



Australian Ethical Investment Limited

Annual Report 2015



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Chair & Managing Director's Report

Dear shareholder,

We are very pleased to write to you with our update for the year.

The past year has been a significant year on many fronts. There is a sense that we are at a real tipping point regarding climate action with so many positive moves around the globe toward a hopefully positive outcome in Paris in November. Add to that breakthroughs in technology such as battery storage and grid technology and there is real cause for optimism on the climate front.

More generally people are increasingly making ethical choices in their daily consumer purchases as well as their investment and savings decisions. Our research confirms an increasing demand from investors for ethical product and a greater confidence that it will produce the same or better returns than unscreened investing.

And the evidence continues to strengthen that this is the case. The recently released Benchmark Report of the Responsible Investment Association of Australia showed that money invested in ethical investment funds had doubled in the past two years. Moreover, the investment performance of ethical investment funds had outperformed mainstream funds across all asset classes over most time periods.

This growth and performance of the sector is reflected in our own returns with strong performance over the past year across many metrics:

- Funds under management (FuM) of \$1,167m (up 32% on previous year)
- Net inflows of \$179m (up 96%)
- Superannuation membership at 21,196 (up 20%)
- Top quartile investment performance of a number of our funds
- Record of over 700 philanthropic grant applications

We are living proof that businesses and investment funds can operate to give consideration to social and environmental factors as well as financial returns and deliver on each equally as well.

Financial performance

Net profit

Net profit after tax for the financial year to 30 June 2015 was \$1.97m compared to the prior year of \$2.54m.

The 23% decrease on the previous year is due to three main factors: a reduction in fees at the beginning of the financial year on our superannuation fund as part of an ongoing fee reduction strategy, issues arising from the transition to a new remuneration structure, and a further impairment on the Company's property in Canberra.

Revenues

Revenue increased 6% to \$21.2 million, up from \$20 million recorded for the previous corresponding period. Revenue is mostly driven by funds under management which is, in turn, influenced by market movements and net inflows.

Funds under management increased 32% to \$1,167 million, up from \$887 million in the previous corresponding period. Net inflows almost doubled to \$179 million for the year, up 96% on last year's net inflows of \$92 million.

The progressive reduction of superannuation fees over the medium term continues to have a significant impact on revenues. This strategy is aimed at sharing the benefits of growth with our members and improving our competitiveness, taking into account shareholder returns and the long term sustainability of the business.

Our goal for fees is to be at the 75th percentile of comparable MySuper funds by 2020. Consistent with this strategy, on 30 June 2014 we reduced the fees on our superannuation fund by 0.67% and by a further 0.30% on 31 July 2015.

Whilst net flows are impacted by many factors, their significant increase over the past year supports our contention that these planned fee reductions will lead to growth that will, ultimately, offset the reduction and lead to a better, long term, sustainable business with far greater impact.

Final Dividend

A fully franked final dividend of \$1.20 per share was declared for the full year ended 30 June 2015, bringing the total dividend for the year to \$2.00 per share. The record date for the dividend will be 16 September 2015 with payment due on 30 September 2015.

We are pleased to maintain our dividend during a period where profit has been impacted by changes aimed at building a stronger business over the long term, namely the fee reductions and remuneration changes.

Expenses

Operating expenses increased by \$2.0m, an increase of 14% over the previous year, due to the following:

- Employee costs: Employee costs have increased by \$1.9m or 27% over the prior year. This increase comprises a number of significant items including:
 - bonuses in general have been high due to outperformance on most key performance indicators including investment performance, net inflows and new clients.
 - under our revised incentive scheme we will now be paying Short Term Incentives entirely in cash rather than a mix of cash and performance rights, as was previously the case. Thus we have accrued 100% of the bonus payable for the current period as well as the amortised performance rights attributable to the previous year.
 - increased provision for employee share rights as a result of significant increases in the share price over the year. The total expense for rights issued under the previous remuneration model this year was \$1.4m.
 - an adjustment of \$0.23m was made in respect of bonuses under-accrued in the previous year.

Non-operating expenses were impacted by:

- Property impairment: A full year impairment of \$484,249 has been incurred on our property held in Bruce in Canberra. This has been due to the further deterioration of the Canberra property market particularly for secondary grade properties. We continue to seek a purchaser for the property and have recently secured a tenant for half of the available floor space. Further detail is provided in Note 11 of the financial statements.
- Income tax expense: Tax expense increased despite the lower profit due to items that are not deductible for tax purposes which are detailed in Note 8b of the financial report. The effective tax rate was 45%, an increase on the prior year rate of 38%.

The above increases in expenses have been partially offset by the following decreases:

- External services: costs to outsource providers have reduced by \$0.3m as a result of reduced use of consultants this year following significant projects completed in 2014; and
- Marketing: marketing costs have decreased by \$0.25m over the prior year due to a reduction in the cost of acquisition of new clients.

Financial Position

The Company retains a strong balance sheet position with no debt. Net assets increased by \$1.7m over the year to \$11.2m.

The majority of assets are held in cash to meet the Company's Australian Financial Services Licence conditions. The only significant non-cash asset is the property held in Canberra which is discussed in detail in Note 11 of the financial statements.

Funds Under Management

Funds under management has grown from \$887m to \$1,167m over the past year (a 32% increase).

\$1 billion milestone passed

In November 2014 we hit a significant milestone in our 28 year history by reaching \$1bn. This result follows strong growth over the past year which defies industry averages.

We are extremely proud of the Company's performance in reaching this milestone. It marks a coming of age and maturing of the Company to be a stable and substantial player in the financial services landscape.

Since reaching this milestone our funds under management has continued to grow reaching \$1.167bn at 30 June despite some recent market falls.

Net inflows

Over the year we achieved \$179m in net flows almost double (96% increase) the flows for the prior year of \$92m.

Many factors contributed to the improved flows including an increasing awareness of ethical investing and of Australian Ethical, website optimisation making the joining process more client friendly and a more efficient process in consolidating members benefits from other super funds.

New clients

Our new client growth continues to be strong due to active sales and marketing strategies, a rapidly growing social media community and continued improvements to our digital and online processes removing the barriers for members to join. New clients averaged 439 per month compared to 375 per month in the previous year.

Investment performance

Performance across our funds and superannuation options has been strong with a number of our funds and investment options delivering above median performance over the year according to the regular survey published by consulting firm Mercer¹.

Managed Fund	1 year	3 years	5 years	7 years	10 years
	Quartile	Quartile	Quartile	Quartile	Quartile
Cash	3 rd	2 nd	1 st	1 st	1 st
Fixed Interest	3 rd	-	-	-	-
Balanced	3 rd	3 rd	4 th	2 nd	2 nd
Diversified Shares	1 st				
Advocacy	1 st	1 st	1 st	-	-
Australian Shares	1 st				
International Shares	4 th	2 nd	4 th	3 rd	-

Superannuation Accumulation Options	1 year	3 years	5 years	7 years	10 years
	Quartile	Quartile	Quartile	Quartile	Quartile
Defensive	3 rd	3 rd	2 nd	2 nd	2 nd
Conservative	4 th	4 th	4 th	-	-
Balanced	3 rd	3 rd	4 th	3 rd	3 rd
Growth	1 st	1 st	4 th	4 th	4 th
Smaller Companies	1 st				
International	4 th	4 th	4 th	4 th	-
Advocacy	3 rd	3 rd	3 rd	-	-

Our flagship Australian Shares fund recently celebrated its 20th anniversary having delivered consistent upper quartile performance over the whole period. Its exceptional track record ranks it first over every reported time period. The fund has returned 10% per annum over its 20 year history, far exceeding its benchmark index. Similarly our Diversified Shares fund, ranks first over all periods.

¹ Based on Mercer's Peer Group Category as at 30 June 2015.

Product Improvements

We continue to review our product suite to ensure competitiveness in an increasingly changing and competitive environment.

Superannuation fees

As communicated previously, the superannuation environment has become increasingly competitive and we have a medium term strategy for our fees to be at the 75th percentile of comparable My Super funds by 2020. Consistent with this strategy on 30 June 2014 we reduced the fees on our superannuation fund by 0.67% and by a further 0.30% on 31 July 2015.

The reductions to date have moved us some way toward our goal however we still have some way to go and shareholders should expect further reductions in the future.

Launch of the Australian Ethical Emerging Companies Fund

On 1 July 2015 we launched a new fund, the Australian Ethical Emerging Companies Fund which invests in a diversified portfolio of shares in small capitalisation companies on the basis of their social, environmental and financial credentials. The Fund utilises an active stock-picking management style with stocks selected for growth rather than income.

There is increased interest in small capitalisation companies and we have a demonstrated strength in selecting growth stocks. Inflows in the first month have been very positive.

Improved access to our managed funds

We also made a number of changes aimed at making our managed funds more accessible to both retail investors and advisers.

These were:

- listing on the ASX mFunds platform - a number of our funds were listed on the ASX mFunds platform, a platform that provides easier access for both retail investors and advisers
- more funds with wholesale units - we increased the number of our funds with a wholesale unit providing lower fees for clients with large balances
- product name changes - we changed the names of a number of our investment funds to better reflect their underlying portfolio and align with current industry practice.

Awards

We continue to be regularly recognised by industry peers through awards. The following awards were received over the year:

- Ethical Fund of the Year - we were awarded the Ethical Fund of the Year award from the financial magazine, Money Management.
- International Fund of the Year - we were awarded the International Fund of the Year by the Australian Investment Management Association. This is significant as it was rated against the market as a whole not just purely ethical peers.
- United Nations Association of Aust. - we were awarded two awards in the United Nations Association of Australia World Environment Day: Excellence in Overall Environmental Management (Business) and the Leadership Award for Large Organisations.
- B Corp "Best for the World" - we were awarded B Corp "Best for the World" status ranking us in the top 10% of B Corps worldwide (a field of 1,300) for our social and environmental credentials.



United Nations Association of Australia Awards

Ethical leadership

We continue to be the leader in ethical investment in Australia with the highest ethical conviction in our investment selection coupled with taking a strong stand in encouraging more ethical behaviour in the corporate and broader community. The following are key initiatives pursued through the course of the financial year:

Net zero emissions by 2050

To meet the urgent challenge of global warming, investors, companies and governments need to commit to decarbonise across all sectors of the economy not just a single sector. Excluding high emissions fossil fuel companies is important, but this needs to be accompanied by action across the many other industry sectors which are big direct and indirect emitters.

Alongside our exclusion of coal, oil and unconventional gas, Australian Ethical has set a target to fully decarbonise all our portfolios (i.e. net zero portfolio emissions) in the timeframe needed to limit warming to 2 degrees. To achieve this we need to reduce emissions across our entire portfolio, from health care to food production to manufacturing.

Our decarbonisation project has a dual purpose:

- to ensure that our investments are aligned with a clean energy future; and
- to help create momentum to drive the mainstream action needed to address climate change.

During the year we became the first Australian member of the international Portfolio Decarbonisation Coalition, a coalition of institutional investors launched at the 2014 United Nations Climate Summit to mobilise financial markets to drive economic de-carbonisation.

The big banks: a force for good or bad in a warming world?

