	4,780,940	4,182,239
Total financial assets designated at fair value through profit or loss	60,806,780	62,937,766
Financial liabilities		
Designated at fair value through profit or loss		
Listed equities	2,169,399	6,716,301
Listed unit trusts	439,922	-
Total financial liabilities designated at fair value through profit or loss	2,609,321	6,716,301
Held for trading		
Futures	-	53,313
Options	-	7,246
Swap contracts	5,042,736	4,557,796
Total financial liabilities held for trading	5,042,736	4,618,355
Total financial liabilities held at fair value through profit or loss	7,652,057	11,334,656

8. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Company's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Company against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Company holds the following derivative instruments:

(a) Forward currency contracts

Forward currency contracts are primarily used by the Company to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Company agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing closing price at the end of each reporting period. The Company recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange.

(c) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Company are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

(d) Swaps

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The Company's derivative financial instruments at 30 September 2018 are detailed below.

AS AT 30 SEPTEMBER 2018	CONTRACTUAL / NOTIONAL VALUE	FAIR VALUES	
		Assets (\$)	(Liabilities) (\$)
Futures	(7,839,619)	21,102	-
Options	8,501,449	20,821	-
Forward currency contracts	2,275,000	8,291	-
Swap contracts	-	4,730,726	(5,042,736)
	2,936,830	4,780,940	(5,042,736)

AS AT 30 SEPTEMBER 2017

Futures	(2,637,078)	30,544	(53,313)
Options	3,635,833	20,044	(7,246)
Forward currency contracts	12,441,540	13,684	-
Swap contracts	-	4,117,967	(4,557,796)
	13,440,295	4,182,239	(4,618,355)

9. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	EFFECTS OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS NOT OFFSET	
	Gross amount of financial instrument (\$)	Gross amounts set off in the statement of financial position (\$)	Net amount of financial assets/(liabilities) presented in the statement of financial position (\$)	Amounts subject to master netting arrangement (\$)	Net amount (\$)
AS AT 30 SEPTEMBER 2018					
Financial assets					
Forward currency contracts	2,283,843	2,275,552	8,291	-	8,291
Futures	22,506	1,404	21,102	-	21,102
Swap contracts	4,929,978	2,226,582	2,703,396	-	2,703,396
Options	20,821	-	20,821	-	20,821
Total	7,257,148	4,503,538	2,753,610	-	2,753,610
Financial liabilities					
Forward currency contracts	(2,275,552)	(2,275,552)	-	-	-
Futures	(1,404)	(1,404)	-	-	-
Swap contracts	(2,226,582)	(2,226,582)	-	-	-
Options	-	-	-	-	-
Total	(4,503,538)	(4,503,538)	-	-	-
AS AT 30 SEPTEMBER 2017					
Financial assets					
Forward currency contracts	12,488,214	12,474,530	13,684	-	13,684
Futures	102,089	102,089	-	-	-
Swap contracts	4,319,489	3,809,499	509,990	-	509,990
Options	20,044	7,246	12,798	-	12,798
Total	16,929,836	16,393,364	536,472	-	536,472
Financial liabilities					
Forward currency contracts	(12,474,530)	(12,474,530)	-	-	-
Futures	(124,858)	(102,089)	(22,769)	-	(22,769)
Swap contracts	(3,809,499)	(3,809,499)	-	-	-
Options	(7,246)	(7,246)	-	-	-
Total	(16,416,133)	(16,393,364)	(22,769)	-	(22,769)

10. PAYABLES

	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
Other accruals	51,356	39,708
Management fees payable	56,693	50,004
Administration fees payable	25,673	11,248
Directors fees payable	6,835	-
Due to brokers - payable for securities purchased	-	28,049
Dividends payable on short positions	753	-
	141,310	129,009

11. ISSUED CAPITAL*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Shares and Options under IPO

The Company issued a Prospectus on 13 February 2017 for the offer of up to 200,000,000 fully paid ordinary shares at an Application price of \$1.10 per share to raise up to \$220,000,000, together with an entitlement to 1 option, exercisable into one fully paid ordinary share at \$1.10 per Option on or before 30 November 2018 for every 1 share subscribed for under the offer. On 27 April 2017, the Company issued 44,440,626 fully paid ordinary shares under this initial public offering at \$1.10 per share.

Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged. To achieve this, the Board of Directors regularly monitor NTA results, investment performance and share price movements. The Board is focused on maximising returns to shareholders with capital management a key objective of the Company. The Company is not subject to any externally imposed capital requirements.

	YEAR ENDED 30 SEPTEMBER 2018		PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017	
(a) Movements in ordinary share capital	Shares	\$	Shares	\$
Opening balance	45,456,227	48,828,646	1	1
Ordinary shares issued under the initial public offering	-	-	44,440,626	48,884,689
Ordinary shares issued under dividend reinvestment plan	25,700	27,955	-	-
Options exercised - issue of shares	43,000	47,300	1,015,600	1,117,160
Costs of issued capital, net of tax	-	-	-	(1,173,204)
Closing balance	45,524,927	48,903,901	45,456,227	48,828,646
(b) Movements in options				
Opening balance	43,425,026	-	-	-
Options issued under the initial public offering	-	-	44,440,626	-
Options exercised, and related transfer to share capital	(43,000)	-	(1,015,600)	-
Closing balance	43,402,026	-	43,425,026	-

12. RESERVES AND RETAINED LOSSES

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
(A) RETAINED LOSSES		
Balance at the beginning of the year	(422,299)	-
Net profit attributable to members of the Company	3,812,225	286,094
Transfer to profit reserve	(4,217,021)	(708,393)
Balance at 30 September	(827,095)	(422,299)

(B) PROFITS RESERVE

The reserve is made of amounts transferred from current and retained earnings that are preserved for future dividend payments.

Balance at the beginning of the year	708,393	-
Transfer from retained earnings/(losses)	4,217,021	708,393
Dividends provided for or paid	(454,992)	-
Balance at 30 September	4,470,422	708,393

13. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Pitcher Partners		
<i>Audit and other assurance services</i>		
Audit of financial statements	52,026	25,025
<i>Other assurance services</i>		
Other assurance - Investigating accountant on Prospectus	-	40,040
Total remuneration for audit and other assurance services	52,026	65,065
<i>Taxation services</i>		
Taxation services	9,000	9,000
Total remuneration of Pitcher Partners	61,026	74,065

The Company's Audit Risk Committee oversees the relationship with the Company's External Auditors. The Audit Risk Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do no compromise independence.

14. CASH FLOW INFORMATION

	AS AT 30 SEPTEMBER 2018 (\$)	AS AT 30 SEPTEMBER 2017 (\$)
(A) COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	10,299,591	7,909,720
Prime broker funding facility	(10,392,308)	(11,470,028)
	(92,717)	(3,560,308)
(B) RECONCILIATION OF NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Profit/(loss) attributable to members of the Company	5,287,257	438,139
Net (gains)/losses on financial instruments held at fair value through profit or loss	(6,021,323)	(565,169)
Net (gains)/losses on foreign exchange	(149,235)	(418,505)
Income tax benefit	(1,475,032)	(152,045)
Net change in prepayments	28,291	(44,777)
Net change in receivables	(129,165)	(101,260)
Decrease/(increase) in deferred tax assets	17,315	(441,446)
Increase in deferred tax liabilities	667,343	593,491
Increase in current tax liabilities	590,361	-
Net change in payables	40,350	100,960
Net cash outflow from operating activities	(1,143,838)	(590,612)

15. RELATED PARTY TRANSACTIONS

All transactions with related entities were made on normal commercial terms and conditions no more favourable than transactions with other parties unless otherwise stated.

a) Management and Performance Fees

Morphic Asset Management Pty Limited (Morphic) (ABN 33 155 937 901, AFSL 419916) has been appointed as the Investment Manager of the Company. The Manager is privately owned and incorporated in 2012.

The Managing Director, Jack Lowenstein holds (together with his investment entities) 30% of the ordinary capital of the Manager. The Executive Director of Morphic Asset Management, Chad Slater holds (together with his investment entities) 15% of the ordinary capital of the Manager.

i. Management fee

the Manager is entitled to be paid monthly a Management Fee equal to 1.25% (plus GST) per annum of the Value of the Portfolio (payable monthly in arrears and calculated on the last business day of each month).

ii. Performance fee

the Manager is entitled to be paid by the Company a fee (Performance Fee) equal to 15% (plus GST) of the Portfolio's outperformance relative to the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars (Benchmark) over the 12-month period, subject to the Portfolio generating absolute gains since inception and the recoupment of prior underperformance.