During the year we collaborated with a number of investors and NGOs to encourage the banks to better disclose their exposure to carbon emissions. This included:

- work with other institutional investors and the banks to agree a more uniform approach to disclosure of lending to fossil fuel and renewables sectors;
- supporting shareholder resolutions at bank AGMs; and
- working as an Australian 'co-lead' for an international investor initiative focused on climate governance at 60 banks globally.

The Australian banks responded to this diverse activity at the end of 2014 with significant new disclosure of fossil fuel and clean energy exposures.

Support for climate expertise in the Boardroom

In 2014 we were proud to again have supported Ian Dunlop for election as a director of BHP Billiton by being one of his nominating shareholders via a shareholding in our Advocacy Fund, in order that his climate expertise could help BHPB show greater leadership in dealing with the risks and opportunities created by climate change. Although Ian was unsuccessful, we credit his campaigns with raising public awareness of the issues at stake and encouraging greater climate transparency from BHPB.

Climate lobbying

We are participating in two international investor collaborations advocating for 'responsible corporate climate lobbying', to encourage companies to play a productive rather than destructive role in the development of responsible climate policy.

Too often companies stand silent as their industry associations promote media scare campaigns which are not aligned with their privately stated views – or with long term company, industry and societal interests.

Human rights

We are participating as a lead investor in a global investor coalition to improve the way companies identify and manage human rights risks in their supply chain and other activities (<http://www.ungpreporting.org/early-adopters/investor-statement/>). We are encouraging both Australian investors and companies to use this new reporting framework to improve the quality of their internal discussions and external disclosure of the human rights impacts of their activities.

Shell and BP shareholder resolutions

We were part of the "co-filing group" for shareholder resolutions by a coalition of UK investors and NGOs calling on energy and petrochemical giants BP and Shell to say more about the preparation they are making for a low carbon world. In particular we want disclosure of operational emissions, their testing of the resilience of their businesses to different global warming scenarios and their work on low carbon energy R&D and investment.

The resolutions were passed with overwhelming shareholder support following recommendations from both Shell and BP that shareholders vote in favour of the resolutions.

The next step is to hold the companies to account to provide meaningful reporting about how they are aligning their businesses with the global changes needed to deliver a low warming future.

Our People

Our people are our greatest asset – we say it often and with good reason. It is only with the determination and dedication of our people that we can serve our clients, generate long-term value for our shareholders and contribute to the community.

We focus on cultivating and sustaining a diverse work environment and workforce, which is critical to meeting the unique needs of our diverse client base and the communities in which we operate.

Our goals are to maximise individual potential, increase commercial effectiveness, reinforce the company's culture, expand our people's professional opportunities, and help them contribute positively to their greater communities. Focusing on cultivating and sustaining a diverse work environment and workforce supports these goals.

2015 Community Grants

Each year 10% of the Company's pre-tax profit is donated to community organisations working to address humanitarian, environmental and animal welfare needs, one of the highest percentages of a listed company's profits donated to charity in Australia.

In the 2015 financial year \$0.37m has been provisioned for payment to charitable and conservation organisations under our community grants program with over \$2m having now been paid or provisioned.

Recently we created the Australian Ethical Foundation as a vehicle to distribute the community grants we make each year. There are two drivers behind establishing a Foundation:

- **Flexibility:** the Foundation will provide an investment pool that would give greater flexibility in the types of support we would be able to provide recipients;
- **Leverage:** in the future we would like to invite shareholders and clients to contribute to the Foundation and participate in the support of the many worthwhile recipients.

Outlook

The growth in the ethical investment market is strong as increasingly people are becoming more socially conscious and realising that they can consume and invest in alignment with their values without compromising on quality and performance.

The regulatory environment for superannuation and managed funds continues to evolve with increasing compliance costs and downward pressure on fees. We will continue to assess product fees against the market balancing member interests, returns to shareholders and the need to develop a long term, sustainable business.

Global markets are currently going through a period of considerable volatility and we expect that this will continue for some time. This will impact our revenues as the value of funds under management (which is in turn influenced by the state of the markets) is the largest driver of revenues.

Our Company is a very special company and truly serves as a model of the future where social and environmental outcomes are achieved alongside financial performance. With our funds under management having passed \$1bn, we are of a size and capacity where we are a significant player in the financial services landscape with a substantial voice and influence.

With rising consumer awareness of the ethical impact of their consumption choices and the need for better ways of doing business, we are well placed to continue to grow and have an even greater impact on achieving a better world. We have our sights firmly set on reaching \$5bn by 2020 and with the passion, commitment and skills of our people we have every reason to believe that we'll get there.



Steve Gibbs
Chairman

28 August 2015



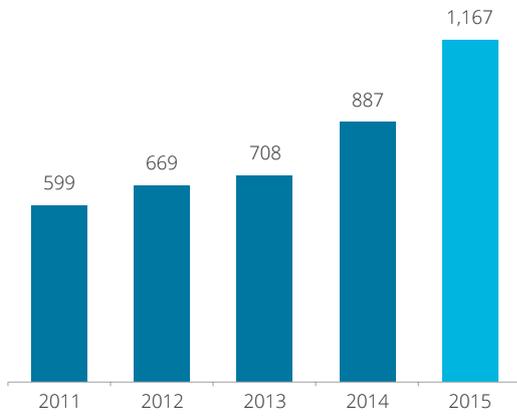
Phil Vernon
Managing Director &
Chief Executive Officer

28 August 2015

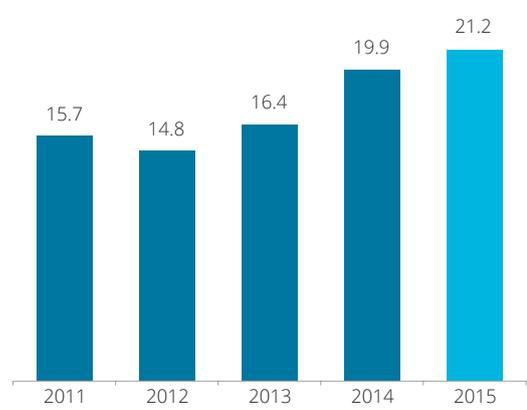


Financial Summary

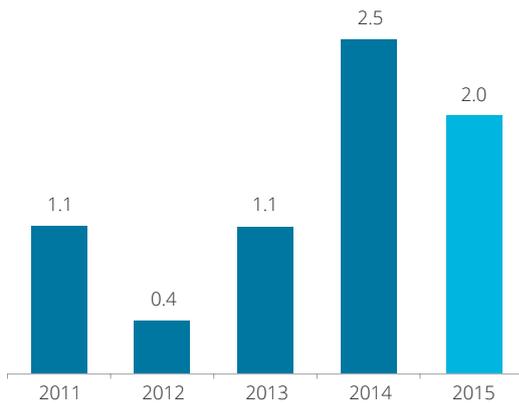
Funds Under Management (\$m)



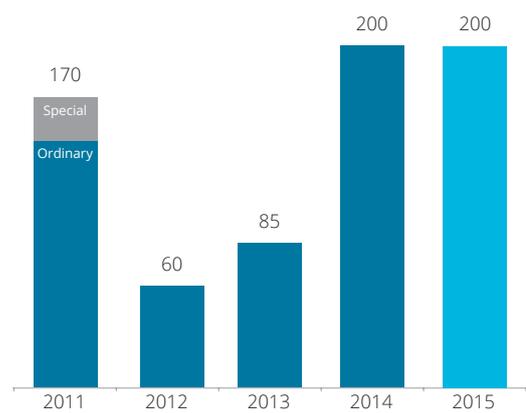
Revenue (\$m)



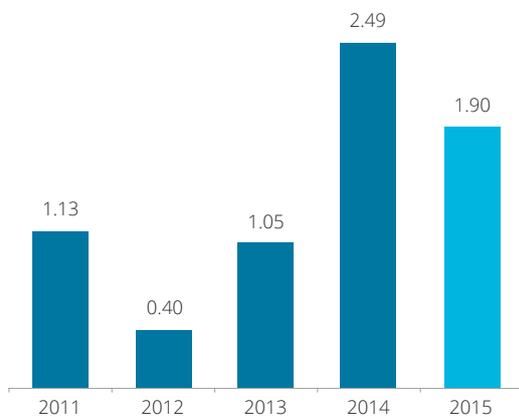
Profit After Tax (\$m)



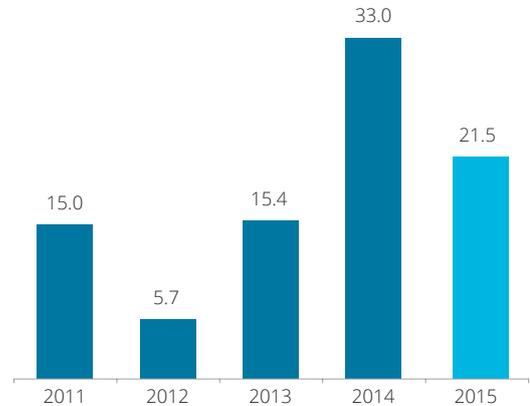
Dividends (cps)



Basic Earnings Per Share (\$)



Return On Equity (%)

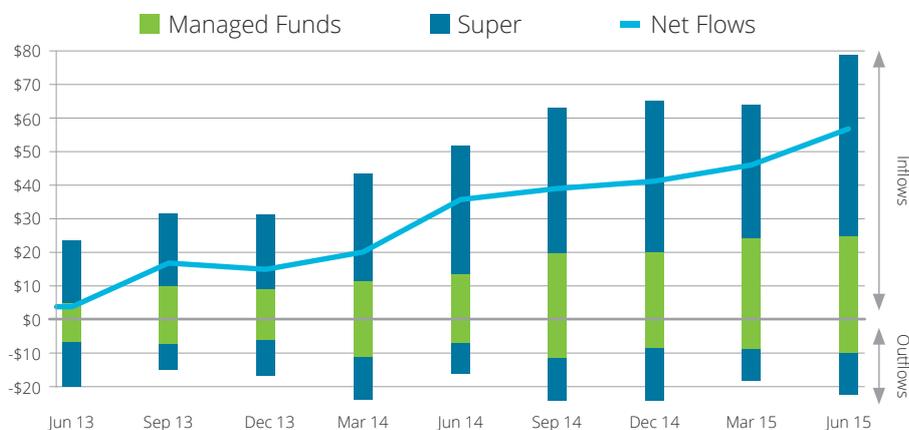


Funds under Management



As at 30 June 15

Net Inflows



Financial results for the year to 30 June 2015

Profit	2014 (\$,000)	2015 (\$,000)	% change
Revenue	19,889	21,171	6%
Operating expenses	(14,476)	(16,478)	(14%)
Non-operating expenses*	(2,871)	(2,723)	6%
Net Profit After Tax (NPAT)	2,542	1,970	(23%)
Adjustments (gross)			
Add back employment restructure	409	-	
Add back property revaluation	282	484	
Tax on adjustments	(122)	-	
Underlying Net Profit After Tax (UPAT)[^]	3,111	2,454	(21%)

* Non-operating costs include tax, depreciation, amortization, community grants, loss on disposal of assets and property impairment.

[^] Underlying profit is provided to assist shareholders in understanding the Company's performance. Underlying profit excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on Net Profit After Tax, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of the Group. This table has been prepared in accordance with the Australian Institute of Company Directors (AICD)/ Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying profit after tax has not been reviewed or audited by our external auditors, however the adjustments to net profit have been extracted from the books and records that have been audited.