Management fees paid to the Manager during the year were as follows:

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Management fees paid and payable during the year	674,384	255,901
Management fees payable at year end	56,693	50,004

There were no performance fees earned or paid during the year.

b) Remuneration of Directors and Other Key Management Personnel

In accordance with Section 300A of the *Corporations Act 2001*, all detailed information regarding the remuneration of Directors and other key management personnel has been included in the Remuneration Report in the Directors' Report of the Annual Report.

A summary of the remuneration of Directors and other key management personnel for the year is set out below:

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
Cash salary, fees and commissions	127,855	47,273
Short-term employee benefits	127,855	47,273
Superannuation	12,145	10,740
Post-employment benefits	12,145	10,740
Total employment benefits	140,000	58,013

c) Shareholdings

2018	OPENING BALANCE	ACQUISITIONS	DISPOSALS	BALANCE AT 30 SEPTEMBER 2018
Ordinary Shares				
JoAnna Fisher	100,000	920	-	100,920
Jack Lowenstein	524,001	29,702	(18,000)	535,703
Mark Forstmann	40,000	368	-	40,368
Virginia Malley	52,300	480	-	52,780
Chad Slater*	46,709	26,632	(18,000)	55,341
	763,010	58,102	(36,000)	785,112

2017	OPENING BALANCE	ACQUISITIONS	DISPOSALS	BALANCE AT 30 SEPTEMBER 2017
Ordinary Shares				
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	524,001	-	524,001
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	716,301	-	716,301

d) Options to acquire shares

2018	OPENING BALANCE	ACQUISITIONS	DISPOSALS	BALANCE AT 30 SEPTEMBER 2018
Options				
JoAnna Fisher	100,000	-	-	100,000
Jack Lowenstein	724,000	100,000	(20,000)	804,000
Mark Forstmann	40,000	120,000	-	160,000
Virginia Malley	52,300	-	-	52,300
Chad Slater*	130,454	-	(20,000)	110,454
	1,046,754	220,000	(40,000)	1,226,754

2017	OPENING BALANCE	ACQUISITIONS	DISPOSALS	BALANCE AT 30 SEPTEMBER 2017
Options				
JoAnna Fisher	-	100,000	-	100,000
Jack Lowenstein	-	724,000	-	724,000
Mark Forstmann	-	40,000	-	40,000
Virginia Malley	-	52,300	-	52,300
	-	916,300	-	916,300

* Chad's opening balances are as at his date of appointment, 28 February 2018.

16. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2018, the Company had no contingent liabilities or commitments.

17. DIVIDENDS

A 1.0 cent fully franked interim dividend was paid on 22 August 2018 (30 September 2017: Nil).

	YEAR ENDED 30 SEPTEMBER 2018 (\$)	PERIOD FROM 13 FEBRUARY 2017 TO 30 SEPTEMBER 2017 (\$)
DIVIDEND FRANKING ACCOUNT		
Opening balance of franking account	847	-
Franking credits on dividends received	4,240	847
Franking credits on dividends paid	(194,997)	-
Tax (refunds)/payments made	200,013	-
Closing balance of franking account	10,103	847

The Company's ability to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

18. SEGMENT INFORMATION

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry. It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 7 Investments, and Note 3 Fair Value Measurement.

19. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the Period, the Directors declared a fully franked final dividend of 1.0 cents per share fully franked to be paid on 12 December 2018.

No matters or circumstances have arisen since the end of the period which significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

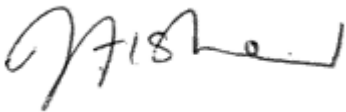
FOR THE YEAR ENDED 30 SEPTEMBER 2018

THE DIRECTORS DECLARE THAT:

- a) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and giving a true and fair view of the financial position as at 30 September 2018 and performance of the Company, for the year ended 30 September 2018;
- b) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- c) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated on Note 1(b) of the financial statements;
- d) The Directors have been given the declarations required by S.295A of the *Corporations Act 2001*; and
- e) The remuneration disclosures contained in the Remuneration Report comply with S300A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to S.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



JOANNA FISHER

Chairman
Morphic Ethical Equities Fund Limited

Sydney, 31 October 2018

INDEPENDENT AUDIT REPORT TO THE MEMBERS



**Independent Auditor's Report
to the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Morphic Ethical Equities Fund Limited (the Company), which comprises the statement of financial position as at 30 September 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 September 2018, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Morphic Ethical Equities Fund Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 September 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of 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 APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit and Risk Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