Funds Under Management	2014 (\$m)	2015 (\$m)	% change
Opening FuM	708	887	25%
Super flows (net)	78	132	70%
Managed Funds flows (net)	14	47	240%
Net Flows	92	179	96%
Market movement	87	100	14%
Closing FuM	887	1,167	32%

Dividends	2013/2014 (cents per share)	2014/2015 (cents per share)	% change
Interim (fully franked)	80	80	-
Final (fully franked)	120	120	-
Total dividend	200	200	-

Community Grants

Each year 10% of the Company's pre-tax profit is donated to community organisations working to address humanitarian, environmental and animal welfare needs, one of the highest percentages of a listed company's profits donated to charity in Australia.

In the 2015 financial year \$0.37m has been provisioned for payment to charitable and conservation organisations under our community grants program with over \$2m having now been paid or provisioned.



Image Courtesy of Mungalla Aboriginal Corporation for Business

2014 Community Grant Recipients

Tennant Creek Transport Inc. (NT)

Providing much-needed transport for one of the most socially-disadvantaged communities in Australia

Mungalla Aboriginal Corporation for Business (QLD)

Up-skilling unemployed indigenous youth for environmental outcomes

Port Phillip Housing Association (VIC)

Community garden project designed to build social connection and skills among rooming house tenants

Free to Shine (Cambodia)

Girls scholarship program to prevent sex trafficking

The Orangutan Project (Indonesia)

Funding Wildlife Protection Units of local people to patrol the national park and prevent poaching

The Exodus Foundation (NSW)

Sustainable Communities project to reduce the environmental impact of Exodus' food programs for the homeless

The Pyjama Foundation (QLD)

Funding Pyjama Angels who provide individual attention and support to children in foster care

Jewish House (NSW)

Refurbishment of the homeless shelter to accommodate pets of the homeless

The Kokoda Track Foundation (PNG)

Micro-lending program for women to address poverty and provide clean energy alternatives

Kids Under Cover (VIC)

Scholarships for youth at risk of homelessness to complete their secondary education

Sir David Martin Foundation (NSW)

Contributing to 12 week rehabilitation programs for youth fighting addiction, mental health issues and homelessness

Timor Leste Vision (East Timor)

Project to install a reliable water system to deliver clean water to the remote village of Hatete

Australian Cervical Cancer Foundation (Kiribati)

HPV vaccination program to protect women in Kiribati against cervical cancer

The Deli Women & Children's Centre (NSW)

Safe Healing project for women who have suffered domestic violence and abuse, especially those from Aboriginal or CALD backgrounds

Animal Aid Abroad (Egypt)

Revitalisation of the Port Said Equine clinic and training a local team to treat working equines

Liberian Community Action for Unity, Social & Economic Development (VIC)

Establishment of a 'Newlife Restaurant' social enterprise to provide skills training and employment opportunities for the West African community

Delivery Cycles (VIC)

A social enterprise providing employment opportunities for marginalised groups, especially refugees, through the establishment of a food delivery business

Director's Report

The Directors present their report together with the consolidated financial report of Australian Ethical Investment Limited (the Company) and its controlled entity, Australian Ethical Superannuation Pty Limited (together, the Group), for the year ended 30 June 2015 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Stephen Gibbs BEc, MBA

Chair and Non-Executive Director

Stephen joined the Board in July 2012 as a Non-Executive Director and on 4 February 2013 was appointed Chair. He chairs the People, Remuneration and Nominations Committee, is a member of the Audit, Compliance and Risk Committee and is a director of Australian Ethical Superannuation Pty Limited.

Stephen was formerly Chair of the Responsible Investment Academy Advisory Council. From early 2000 he was CEO of ARIA, the trustee of the PSS and CSS – the superannuation schemes for federal government employees. When Stephen left ARIA in January 2008 it had close to \$A20 billion under management. Prior to ARIA Stephen was the Executive Officer of the Australian Institute of Superannuation Trustees (AIST). His earlier career was in the trade union movement.

Other career highlights for Stephen include his personal invitation from the then UN General Secretary to join the steering committee and investor group which developed what became the United Nations Principles of Responsible Investment - UNPRI and membership of the ASX Corporate Governance Council from its inception until 2008.

Stephen is a director of Ecosystems Investment Management (Australia) Pty Ltd and an Expert Panel member of the Fair Work Commission.

Mara Bun BA

Non-Executive Director

Mara brings over 20 years of business and community experience to Australian Ethical. She was born and raised in Brazil, was educated in the US and was a financial analyst in Morgan Stanley's M&A and technology banking groups before moving to Australia in 1991. During the 1990s Mara was responsible for finance and administration at Greenpeace Australia and was head of policy and public affairs for Choice. She returned to investment banking as Senior Equities Analyst covering the Internet sector for Macquarie Bank during the dotcom period. She has been a Director of The Allen Consulting Group, head of research at Canstar, and Director of Business Development at the CSIRO. Mara was the founding CEO of Green Cross Australia between

2007 and 2014. Green Cross Australia is dedicated to empowering resilience to the impacts of climate change working with business, community and research networks using digital engagement models. Mara currently is a resilience strategist and is Non-Executive Director of Green Cross Australia and Enova Community Energy.

Tony Cole AO, BEc

Non-Executive Director

Tony was appointed as a Non-Executive Director on 4 February 2013. Tony is a member of the Investment Committee and the People, Remuneration and Nominations Committee.

For the past 17 years Tony has been a senior investment consultant and executive in Mercer's Investment Consulting business, including heading the business in the Asia Pacific region for more than five years. Tony recently ceased working with Mercer.

Prior to joining Mercer, Tony held several senior positions in the Commonwealth Public Service, including Secretary to the Treasury, Secretary of the Department of Health and Social Security, Deputy Secretary to the Department of the Prime Minister and Cabinet and Chair of the Industry Commission (now the Productivity Commission). Tony served as an Alternative Director of the World Bank and was Treasurer Paul Keating's principal economic adviser and head of office in the early years of the Hawke-Keating government.

Tony is currently a Trustee Director of the Commonwealth Superannuation Corporation and a member of the Advisory Board of the Northern Territory Treasury Corporation. He Chaired the Advisory Board of the Melbourne Institute for 10 years and was a longstanding member of the Australian Office of Funds Management Advisory Board.

Kate Greenhill BEc, FCA, GAICD

Non-Executive Director

Kate was appointed as a Non-Executive Director on 22 February 2013. Kate is Chair of the Audit, Compliance and Risk Committee, a member of the People, Remuneration and Nominations Committee and a director of Australian Ethical Superannuation Pty Limited.

Kate was formerly a Partner with PricewaterhouseCoopers assisting clients with advice and assurance in relation to financial statement audit opinions, accounting and regulatory developments, capital raisings, accounting for complex transactions, due diligence, valuations, compliance, risk management, organisational structure and the operation of controls.

Kate is a director, and member of the finance committee, for a not for profit organisation.

Phil Vernon BEc, MCom, MBA, FCPA, FAICD

Executive Director and Managing Director

Phil joined the Company as Chief Executive Officer in December 2009 and was appointed Managing Director in July 2010. He is also a director of Australian Ethical Superannuation Pty Limited.

Phil has over 30 years' experience in financial services including funds management, superannuation, corporate governance and industry regulation. He has extensive experience in strategy, people management and leadership.

Phil is a Director of not for profit organisations Planet Ark and Beyond Zero Emissions and of industry associations Responsible Investment Association of Australia and the Investor Group for Climate Change.

Company secretary

Tom May BA, LLB, MBA, FGIA

Tom has experience in the superannuation and distribution aspects of financial services law. He has been a lawyer since 1990 when he was a legal officer in the federal government. He subsequently worked in house with funds management and life insurance companies before working in private practice in London and Tokyo.

Subsidiary Board directors and Board committee members

Ruth Medd BSc, Dip Comp Science, CPA, MAICD

Chair and Non-Executive Director, Australian Ethical Superannuation Pty Limited

Ruth is Chair of the Company's wholly owned subsidiary Australian Ethical Superannuation Pty Limited and a member of the Company's Audit, Compliance and Risk Committee. Ruth is currently on the board of the NFAW Ltd (National Foundation for Australian Women) and WOB Pty Ltd (Women on Boards). Ruth started in IT in the 1970s. Since then she has been a senior public servant, a broadcasting regulator, the inaugural Company Secretary at Telstra and the Executive Director of an industry association.

Les Coleman B.Eng.(Hons), B.Sc.(Hons), M.Ec., PhD

Non-Executive Director, Australian Ethical Superannuation Pty Limited

Les is a member of the Company's Audit, Compliance and Risk Committee and is also a director of Australian Ethical Superannuation Pty Limited. Les has been a trustee of two superannuation funds, and a director of ten companies involved in finance, retail and distribution. He has over 20 years' experience in senior operational, planning and finance roles in Australia and overseas. He is currently a member of the investment committee of

United Funds Management (a subsidiary of IOOF Holdings Limited), and since 2004 has taught in the Finance Department of the University of Melbourne.

Changes to Subsidiary Board directors subsequent to 30 June 2015

The following changes to Australian Ethical Superannuation Pty Limited directorships occurred since 30 June and prior to the issue of this report:

- Les Coleman resigned as non-executive director on 26 August 2015;
- Tony Cole was appointed as a non-executive director on 26 August 2015;
- Mara Bun was appointed as a non-executive director on 26 August 2015;

Principal activities

The Group's principal activities during the financial year was to act as the responsible entity for a range of public offer ethically managed investment schemes and act as the Trustee of the Australian Ethical Retail Superannuation Fund. Other than as described in this report, there were no significant changes in the nature of the controlling entity's activities during the year. More details on the Group's principal activities are included in the Shareholder Newsletter.

Changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

Operating and financial review

The consolidated profit for the year to 30 June 2015 is \$1.970m (2014: \$2.543m). A review of operations for the Group is set out in the Shareholder Newsletter.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount (\$)	Franked/ unfranked	Date of payment
Declared and paid during the financial year				
Final 2014	120	1,246,676	Franked	3 October 2014
Interim 2015	80	843,054	Franked	27 March 2015
Total	200	2,089,730		
Declared after end of year				
Final 2015	120	1,264,582	Franked	30 September 2015 [^]

[^] Planned payment date

Events subsequent to reporting date

On 31 August 2015 the following share transactions occurred:

- Vesting of 11,899 STI employee share rights (AEFAG);
- Vesting of 16,834 LTI employee share rights (AEFAG); and
- Issue of 11,659 shares to the Employee Share Trust for employee long term incentives.

On 31 July 2015 we reduced the fees on our Superannuation fund by a further 0.30%. This is part of a medium term strategy, discussed in previous communications, to progressively make our superannuation product fees more competitive.

On 28 July 2015 the Australian Ethical Foundation Ltd, a company limited by guarantee, was registered. As discussed in the Shareholder Newsletter the Foundation will receive the donations from the Company each year and manage the allocation of those grants.

Other than as outlined in this report, no matters or circumstances have arisen since the end of the financial year which have or may significantly affect the operations of the Company and its controlled entity, the results of those operations or the state of affairs of the Company in financial years subsequent to the financial year ended 30 June 2015.

Outlook - Likely developments and business strategies

The Group's business strategy is discussed in the Shareholder Newsletter.

Environmental Regulation

The Company acts as a responsible entity for the Australian Ethical Property Trust and the Australian Ethical Balanced Trust both of which own direct property assets. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by state planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity is responsible for compliance and reporting under the government legislation and engages professional property managers to manage the properties.

The Company is not aware of any material non-compliance in relation to these licences during the financial year.

The Company has determined that it is not required to register to report under the National Greenhouse and Energy Reporting Act 2007, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

The last property in the Australian Ethical Property Trust was sold on 24 July 2015. Since that time the Trust has invested in units of unlisted property trusts that meet the investment criteria. The properties held in the Australian Ethical Balanced Trust are not required to have a minimum of Green star rating.

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 81.

Indemnification of Directors' and officers

The Company and its controlled entity indemnify the current Directors and officers of the Company and the controlled entity against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Group, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entity will meet the full amount of any such liabilities, including costs and expenses.

Insurance

The constitution of the Company provides a general indemnity for officers of the Company against liabilities incurred in that capacity, including costs and expenses in successfully defending legal proceedings.

During the financial year, the Company paid a premium to insure the directors (named above), the company secretary and all officers of the company and of any related body corporate against a liability incurred as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During the year the Company entered into or maintained deeds of indemnity, insurance and access (Deed) with directors and officers which provides general indemnity against liabilities incurred in that capacity to the extent permitted by the Corporations Act 2001.

The Deed obligates the Company to use its reasonable endeavours to obtain and maintain insurance for the benefit of a director or officer of the Company and any subsidiary, to the extent that such coverage is available in the market on terms which the Company reasonably considers financially prudent and on terms consistent with the practice of comparable companies operating in similar markets.

The Deed also provides that the Company will pay on behalf of the director or officer or lend to the director or officer the amount necessary to pay the reasonable legal costs incurred by the director or officer in defending an action for a liability incurred as a director or officer of the Company or a subsidiary on such terms as the Company reasonably determines. The director or officer must repay to the Company such legal costs if they become legal costs for which the Company was not permitted by law to indemnify the director or officer. The Company need not pay or provide a loan to the director or officer to the extent that the director or officer is actually reimbursed for legal costs as they fall due under an insurance policy or otherwise.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify a director, officer or auditor of the Company or of any related body corporate against a liability incurred as such director, officer or auditor.

Director's meetings

The number of Directors' meetings (including meetings of committees of directors of which not all directors are members) and number of meetings attended by each of the directors of the controlling entity during the financial year are set out below.

Director	Board		Investment		People, remuneration and nominations		Audit, compliance and risk	
	Eligible	Attend	Eligible	Attend	Eligible	Attend	Eligible	Attend
Stephen Gibbs	5	5	3	3	4	4	7	7
Mara Bun	5	5	-	-	-	-	-	-
Tony Cole	5	5	3	3	4	4	-	-
Kate Greenhill	5	5	-	-	4	4	7	7
Phil Vernon	5	5	3	2	4	4	7	7
Ruth Medd	-	-	-	-	-	-	7	6
Les Coleman	-	-	-	-	-	-	6	6

Shares issued during the year and prior to the issue of the report

During the year and prior to the issue of this report the following shares were issued:

Date	Number of shares Issued	Reason
1 July 2014	11,950	Conversion of STI performance rights (AEFAF)
1 September 2014	3,795	Conversion of LTI performance rights (AEFAA)
12 March 2015	14,924	Issued to the Employee Share Trust as long term incentives
31 August 2015	11,899	Conversion of STI performance rights (AEFAG)
31 August 2015	16,834	Conversion of LTI performance rights (AEFAC)
31 August 2015	11,659	Issued to the Employee Share Trust as long term incentives

No further shares have been issued or are planned from the date of this report. No amounts are unpaid on any of the shares.

Remuneration Report

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for 2015.

The 2015 financial year has further built on the excellent result for 2014. We have delivered strong underlying business performance against a background of market and regulatory pressure on fees. We demonstrated this through our strong investment performance and improved net flows and our ability to deliver a strong dividend payment for our shareholders.

In 2014 we introduced a new remuneration structure aimed at providing better alignment between employees and shareholders, a more direct link for employees between effort and reward and better employee retention. All permanent employees participate in our employee share plan reflecting our Charter commitments.

In a small team such as Australian Ethical everyone plays a part in delivering superior results and the remuneration model applies to all employees with greater portions of remuneration at risk for more senior employees. This ensures we retain the team that is delivering strong returns for shareholders as well as building long-term value for our company.

We will continue to review our remuneration arrangements to ensure they remain effective in attracting and retaining the best talent to drive Australian Ethical forward.



Stephen Gibbs

Chair
People, Remuneration & Nominations Committee

About this Report

This report deals with the remuneration arrangements for Australian Ethical Investment Limited's ("The Company") Key Management Personnel (KMP). This includes the Non-Executive Directors, the Managing Director and the Executives. The Report has been audited as required by section 308(3C) of the Corporations Act 2001. Terms used throughout the report are defined in the section "Key Terms Used in this Report".

Our Remuneration Policy and Structure

The Company's remuneration policy is designed to create a motivating and engaging environment for employees where they feel appropriately paid and incentivised for the contribution they make to the performance of the Company.

General principles

The principles underpinning our remuneration framework are:

- pay people fairly for the work that they do
- build long term ownership in the Company
- be motivating for employees
- align reward with contribution to the Company's performance
- align shareholder interests and the Company's capacity to pay
- attract and retain talented people
- promote the values of the Charter and be aligned with the purpose of the Company
- be simple to administer and to communicate

The remuneration philosophy is also consistent with the principles of the Company's Constitution and Charter. In particular:

- it is designed to ensure that the Company facilitates "the development of workers participation in the ownership and control of their work organisations and places" - Charter element (a)
- it is designed so as to not "exploit people through the payment of low wages or the provision of poor working conditions" - Charter element (ix)
- the incentive structure meets the requirements of Rule 15.1(c) of the Constitution which provides that prior to recommending or declaring any dividend, provision must be made for a bonus or incentive for employees to be paid of up to 30 percent (30%) of what the profit for that year would have been had not the bonus or incentive payment been deducted.

Remuneration Framework Summary

Element	Key Driver	Quantum	How Paid	Criteria	Changes to prior year
Fixed remuneration (FR)	Pay people fairly.	Assessed against market data based on position and skills and experience brought to the role. Target remuneration is based around the Median of the relevant comparator group for each job role.	Paid fortnightly	Continued employment	Unchanged
Short Term Incentive (STI)	Incentivises and rewards for achieving annual objectives.	Percentage of Fixed Remuneration based on market assessment.	Paid annually on first pay period after 1 November. Timing allows for the inclusion of financial results in performance assessments.	Objectives include (depending on role): <ul style="list-style-type: none"> • Profit • Growth • Investment performance • Individual objectives • Culture 	<p>Changed to 100% cash. Previously a combination of cash and 12 month performance rights.</p> <p>Change to 100% cash provides a more direct alignment for employees between effort and reward. The issue of performance rights had the potential to impact profits if there were significant changes in the share price.</p>
Long Term Incentive (LTI)	Retention and fostering an interest in the Company's long term performance.	Percentage of Fixed Remuneration based on market assessment.	Shares held in trust and vest after 3 years.	<p>Shares subject to 3 year vesting as follows:</p> <ul style="list-style-type: none"> • 50% based on remaining employed with the Company • 50% based on compound annual growth in Earnings per Share (EPS) and remaining employed with the Company 	<p>Changed to Shares held in Trust for 3 years subject to EPS vesting hurdle. Previously performance rights issued after 3 years subject to a Return on Equity (RoE) vesting hurdle.</p> <p>Changes provide:</p> <ul style="list-style-type: none"> • Greater alignment between shareholders and employees due to participation in the dividend • Employee participation in the affairs of the Company through the voting rights • A vesting hurdle (EPS) more directly relevant to what employees can influence (compared to RoE)

Remuneration Framework

Short Term Incentive

The aim of the Short Term Incentive Scheme is to incentivise and reward employees for performance against annual objectives.

The maximum incentive paid each year is based on a percentage of each employee's Fixed Remuneration and their role and responsibility and benchmarked against market data.

It is paid in cash in November of each year following the finalisation of annual results and performance reviews.

A number of changes have been made to the Short Term Incentive scheme over the past few years. These are:

- A number of schemes were in operation across the Company. These have now been amalgamated into one consistent scheme;
- One scheme that applied just to management and the investment team previously paid bonuses as 50% cash and 50% performance rights with one year vesting. This has now been changed to 100% cash to offer a more direct link between effort and reward and to simplify administration;
- The scheme that applied to remaining employees was previously not linked to market benchmarks. All employees are now benchmarked to market; and
- The Company has progressively been moving employees to market equivalent remuneration.

Outcomes are assessed based on performance against a "balanced scorecard" of objectives. The actual objectives and percentage vary depending on the role and cover the following:

Measure	Description
Profit	A portion of the incentive is based on meeting annual profit targets determined by the board.
Growth	Focussed on building long term growth. Measures include growth in client numbers and net inflows.
Investment performance	Assessed according to performance against investment benchmarks.
Individual objectives	Each employee will have certain project based objectives to achieve for the year.
Culture	Employees have an obligation to adhere to certain cultural standards. These include abiding by the Company's values and risk management requirements.

Long Term Incentive Scheme

The aim of the Long Term Incentive scheme is to foster an interest in the long term performance of the Company, to encourage participation in the affairs of the Company and to encourage the retention of employees.

The maximum incentive paid each year is based on a percentage of each employee's Fixed Remuneration and role, benchmarked against market data.

Shares are issued at the commencement of each financial year and held in trust for 3 years. They vest in the name of the employee after 3 years, provided that the employee remains employed and that long term financial performance hurdles are met. Whilst the shares remain unvested, employees participate in dividends and have voting rights.

The performance hurdles have been determined as follows:

Portion	Performance hurdles	Rationale
50%	Based on remaining employed during the period	Aimed at retention and increasing share ownership. Employee share ownership is very low due to past hurdles not being met.
50%	Average EPS growth less than 5% pa	Zero
	Average EPS growth between 5% and 10% pa	Pro rata
	Average EPS growth exceeds 10%	Maximum

Changes were made to the Long Term Incentive Scheme in the 2014 year as follows:

- Performance rights were replaced by shares held in trust. We believe this better aligns employee and shareholder interests and better fosters an interest in the long term performance of the Company.
- The hurdle was changed from Return on Equity to Earnings per Share growth. This was done as we believe that Earnings per Share is the measure that employees can most directly influence. We believe the hurdles set are both attainable and challenging. Two alternatives were considered; Total Shareholder Return and Return on Equity. Total Shareholder Return takes into account share price performance and dividend returns; it is subject to external factors beyond employees' influence and is not as effective for a stock with low liquidity. Return on Equity is heavily influenced by balance sheet decisions and was considered insufficiently challenging and thus not aligning the interests of employees and shareholders.