An independent New South Wales Partnership. ABN 17 795 780 962.
Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000
Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle
An independent member of Baker Tilly International



**Independent Auditor’s Report
to the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Valuation, Existence and Completeness of Financial Assets and Liabilities Refer to Note 7: Investments</p>	
<p>We focused our audit effort on the existence, completeness and valuation of the Company’s financial assets and financial liabilities as they are its largest assets and liabilities and represent the most significant driver of the Company’s Net Tangible Assets and profits.</p> <p>Investments mostly consist of listed Global and Australian securities and some unlisted securities. Investments are valued by multiplying the quantity held by the respective market price, cost or estimated value per security for unlisted investments. All foreign investments are valued in presentation currency (Australian dollars) utilising the period end rates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of the investment management process and controls; ▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians; ▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures; ▪ Obtaining a confirmation of the investment holdings directly from the Custodians; ▪ Assessing the Company’s valuation of individual investment holdings to independent sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.



**Independent Auditor’s Report
to the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Accuracy and Completeness of Management and Performance Fees Refer to Note 10: Trade and other payables, Note 15: Related party transactions</p>	
<p>We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Making enquiries with the Investment Manager and Those Charged with Governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements; ▪ Testing key inputs used in the calculation of management and performance fees and recalculation in accordance with our understanding of the Investment Management Agreement; ▪ Assessing the adequacy of disclosures made in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company’s Annual Report for the year ended 30 September 2018, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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



**Independent Auditor's Report
to the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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



**Independent Auditor's Report
to the Members of Morphic Ethical Equities Fund Limited
ABN 52 617 345 123**

From the matters communicated with 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the Directors' report for the year ended 30 September 2018. In our opinion, the Remuneration Report of Morphic Ethical Equities Fund Limited for the year ended 30 September 2018, 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.

S M WHIDDETT
Partner

31 October 2018

PITCHER PARTNERS
Sydney

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Shareholder information set out below was applicable at 30 September 2018.

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report, is listed below.

A. DISTRIBUTION OF SECURITIES

DISTRIBUTION OF EQUITY SECURITIES

Holding Ranges	INVESTORS	SHARES	PERCENTAGE (%)
1 to 1000	39	23,456	0.05
1001 to 5000	366	1,187,564	2.61
5001 to 10000	270	2,393,933	5.26
10001 to 100000	626	20,887,173	45.88
100001 and Over	45	21,032,801	46.20
Total	1,346	45,524,927	100

DISTRIBUTION OF OPTIONS

Holding Ranges	INVESTORS	OPTIONS	PERCENTAGE (%)
1 to 1000	1	100	0.00
1001 to 5000	399	1,289,408	2.97
5001 to 10000	235	2,147,231	4.95
10001 to 100000	461	15,685,391	36.16
100001 and Over	57	24,259,896	55.92
Total	1,153	43,382,026	100

B. EQUITY SECURITY HOLDERS**TWENTY LARGEST EQUITY SECURITY HOLDERS**

Name	Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,006,571	11.00
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,000,000	4.39
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	3.95
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,099,504	2.42
MISS JUNE MARY SPEED <ETHICAL INVESTMENT A/C>	909,090	2.00
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	1.98
MR JACK THESEUS LOWENSTEIN	504,600	1.11
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	480,000	1.05
BOND STREET CUSTODIANS LIMITED <DFK - V02392 A/C>	454,545	1.00
FAY FULLER FOUNDATION PTY LTD <FAY FULLER FOUNDATION A/C>	454,545	1.00
JAMES & DIANA RAMSAY FOUNDATION PTY LTD <J & D RAMSAY FOUNDATION A/C>	454,545	1.00
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	437,496	0.96
G W HOLDINGS PTY LTD <EDWINA A/C>	376,365	0.83
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	370,750	0.81
MR CAMERON ALAN GILLIES	300,000	0.66
THE WYATT BENEVOLENT INSTITUTION INC	273,000	0.60
PW AND VJ COOPER PTY LIMITED <P W & V J COOPER S/F A/C>	256,617	0.56
MRS PHILIPPA BLOMFIELD	250,000	0.55
MRS CATHERINE ANNE MARSON + MR JOSEPH MARSON <THE MARSON FAMILY S/F A/C>	248,700	0.55
SAXON ACQUISITIONS PTY LTD <DON'T PANIC DISC A/C>	247,191	0.54