A detailed comparison between the two schemes is as follows:

	Performance rights (old scheme)	Deferred shares (new scheme)
Description	<p>Rights issued at the commencement of the 3 year performance period and, subject to meeting performance hurdles, vest into ordinary shares at the end of the period based on the share price at the end of the period.</p> <p>Employees have placed limited value on them in the past making them ineffective as a retention mechanism.</p>	<p>Shares are issued or bought on market at the commencement of the 3 year performance period and held on trust. At the end of the period, subject to performance hurdles being met, shares transfer into the name of the employee.</p>
Performance hurdles	<p>Vesting is subject to the following hurdle:</p> <ul style="list-style-type: none"> • If RoE is less than 15% over 3 years, zero will vest. • If RoE is greater than 20% over 3 years, 100% will vest. • If RoE is between 15% and 20%, a pro rata amount will vest. 	<p>50% will vest if the employee remains with the Company after 3 years.</p> <p>50% will vest on the following basis:</p> <ul style="list-style-type: none"> • If EPS growth is less than 5% pa, on average, zero will vest. • If EPS growth is greater than 10% pa, on average, 100% will vest. • If EPS growth is between 5% and 10% pa, on average, a pro rata amount will vest. <p>EPS was chosen over RoE as it is more within the influence of employees and is a driver of long term shareholder value thereby providing better alignment between employees' effort and shareholder interests.</p>
Dividends	<p>No dividends paid on unvested rights.</p> <p>Dividends are taken into account in the calculation of rights to be issued.</p>	<p>Dividends paid on unvested shares. This:</p> <ul style="list-style-type: none"> • Provides real value that employees lose if they leave the Company, making them an effective retention mechanism. • Provides a direct real interest in the six monthly dividend performance of the Company and hence alignment with shareholders' interests.
Voting	<p>Employees cannot vote on unvested rights.</p>	<p>Employees can vote on unvested shares.</p>
Expense to company	<p>Rights are amortised over 3 years based on an assessment of the share price at the end of the 3 year period. A rising share price leads to a greater expense.</p>	<p>Cost of shares is fixed at time of issue and expensed over a three year period giving greater certainty.</p>
Tax impact on company	<p>Not deductible.</p>	<p>Fully deductible in year of issue.</p>
Tax impact on employees	<p>Tax crystallises on vesting which has in some cases led to employees selling their shares to fund their tax bill.</p>	<p>Tax crystallises only on exit from the employee share trust and therefore the payment of tax is more in the control of the employee.</p>

^ Growth in EPS is defined as compound average annual growth in the Company's earnings per share comprising basic earnings per share (after tax). The Board may adjust EPS for items that do not reflect management and employee performance and day-to-day business operations and activities.

Actual Remuneration

Total remuneration paid and alignment with Company performance

STI rewards for KMPs are based on a range of key performance measures. Depending on the role these include a portion linked to current year profit, for the investment team a portion linked to the performance of the investment funds for which they're responsible and for the sales and marketing team a portion linked to net flows. The profit portion of these relate to the prior year to when it is paid. Other elements (e.g.: investment performance and net flows) are focussed on building long term value and will impact profit performance over the longer term.

LTI is subject to average Earnings per Share Growth ("EPS") performance hurdles over the three year vesting period¹. If these are not met the shares are held in trust and reduce the amount that is required to be funded in future years.

The following table shows how fixed remuneration, STI and LTI outcomes compared to the Company's financial results over the past five years. STI outcomes and company results are not expected to be perfectly correlated as the Company's STI performance assessment involves a broader consideration of the Company's progress in generating future value for shareholders (eg: non-financial performance and financial results relative to the targets set by the Board).

Five Year Performance	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	Notes
Fixed Remuneration	6,642,648	6,544,510	5,902,946	5,611,929	5,699,239	1
Directors fees	156,226	177,993	217,305	280,381	293,175	
Bonus and rights expense						
STI constitutional bonus (old scheme)	194,855	85,846	66,926	65,000	-	2
STI cash payable	141,493	94,131	277,753	220,018	1,141,982	3
STI rights expense (old scheme)	-	-	164,857	473,191	479,943	4
LTI rights expense (old scheme)	255,905	231,478	70,696	436,139	928,557	5
LTI shares issued (new scheme)	-	-	-	-	175,852	6
Bonus & Rights under/over accrual	-	-	(69,348)	28,734	292,507	7
Total Bonus and Rights Expense	592,253	411,455	510,884	1,223,082	3,018,841	
Other Employment Cost	242,030	(348,450)	29,739	32,309	39,392	
Total remuneration	7,633,157	6,785,509	6,660,875	7,147,703	9,050,647	
Net Profit After Tax (\$'000)	1,098	402	1,063	2,543	1,970	
Underlying Profit After Tax (\$'000)	981	860	1,675	3,111	2,454	
Return on Equity (3 year average)	14.1%	11.1%	12.1%	18.1%	23.4%	
Earnings per share	113	40.1	104.84	248.51	190	
Earnings per share growth (3 year average)	(2.4%)	(27.0%)	(2.5%)	83.7%	22.0%	
Share price at end of period (\$)	19.1	17.5	19.5	35.45	58.8	
Dividends (c per share)	170	60	85	200	200	
Total shareholder return (TSR)	(10%)	(5%)	16%	92%	72%	
Average FTE	48.9	41.5	34.3	28.6	30.7	

Notes:

1. Fixed remuneration has decreased and stabilised over time as the business has become more efficient operating with fewer people. Average salaries have increased as the Company has progressively moved people to market equivalent remuneration.
2. In 2015 the “Constitutional Bonus” paid to staff not in the STI scheme was discontinued as the STI scheme was rolled out to all employees.
3. STI cash component has increased significantly due to three factors:
 - a. The inclusion of all employees in the Scheme
 - b. The move to pay STI as 100% cash rather than 50% cash and 50% performance rights. The current year cash payable amount includes 100% of the current year STI expense compared to only 50% under the old scheme.
 - c. Accrual for expected bonuses in respect of meeting performance hurdles in the 2015 financial year which will be paid in the 2016 financial year. These performance hurdles included investment performance and profit targets.
4. Will reduce to zero in the 2016 financial year. This item is the residual 50% of the prior year STI under the old scheme.
5. This has increased due to the following:
 - a. The increased share price. Performance rights are amortised based on the prevailing share price at the end of the period
 - b. Increased likelihood of meeting hurdles due to the increased RoE
 This item will reduce to zero in the financial year ended 30 June 2017 as the new scheme (Note 6) increases.
6. This is one year’s amortisation of the first issue of shares under the new share scheme and will increase over time as further issues are made. Once the shares have been purchased any future share price changes do not impact expenses for the Company.
7. Over/under accruals are due to needing to finalise accounts prior to finalisation of performance assessments and are accrued based on “target”

Non-financial outcomes

As described earlier, in addition to profit targets a number of non-financial objectives are used to determine incentive outcomes. Many of these develop the long term sustainability of the business and so are not necessarily correlated to short term financial performance. These objectives are applied in varying degrees depending on the role. Performance against some of these objectives in the past financial year have been:

Measure	2015 performance
Growth	Total net flows of \$179m, almost double the previous year.
Investment performance	Regular top quartile investment performance.
Culture	Employee engagement score considered to be in “Best Employer” range.
Competitiveness	Superannuation fees reduced by 0.67% over 12 months, virtually halving over the past two years.

Management Team Remuneration

The following tables show the fixed remuneration, maximum STI and LTI for each KMP as a proportion of total remuneration. Actual amounts received are shown under the Statutory Reporting tables.

	Position	Fixed Remuneration (%)	Maximum Short-term incentive (%)	Maximum Long Term incentive (%)
Managing Director & CEO				
P Vernon	Managing Director & CEO	56%	28%	16%
Current Management				
D Barton	CFO	77%	15%	8%
A Kirk	Head of Business Development & Client Relations	71%	21%	8%
D Macri	CIO	50%	33%	17%
T May	General Counsel & Company Secretary	77%	15%	8%
S Palmer	Head of Ethics	77%	15%	8%
Departed Management				
P Smith	Head of Marketing	76%	16%	8%

Contract terms

All KMP's have formal contracts of employment and are permanent employees of the Company.

	Term	Notice period
Managing Director	3 years concluding on 31 March 2016. Extended for further 3 years to 31 March 2019.	52 weeks before the Contract expiry date, the Company may terminate the Managing Director's employment by giving 52 weeks' notice in writing. In the event the Contract has less than 52 weeks to run before the expiry date, the Company may terminate the Managing Director's employment by giving notice to the expiry date.
Management team	No fixed term	12 weeks

Non-Executive Directors Remuneration

In addition to fixed remuneration, Non-Executive Directors (NEDs) are entitled to be paid reasonable expenses, remuneration for additional services and superannuation contributions. Non-executive Directors are not eligible to participate in employee incentive plans.

The total paid to non-executive directors of the Company is approved by shareholders at the Annual General Meeting. The current pool of \$360,000 was approved at the AGM in October 2014. A review of Non-executive Directors' remuneration is undertaken annually by the Company Board, taking into account recommendations from the People, Remuneration and Nominations committee.

The following table sets out the agreed remuneration for Non-Executive Directors by position:

Director	Chair	NED	Committee Chair	Committee member	Total**
Australian Ethical Investment Limited					
Stephen Gibbs*	54,000	20,000	2,185	12,018	88,203
Tony Cole		36,000	5,463	1,639	43,102
Kate Greenhill*		56,000	19,665	1,639	77,304
Mara Bun		36,000			36,000
Total	54,000	148,000	27,313	15,296	244,609
Australian Ethical Superannuation Pty Ltd					
Ruth Medd	30,000			8,740	38,740
Les Coleman		20,000		8,740	28,740
Total	30,000	20,000	-	17,480	67,480
Total Group	84,000	168,000	27,313	32,776	312,089

* Stephen Gibbs and Kate Greenhill are also Directors of Australian Ethical Superannuation Pty Ltd and members of the Australian Ethical Superannuation Pty Ltd Audit, Compliance and Risk Committee.

** This table shows the Non-Executive Director remuneration for a full year, for actual remuneration received see below.

Statutory reporting

Management team remuneration

The table below outlines Executive reward as calculated in accordance with accounting standards and the Corporations Act 2001 requirements. The amounts shown are equal to the amount expensed in the Company's financial statements.

		Short Term Benefits		Post Employment Benefits	Equity			Long Term Benefits
Name	Year	Salary, Fees and Leave (\$)	Cash Bonus (\$)	Superannuation (\$)	Settled Share-based payments (\$)	Total (\$)	Performance Based Proportion (\$)	Long Service Leave (\$)
Managing Director & CEO								
P Vernon	2015	337,458	76,162	18,782	103,904	536,306	33.6%	10,842
	2014	304,814	49,771	25,000	13,790	393,375	16.2%	7,623
Current Management								
D Barton	2015	238,513	21,282	18,782	-	278,577	7.6%	5,915
	2014	228,627	-	21,146	-	249,773	0%	5,068
A Kirk	2015	212,000	30,502	18,782	11,344	272,628	15.3%	5,778
	2014	233,143	7,247	17,773	8,574	266,737	5.9%	4,858
D Macri	2015	280,124	67,179	18,782	100,574	466,659	35.9%	12,086
	2014	243,850	43,623	24,999	48,719	361,191	25.4%	7,299
T May	2015	193,356	17,696	18,782	21,376	251,210	15.6%	5,631
	2014	189,867	5,084	17,143	5,670	217,764	4.9%	4,103
S Palmer	2015	164,307	5,605	16,142	-	186,054	3.0%	4,167
	2014	43,615	-	3,993	-	47,608	-	4,045
Departed Management								
P Smith	2015	83,488	-	7,469	12,053	103,010	11.7%	-
	2014	183,813	7,713	17,688	6,555	215,769	6.6%	4,274
Total	2015	1,509,246	218,426	117,521	249,251	2,094,443	22.3%	44,419
	2014	1,431,729	113,438	127,742	83,308	1,752,217	11.2%	37,270

Non-Executive Directors remuneration

		Short Term Benefits		Post Employment Benefits	Equity			Long Term Benefits
Name	Year	Salary, Fees and Leave (\$)	Cash Bonus (\$)	Superannuation (\$)	Settled Share-based payments (\$)	Total (\$)	Performance Based Proportion (\$)	Long Service Leave (\$)
Non-Executive Director's – Australian Ethical Investment Ltd								
S Gibbs	2015	80,897	-	7,647	-	88,544	-	-
	2014	77,559	-	9,702	-	87,261	-	-
T Cole	2015	39,531	-	3,737	-	43,268	-	-
	2014	38,745	-	3,588	-	42,333	-	-
K Greenhill	2015	55,600	-	5,256	-	60,856	-	-
	2014	41,714	-	3,863	-	45,578	-	-
M Bun	2015	33,018	-	3,121	-	36,139	-	-
	2014	32,847	-	3,043	-	35,889	-	-
Non-Executive Director's – Australian Ethical Superannuation Pty Ltd								
R Medd	2015	35,531	-	3,359	-	38,890	-	-
	2014	36,746	-	3,404	-	40,150	-	-
L Coleman	2015	23,278	-	2,200	-	25,479	-	-
	2014	29,999	-	2,778	-	32,777	-	-
Departed Directors								
A Morony	2015	-	-	-	-	-	-	-
	2014	13,871	-	1,287	-	15,158	-	-
Total	2015	267,856	-	25,319	-	293,175	-	-
	2014	271,481	-	24,261	-	299,146	-	-

Notes in relation to the Non-Executive Directors and Management team remuneration:

1. The short term incentive bonus is for performance during the prior financial year using agreed KPI's. The amount was finally determined in September 2014 after performance reviews were completed and approved by the PRNC.
2. The value of share based payment is based on the market value of shares on the day they vest.
3. No non-monetary benefits were provided to any KMP's.

Unvested performance rights, unvested shares and ordinary shares

The movement during the reporting period in the number of rights over ordinary shares and ordinary shares in the Company, held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

Name	Rights/Shares Class	Balance at beginning of year	No. granted	No. forfeited/ Expired/ Sold	No. vested & exercised	Balance at the end of year
Managing Director & CEO						
P Vernon	AEFAA	1,472	-	(736)	(736)	-
	AEFAC	2,432	-	-	-	2,432
	AEFAE	4,037	-	-	-	4,037
	AEFAF	2,195	-	-	(2,195)	-
	AEFAG	-	1,967	-	-	1,967
	Deferred Shares*	-	2,412	-	-	2,412
	AEF Ordinary shares	2,082	-	-	2,931	5,013
	2015 Total	12,218	4,379	(736)	-	15,861
	2014 Total	8,467	6,232	(2,481)	-	12,218
Current Management						
D Barton	AEFAG	-	566	-	-	566
	Deferred Shares	-	604	-	-	604
	2015 Total	-	1,170	-	-	1,170
	2014 Total	-	-	-	-	-
A Kirk	AEFAC	1,142	-	-	-	1,142
	AEFAE	856	-	-	-	856
	AEFAF	320	-	-	(320)	-
	AEFAG	-	811	-	-	811
	Deferred Shares	-	537	-	-	537
	AEF Ordinary shares	28	-	(320)	320	28
	2015 Total	2,696	1,348	(320)	-	3,374
	2014 Total	1,520	1,176	-	-	2,696

* Approval for this issue of securities was obtained under ASX Listing Rule 10.14 at the Company's 2014 AGM.

Name	Rights/Shares Class	Balance at beginning of year	No. granted	No. forfeited/ Expired/ Sold	No. vested & exercised	Balance at the end of year
D Macri	AEFAA	827	-	(413)	(414)	-
	AEFAC	1,379	-	-	-	1,379
	AEFAE	3,223	-	-	-	3,223
	AEFAF	1,924	385	-	(2,309)	-
	AEFAG	-	1,785	-	-	1,785
	Deferred Shares	-	2,313	-	-	2,313
	AEF Ordinary shares	2,414	-	(5,137)	2,723	-
	2015 Total	9,767	4,483	(5,550)	-	8,700
	2014 Total	4,928	5,505	(666)	-	9,767
T May	AEFAA	758	-	(379)	(379)	-
	AEFAC	939	-	-	-	939
	AEFAE	720	-	-	-	720
	AEFAF	224	-	-	(224)	-
	AEFAG	-	470	-	-	470
	Deferred Shares	-	501	-	-	501
	AEF Ordinary shares	-	-	(603)	603	-
	2015 Total	2,641	971	(982)	-	2,630
	2014 Total	2,291	944	(594)	-	2,641
S Palmer	AEFAG	-	149	-	-	149
	Deferred Shares	-	382	-	-	382
	2015 Total	-	531	-	-	531
	2014 Total	-	-	-	-	-
Management who have departed during the year						
P Smith	AEFAC	968	-	(968)	-	-
	AEFAE	706	-	(706)	-	-
	AEFAF	340	-	-	(340)	340
	AEF Ordinary shares	289	-	-	340	629
	2015 Total	2,303	-	(1,674)	-	629
	2014 Total	1,257	1,046	-	-	2,303

For details on the performance criteria for each tranche of performance rights and deferred shares refer to Note 26 of the Notes to the Consolidated Financial Statements.

Future vesting schedule

Type	Issue year	Vesting year	Number
Rights	2012	2015	16,834
Rights	2013	2016	16,879
Rights	2014	2017	11,899
Deferred Shares	2015	2018	14,924
Total			60,536

Governance

The Role of the People, Remuneration and Nominations Committee

The role of the People, Remuneration and Nominations Committee (PRNC) is to help the Board fulfil its responsibilities to shareholders through a strong focus on governance, and in particular, the principles of accountability and transparency. The PRNC operates under delegated authority from the Board.

The terms of reference include oversight of remuneration as well as executive development, talent management and succession planning.

The PRNC members for the 2014/15 financial year were:

- Stephen Gibbs (Chair);
- Kate Greenhill; and
- Tony Cole.

The PRNC met four times during the year.

A standing invitation exists to all Directors and the Chair of Australian Ethical Superannuation Pty Ltd to attend PRNC meetings. Attendance at these meetings is set out in the Directors' Report. At the PRNC's invitation, the Managing Director and the People and Culture Consultant attended all meetings except where matters associated with their own performance evaluation; development and remuneration were to be considered. The PRNC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration consultants.

Managing Director and KMP Performance

An annual assessment of the Managing Director is completed by the Chairman and is overseen by the Board, with input from the PRNC. The review includes a 360 review process, measurement of performance against agreed KPI's and Company performance.

The bonus received by the Managing Director during 2014/15 is shown in Statutory Reporting table and relates to the previous financial year of 2013/2014. This flows from a formula linking the bonus to year on year profit changes and reflects an increase in the results for that previous financial year.

The Managing Director is responsible for reviewing the performance of Executives and determining whether their performance requirements were met. Both quantitative and qualitative data is used to determine whether performance criteria are achieved.

Use of Remuneration Consultants

In May 2014, the PRNC appointed KPMG as its principal remuneration consultant to provide specialist advice on executive remuneration and other Group-wide remuneration matters.

KPMG provided information to the PRNC to assist with its review of the remuneration structure implemented in 2014/15.

The PRNC also utilised the services of Egan Associates to advise on the Company's non-executive director remuneration arrangements.

Hedging Policy

Executives participating in the Company's equity-based plans are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.

Trading Restrictions and Windows

All directors and employees are constrained from trading the Company during "blackout periods". These periods occur between the end of the half year and full year and two days after the release of the half year and full year results. This policy was adopted in May 2015 and replaced the application of a shorter "trading window". The new policy gives more time for employees to trade shares, minimising the potential impact on the share price.

Outcomes of votes at Annual General Meetings

At the 2013 AGM, the Remuneration Report received 38.19% of the vote against it out of 70.1% of shareholders that voted on the report. This result constituted a 'first strike'.

At the 2014 AGM, the Remuneration Report received 44.05% of the vote against it out of 62.97% of shareholders that voted on the report. This result constituted a 'second strike'.

This required a spill motion being put to shareholders. The outcome of this motion was that 63.0% of the votes cast were against.

In setting the remuneration structure we have carefully considered comments made by shareholders, sought advice from remuneration consultants and reviewed practises of our peers. We believe that the structure we have adopted is the most appropriate for our people, shareholders and the business providing the right balance between motivation, retention and alignment of interests between employees and shareholders.

The Directors report, incorporating the Remuneration report, is signed in accordance with a resolution of the Board of Directors.



Phil Vernon

Managing Director & Chief Executive Officer

Dated: 28 August 2015

Corporate Governance Statement 2015

This Corporate Governance Statement 2015 has been prepared under the ASX Corporate Governance Principles and Recommendations (3rd edition) ("Principles and Recommendations") and discloses the extent to which Australian Ethical Investment Ltd ("the Company") followed the Principles and Recommendations during the financial year ended 30 June 2015 ("the reporting period").

This statement will be available from the corporate governance section on the Company's website.

Lay Solid Foundations for Management and Oversight (Principle 1)

The Company is governed by a Board of Directors appointed by shareholders. The Board has three committees; an Audit, Compliance and Risk Committee, an Investment Committee and a People, Remuneration and Nominations Committee. Each committee is delegated with authority to fulfil certain obligations and strengthen the overall governance framework.

The Company has formalised the functions reserved to the Board and those delegated to Management.

The Company's Constitution requires it to operate in a way that promotes the tenets of the Australian Ethical Charter. The Charter requires consideration of economic, environmental and social impact.

Board Role and Responsibilities

The roles of the Board of Australian Ethical Investment Limited are:

- For the AEI Group – to approve the overall objectives and strategic direction of the AEI Group.
- As the Responsible Entity for the Australian Ethical Managed Investment Funds – to seek assurance from Management that the Funds are being operated within the terms of their Constitutions and the requirements of relevant legislation, regulatory obligations, licence conditions, codes of conduct and policies and procedures and in the best interests of all investors.
- As the owner of Australian Ethical Superannuation Pty Ltd, the trustee of the Australian Ethical Retail Superannuation Fund – to seek assurance from the AES Board and Management that the Fund is being operated within the terms of its Trust Deed and Constitution and the requirements of relevant legislation, regulatory obligations, licence conditions, codes of conduct and policies and procedures and with reference to the best interests of all members.
- To act in accordance with, and further the aims of, the Australian Ethical Charter.

The responsibilities associated with each of these roles are outlined in the Board Charter, which is available from the Company's website.

The Board delegates responsibility for the performance of

specific functions to the Chair, to the Board Committees and to the Managing Director.

The Board Committees are delegated with all necessary authority to carry out their functions as set out in Board Committee Charters which are available from the Company's website.

The Managing Director is delegated with all necessary authority to run the Company on an ongoing, day to day basis other than those responsibilities reserved to the Board and delegations (general or specific) made by the Board to the Chair, Board committees, Directors or other senior executives.