TWENTY LARGEST OPTION SECURITY HOLDERS

Name	Options	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,613,455	10.63
SYSHA PTY LTD <SYDNEY GOODMAN FAMILY A/C>	2,000,000	4.61
LEKK PTY LTD <HILTON GORDON FAMILY A/C>	1,800,000	4.15
MR ADRIAN SAVIO GORGONIO LOBO	1,781,637	4.11
MISS JUNE MARY SPEED <ETHICAL INVESTMENT A/C>	909,090	2.10
JORLYN PTY LTD <ROBERT JORDAN FAMILY A/C>	900,000	2.07
MR JACK THESEUS LOWENSTEIN	700,000	1.61
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	600,470	1.38
HALCYCON PTY LTD	516,736	1.19
GEAT INCORPORATED <GEAT-PRESERVATION FUND A/C>	480,000	1.11
BOND STREET CUSTODIANS LIMITED <DFK - V02392 A/C>	454,545	1.05
FAY FULLER FOUNDATION PTY LTD <FAY FULLER FOUNDATION A/C>	454,545	1.05
JAMES & DIANA RAMSAY FOUNDATION PTY LTD <J & D RAMSAY FOUNDATION A/C>	454,545	1.05
SAXON ACQUISITIONS PTY LTD <DON'T PANIC DISC A/C>	363,637	0.84
GASEOUS PTY LTD <LIQUID SUPER A/C>	342,000	0.79
MR STEVE GREEN	338,759	0.78
MRS ANTOINETTE PEASE	335,000	0.77
PW AND VJ COOPER PTY LIMITED <P W & V J COOPER S/F A/C>	327,273	0.75
EYEWORKS PTY LTD <EYEWORKS SUPER PENS FUNDA/C>	300,000	0.69
MR CAMERON ALAN GILLIES	300,000	0.69

C. SUBSTANTIAL SHAREHOLDERS

Westpac Banking Corporation and its associated entities 10.09%

D. VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not have any voting rights until they vest and are exercised.

E. STOCK EXCHANGE LISTING

Quotation has been granted for all of the ordinary shares and options of the Company on all Member exchanges of the ASX Limited.

F. UNQUOTED SECURITIES

There are no unquoted securities.

G. SECURITIES SUBJECT TO VOLUNTARY ESCROW

18,000 shares subject to voluntary escrow until 8 August 2021.

H. INVESTMENT TRANSACTIONS

There were 2,201 investment transactions during the year, total brokerage paid on these transactions was \$212,992.

CORPORATE DIRECTORY

DIRECTORS

JoAnna Fisher (Chairman)
Jack Lowenstein
Mark Forstmann
Virginia Malley
Chad Slater (Alternate Director)

COMPANY SECRETARY

Josephine Jang

REGISTERED OFFICE

Level 3
139 Macquarie Street
Sydney NSW 2000

CONTACT DETAILS

P: (02) 9194 6707
www.morphicasset.com

SHARE REGISTRY

Computershare
Level 4, 60 Carrington Street,
Sydney NSW 2000
P: (02) 8234 5000
F: (02) 8234 5050

AUDITOR

Pitcher Partners
Level 22, MLC Centre 19 Martin Place
Sydney NSW 2000
P: (02) 9221 2099

STOCK EXCHANGE LISTINGS

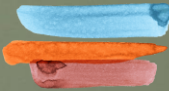
Morphic Ethical Equities Limited securities are listed on the Australian Stock Exchange under the following exchange codes:

Shares MEC
Options MECO



The Australian bush is a place of outback wonders and rugged beauty. Bush Heritage is an independent not-for-profit that buys and manages land, and partners with Aboriginal people, so we can protect our unique landscapes and magnificent native species forever. Morpic Asset Management is supporting our work to return the Australian bush to good health by choosing to donate a percentage of management fees for the Morpic Ethical Equities Fund to Bush Heritage every year.

In this way, investors are helping to protect 8.86 million hectares of land and almost 6000 native plant and animal species. In the past year alone, some of the key projects you have helped to make possible include: a research program to better understand the breeding habits and whereabouts of the cryptic Night Parrot on our Pullen Pullen Reserve in Queensland; the revegetation of grassy woodlands on our Scottsdale Reserve, just south of Canberra; and the development of a plan to help the Arafura Swamp Rangers manage threats to their country in northern Arnhem Land.



BUSH HERITAGE
AUSTRALIA

Red-capped Robin by Rob Drummond