The division of functions between the Board, the Committees and the Managing Director is reviewed annually, as part of the review of the content of the Charters, to ensure that the division of functions remains appropriate to the needs of the Company.

Fit and Proper Checks for Directors

All candidates nominated for election as directors are subject to a comprehensive competency and propriety assessment process. As part of this process, candidates are required to provide the Company with details of their other commitments, and an indication of the time involved, and specifically acknowledge that they will have sufficient time to fulfil their responsibilities as a director.

The Company ensures that relevant and sufficient information is provided to security holders to enable them to make an informed decision on whether or not to elect, or re-elect, a candidate for a directorship. This information is provided in the notice of meeting issued in relation to the meeting at which the vote will occur.

Terms of Appointment

A part of the appointment process, each Director is asked to sign a letter of appointment, and each senior executive is asked to sign an employment agreement, setting out the terms, conditions, expectations and entitlements of the appointment.

Independent Legal and other Professional Advice

Directors have a right to seek independent legal and other professional advice at the Company's expense on any aspect of the Company's operations or undertakings, in order to fulfil their duties and responsibilities as directors, subject to the following qualifications:

- They must have the prior approval of the Chair to seek the specific independent legal and other professional advice;
- They must ensure that the costs are reasonable; and
- Any advice received must be made available to the rest of the Board unless either the Chair or the Board agree that the rest of the Board does not need to see the advice.

Company Secretary

The Company Secretary is directly accountable to the Board, through the Chair, on all matters associated with the proper functioning of the Board. The Board is charged with responsibility to appoint or remove the Company Secretary. All Directors are able to communicate directly with the Company Secretary.

Diversity Policy

The Company has agreed measurable objectives for achieving gender diversity and requires annual assessment against the objectives and progress in achieving them.

The Board has charged the People, Remuneration and Nominations Committee with responsibility for setting the Company's measurable objectives for achieving gender diversity and annually reviewing these objectives and the Company's progress towards achieving them.

The Company's Sustainability Report contains detailed reporting in relation to diversity issues and in relation to the status of employees generally. The Sustainability Report is available from the Company's website.

Evaluating the Performance of the Board, the Committees and the Directors

An internal review of the performance of the Board was undertaken during the reporting period. The Board has appointed an external facilitator to conduct an evaluation during the current reporting period. The Board intends to continue to conduct annual evaluations and to periodically work with an external facilitator.

Evaluating the Performance of Senior Executives

Executive performance is evaluated in accordance with the Company's performance review guidelines. The Chair conducts the Managing Director's performance review. The Managing Director conducts the performance reviews of the other senior executives.

An evaluation of the Managing Director and each of the senior executives was undertaken in the reporting period.

Structure the Board to Add Value (Principle 2)

People, Remuneration and Nominations Committee

The Board has a People, Remuneration and Nominations (PRN) Committee comprising the Chair and two Independent Non-Executive Directors. The qualifications of those appointed to the PRN Committee are provided in the Directors' Report, as are the number of meetings of the Committee and attendance at those meetings.

From a nominations perspective, the PRN Committee is responsible for the following matters.

- a. Assessing the necessary and desirable competencies of prospective Directors.
- b. Ensuring that the current composition of the Board demonstrates an appropriate mix of competencies to allow the Board to discharge its responsibilities effectively.
- c. Ensuring that Directors have access to appropriate continuing education which updates and enhances their skills and knowledge.
- d. Ensuring that the Board has developed a succession plan which ensures that an appropriate balance of skills, experience and expertise is maintained on the Board at all times.
- e. Making recommendations to the Boards in relation to the appointment of, and retirement of, Directors.
- f. Seeking assurance from Management that:
 - All prospective Directors meet the minimum fit and proper requirements;
 - There is a Director Induction Program in place and that all new Directors have undertaken the Program within three months of appointment.

The PRN Committee considers the above responsibilities, the current Board composition, any nominations or suggestions for directorship and the assessment of incumbent directors.

The **PRN Committee Charter** is available from the Company's website.

Board Skills Matrix

The Company is comfortable that the Board collectively held the appropriate skills to perform its roles during the reporting period.

Independent Directors and Independent Chair

A director is an independent director if they are a non-executive director and:

- a. Is not a substantial shareholder (as defined in the Corporations Act) or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- b. Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- c. Within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;

- d. Is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- e. Has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- f. Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The list reflects the relationships set out in the Principles and Recommendations.

The classification of directors who held office during the reporting period is set out below.

Director	Status	
Stephen Gibbs (Chair)	Independent Non Executive Director	Appointed by the Board on 25 July 2012. Elected to a three year term on 20 November 2012 at the 2012 AGM and re-elected on 29 October 2014 at the 2014 AGM. Appointed Chair on 1 March 2013.
Mara Bun	Independent Non Executive Director	Appointed by the Board on 4 February 2013. Elected to a three year term on 22 November 2013 at the 2013 AGM.
Tony Cole, AO	Independent Non Executive Director	Appointed by the Board on 4 February 2013. Elected to a three year term on 22 November 2013 at the 2013 AGM and re-elected on 29 October 2014 at the 2014 AGM.
Kate Greenhill	Independent Non Executive Director	Appointed by the Board on 22 February 2013. Elected to a three year term on 22 November 2013 at the 2013 AGM.
Phillip Vernon	Non Independent Executive Director	Phillip is the Managing Director and was appointed on 26 July 2010.

Stephen Gibbs was appointed as a director by the Board on 25 July 2012. Prior to his appointment Stephen was the Chair of CAER Pty Ltd. At the time of his appointment, CAER Pty Ltd was a material supplier of ethical research services to the Company. CAER Pty Ltd is no longer a material supplier to the Company and accordingly Stephen is considered to be an Independent Non-Executive Director.

There have been no changes to board membership over the course of the reporting year and no changes to the Independent Non-Executive Directors' interests, positions, associations or relationships that may bear on their independence. The Board is comprised of a majority of Independent Directors which is consistent with the Principles and Recommendations; the Board intends to keep this balance as it represents best corporate governance and alignment with the Australian Ethical Charter.

Director Induction and Ongoing Professional Development

The Company requires new Directors to complete a director induction on appointment. The program is created for each individual as they are appointed to reflect their knowledge of the company and the markets in which the company operates.

The PRN Committee is responsible for ensuring that the Directors as a group have the appropriate skills, knowledge and familiarity with the Company and its operating environment in order to be able to fulfil their role on the Board and on Board committees effectively. Where gaps are identified, the PRN Committee identifies the training or professional development which could be undertaken to fill those gaps, and organizes for individual Directors to complete this training or professional development within a reasonable timeframe. The PRN Committee Charter is available from the Company's website.

The time in office, skills, experience and expertise of each director in office during the reporting period is included in the Directors' Report.

Act Ethically and Responsibly (Principle 3)

The Company is an ethical investment company that manages money in accordance with the Australian Ethical Charter. The Charter is in the Company's Constitution and informs all aspects of the Company's operations. The Charter is available on the Company's website.

Code of Conduct

The Company has a Code of Conduct that outlines what the Company regards as acceptable business practices for directors, senior executives and employees. The Code of Conduct is addressed in induction training for new directors and employees and is promoted to current directors and employees during corporate and personal development sessions. It is available on the Company's website.

Conflicts Management

The Company has a Conflicts Management Policy which documents the procedures in place for identifying, managing, monitoring and reporting situations giving rise to actual, potential and perceived conflicts of duty and interest for the Company and for its directors and employees.

The Company maintains a Register of Relevant Duties and a Register of Relevant Interests, which are tabled at each meeting of the Board and the ACR Committee for review. A Summary of the Conflicts Management Policy is available on the Company's website.

Safeguard Integrity in Corporate Reporting (Principle 4)

Audit, Compliance and Risk Committee

The Board has an Audit, Compliance and Risk (ACR) Committee consisting of two external members and two Independent Non-Executive Directors. The Committee is chaired by an Independent Chair who is not the Chair of the Board. The qualifications of the members of the ACR Committee are provided in the Directors' Report, as are the number of meetings of the Committee and attendance at meetings.

From an audit and financial management perspective, the ACR Committee is responsible for:

- a. Overseeing compliance with AEI's financial management obligations, and in particular:
 - Acting as a formal channel of communication between the AEI Board, the External Auditor, the Internal Auditor and the Chief Financial Officer;
 - Seeking assurance from Management that the stated policies of AEI in relation to statutory, financial, tactical and accounting matters, internal financial controls and discharge of 'trading company' fiduciary obligations, are being carried out and that the relevant accounting standards and techniques have been applied.
- b. Reviewing the final drafts of, and approving and signing:
 - The financial statements for the Schemes that are required to be lodged with the ASX and ASIC;
 - The Directors' Declarations; and
 - Any other associated documents or statements.

- c. Reviewing the final drafts of, and making recommendations to the AEI Board as to whether or not the Directors should approve and sign:
 - The financial statements for AEI that are required to be lodged with the ASX and ASIC;
 - The Directors' Declarations; and
 - Any other associated documents or statements.
- d. Overseeing compliance with AEI's external and internal audit obligations, in particular:
 - Appointing the External Auditor at least annually and the Internal Auditor at least triennially;
 - Reviewing the scope of the audit plans proposed by the External Auditor and Internal Auditor annually; and
 - Reviewing the content of all audit reports and monitoring the actions of Management to ensure that identified issues are being appropriately managed and rectified.

The ACR Committee considers the performance and independence of the External Auditor over the course of a reporting period. In selecting an External Auditor, the ACR Committee seeks competence, industry experience, integrity and independence. In normal circumstances, appointment of the External Auditor will typically continue for six years. Rotation of external audit engagement partners occurs in accordance with the rotation requirements of the Corporations Act 2001.

The ACR Committee Charter is available from the Company's website.

Managing Director and Chief Financial Officer Sign-Off of Financial Reports

The Company requires the Managing Director and the Chief Financial Officer to state in writing to the Board that the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with relevant accounting standards.

The Managing Director and the Chief Financial Officer certify to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to identifying, managing and mitigating financial reporting risks.

External Auditor Attends AGM

The External Auditor attends every AGM to answer audit-related questions from security holders.

Make Timely and Balanced Disclosure (Principle 5)

Continuous Disclosure Policy

The Company has a Continuous Disclosure Policy designed to ensure compliance with the ASX Listing Rule disclosure requirements and accountability at senior executive level for compliance. The Policy is available from the corporate governance section on the Company's website.

Respect the Rights of Security Holders (Principle 6)

Information Provided on the Website

The Company's website includes a Corporate Governance Landing Page where security holders and other stakeholders can access relevant corporate governance information (including Company announcements).

Investor Relations Program

The Company is in the process of compiling all aspects of its investor relations program into a single Investor Relations Policy. In addition to the information contained on the website:

- A facility is available to shareholders to be advised via e-mail when ASX announcements are made;
- The Company has an active social media presence that keeps shareholders and other stakeholders continually updated on issues relevant to the Company and responsible investments;
- Regular sequence of communication points with investors and members is in place including a newsletter, Good Money, for investors and a shareholder newsletter;
- A Sustainability Report based on Global Reporting Initiative Guidelines is produced annually and is available from the Company's website;
- In the reporting period shareholders were surveyed for their views on the Company's Annual and Sustainability Report; and
- Shareholders are asked to vote on potential recipients of grants under the Company's community grants program (the Company's Constitution requires it to distribute 10% of pre-tax profit to a range of non-profit organisations for any useful charitable, benevolent or conservation purpose before a dividend can be declared).

Encouraging Participation at Meetings of Security Holders

The Company recognises the importance of the AGM to provide shareholders with the opportunity to ask questions of the Board. To encourage participation at the AGM, the Company:

- Announces the date of the AGM as early as practicable;
- Ensures that the AGM is held at a location and venue that is easily accessible to a large number of shareholders;
- Provides a facility for shareholders to submit written questions to the Board prior to an AGM; and
- Records AGM proceedings and makes the recordings available from the Company's website.

Electronic Communications

The Company encourages shareholders to receive and send communications to it and the share registry electronically.

Recognise and Manage Risk (Principle 7)

Audit, Compliance and Risk Committee

From a risk and compliance perspective, the ACR Committee, described at Principle 4 above, is responsible for:

- Overseeing:
 - Completion of compliance obligations and controls identified in the Compliance Master Plan;
 - Matters relevant to AEI and the Scheme's compliance with applicable legislative and regulatory requirements as brought to the Committee's attention by Management.
- The identification, treatment and monitoring of emerging and current material risks, incidents and breaches and complaints relevant to the AEI and the Schemes.
- The lodgment of AEI and the Scheme's statutory reporting obligations.
- The findings of any examinations by regulatory agencies and the timeliness and accuracy of reporting to regulators.
- Seeking assurance from Management that the Group:
 - Has in place systems, policies and procedures designed to meet and monitor its audit, compliance and risk management responsibilities and that these policies and procedures are appropriate and contemporaneous;
 - Is complying with the conditions of its AFS Licence; and
 - Has a structured and methodical program in place to monitor all material service providers.

The ACR Committee Charter is available from the Company's website.

Risk Management Framework

The Company has an established framework for the oversight and management of material risks.

The Board is charged with overall responsibility for managing risk, including agreeing on the risk management methodology and overseeing its implementation, instilling a strong culture of risk identification and management throughout the Company, and reviewing the Company's insurance program, having regard to the business and the insurable risks associated with the business.

The Board has delegated responsibility for overseeing the continued implementation and maintenance of the risk management framework to the ACR Committee. The ACR Committee requires management to implement and maintain the risk management framework and to report to it on whether material risks are being appropriately identified, managed and mitigated. During the reporting period, regular reporting on risk was provided to the ACR Committee and a wholesale review of the risk management framework was completed.

The ACR Committee Charter is available from the Company's website.

Internal Audit Function

The Company appointed an external audit firm to perform the internal audit function. The principal focus of the internal audit function is the Australian Ethical Superannuation Fund and related business processes. However, the internal auditor also considers matters relating to the Group as a whole. The internal audit function has a direct reporting line to the ACR Committee.

Exposure to Economic, Environmental and Social Sustainability Risks

Since listing the Company has produced a Sustainability Report under the Global Reporting Initiative. In 2013 the Company started reporting under the GRI G4 sustainability reporting standard and participated in the GRI G4 Pioneers program along with 83 other organisations from 38 countries in total. In these sustainability reports exposure to economic, environmental and social sustainability risks is addressed; they are available from the Company's website.

The Company is a certified B Corporation. B Corporations are an emerging movement of companies that use the power of business to create a positive impact on the world and generate a shared and durable prosperity for all.

In addition, the Australian Ethical Charter which informs all aspects of the company's operations and investment philosophy is designed to engage with economic, environmental and social sustainability risks in an open and constructive manner.

Remunerate Fairly and Responsibly (Principle 8)

People, Remuneration and Nominations Committee

From a remuneration perspective, the PRN Committee, described in Principle 2 above, is responsible for:

- a. Monitoring adherence to the guidelines set in relation to remuneration arrangements;
- b. Monitoring salary relatives through the AEI Group;
- c. Undertaking an annual review of external remuneration survey data;
- d. Determining, with reference to Management's recommendation, the remuneration of AEI employees and the payment of performance-based pay;
- e. Recommendations to the Board regarding directors' fees and fees for Board Committees;
- f. Considering industry benchmarks and comparators for the Managing Director's remuneration and at least annually determining the remuneration arrangements for the Managing Director.

The PRN Committee Charter is available from the Company's website.

Remuneration of Directors and Senior Executives

Details of remuneration paid to directors and senior executives during the reporting period are set out in the Directors' Report which is available from the Company's website. Non-Executive Directors receive fees for serving as a director in the form of cash plus superannuation contributions. They do not participate in bonus or equity schemes designed for the remuneration of executives.

Equity Based Remuneration Scheme

The Company maintains equity based remuneration schemes in which all permanent employees participate. The Share Trading policy contains restrictions on the transactions that employees can participate in that might limit the economic risk of participating in these schemes. The Share Trading Policy is announced to the ASX whenever it is updated. Further information about the Company's equity based remuneration schemes is set out in the Remuneration Report available from the Company's website.

Financial Report

Financial Statements of Australian Ethical Investment Limited and its Controlled Entities

For the year ended 30 June 2015

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Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Financial Position
As at 30 June 2015

	Notes	Consolidated entity		Parent entity	
		At 30 June 2015 \$'000	30 June 2014 \$'000	At 30 June 2015 \$'000	30 June 2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	9	12,227	7,950	8,566	3,479
Trade and other receivables		1,780	2,745	1,757	3,175
Available-for-sale financial assets		-	12	-	12
Other current assets		323	362	272	325
Assets classified as held for sale	11	-	2,238	-	2,238
Total current assets		14,330	13,307	10,595	9,229
Non-current assets					
Property, plant and equipment	10	2,068	459	2,068	459
Intangible assets	12	57	83	57	83
Deferred tax assets	13	772	396	742	383
Other non-current assets	14	-	-	316	316
Total non-current assets		2,897	938	3,183	1,241
Total assets		17,227	14,245	13,778	10,470
LIABILITIES					
Current liabilities					
Trade and other payables	15	4,333	3,476	3,072	2,190
Current tax liabilities		1,177	757	617	538
Provisions	16	293	232	293	232
Total current liabilities		5,803	4,465	3,982	2,960
Non-current liabilities					
Trade and other payables		142	202	142	202
Deferred tax liabilities		-	1	-	1
Provisions	16	130	94	130	94
Total non-current liabilities		272	297	272	297
Total liabilities		6,075	4,762	4,254	3,257
Net assets		11,152	9,483	9,524	7,213
EQUITY					
Issued capital	17	7,004	6,432	7,004	6,432
Reserves	18(a)	2,338	1,118	2,338	1,118
Retained earnings/(accumulated losses)	18(b)	1,810	1,933	182	(337)
Total equity		11,152	9,483	9,524	7,213

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Comprehensive Income
For the year ended 30 June 2015

	Notes	Consolidated entity		Parent entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from continuing operations	6	21,171	19,889	18,240	15,692
Expenses					
External services	7	(1,714)	(2,018)	(1,330)	(1,667)
Employee benefits expense	7	(9,051)	(7,148)	(8,956)	(7,026)
Depreciation and amortisation expense	7	(186)	(272)	(186)	(272)
Occupancy costs	7	(485)	(439)	(485)	(439)
Marketing and communication costs	7	(762)	(1,007)	(748)	(995)
Fund related expenses	7	(2,916)	(2,770)	(952)	(800)
Loss on disposal of assets		(74)	(15)	(74)	(15)
Community grants expense		(373)	(302)	(373)	(302)
Impairment of property, plant and equipment		(484)	(282)	(484)	(282)
Other expenses	7	(1,548)	(1,503)	(1,435)	(1,400)
		(17,593)	(15,756)	(15,023)	(13,198)
Profit before income tax		3,578	4,133	3,217	2,494
Income tax expense	8(b)	(1,608)	(1,590)	(605)	(810)
Net profit for the year		1,970	2,543	2,612	1,684
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Net loss on revaluation of available-for-sale financial assets, net of tax	18(a)	-	(1)	-	(1)
Net realised loss on available-for-sale financial assets, net of tax	18(a)	-	(7)	-	(7)
Other comprehensive income/(loss) for the year, net of tax		-	(8)	-	(8)
Total comprehensive income for the year		1,970	2,535	2,612	1,676
				2015	2014
				Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Group:					
Basic earnings per share		27(a)		190.00	248.51
Diluted earnings per share		27(b)		180.69	241.13

The above Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Changes in Equity
For the year ended 30 June 2015

Consolidated entity	Notes	Issued capital \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013		6,278	4	345	669	7,296
Net profit for the year		-	-	-	2,543	2,543
Other comprehensive loss for the year		-	(8)	-	-	(8)
Total comprehensive income for the year		-	(8)	-	2,543	2,535
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	154	-	(154)	-	-
Dividends provided for or paid	19	-	-	-	(1,279)	(1,279)
Employee share scheme - Rights	18(a)	-	-	931	-	931
		154	-	777	(1,279)	(348)
Balance at 30 June 2014		6,432	(4)	1,122	1,933	9,483
Balance at 1 July 2014		6,432	(4)	1,122	1,933	9,483
Net profit for the year		-	-	-	1,970	1,970
Other comprehensive loss for the year		-	4	-	(4)	-
Total comprehensive income for the year		-	4	-	1,966	1,970
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	572	-	(572)	-	-
Dividends provided for or paid	19	-	-	-	(2,089)	(2,089)
Employee share scheme - Rights	18(a)	-	-	1,472	-	1,472
Employee share plan - Deferred	18(a)	-	-	316	-	316
		572	-	1,216	(2,089)	(301)
Balance at 30 June 2015		7,004	-	2,338	1,810	11,152

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Changes in Equity
For the year ended 30 June 2015
(continued)

Parent entity	Notes	Issued capital \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2013		6,278	4	345	(742)	5,885
Net profit for the year		-	-	-	1,684	1,684
Other comprehensive loss for the year		-	(8)	-	-	(8)
Total comprehensive income for the year		-	(8)	-	1,684	1,676
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	154	-	(154)	-	-
Dividends provided for or paid	19	-	-	-	(1,279)	(1,279)
Employee share scheme - Rights	18(a)	-	-	931	-	931
		154	-	777	(1,279)	(348)
Balance at 30 June 2014		6,432	(4)	1,122	(337)	7,213
Balance at 1 July 2014		6,432	(4)	1,122	(337)	7,213
Net profit for the year		-	-	-	2,612	2,612
Other comprehensive income for the year		-	4	-	(4)	-
Total comprehensive income for the year		-	4	-	2,608	2,612
Transactions with owners in their capacity as owners:						
Shares issued during the year	17(b)	572	-	(572)	-	-
Dividends provided for or paid	19	-	-	-	(2,089)	(2,089)
Employee share scheme - Rights	18(a)	-	-	1,472	-	1,472
Employee share plan - Deferred	18(a)	-	-	316	-	316
		572	-	1,216	(2,089)	(301)
Balance at 30 June 2015		7,004	-	2,338	182	9,524

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Australian Ethical Investment Limited and its Controlled Entities
Consolidated Statements of Cash Flows
For the year ended 30 June 2015

	Notes	Consolidated entity		Parent entity	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities					
Receipts from customers		36,273	27,868	31,028	12,768
Payments to suppliers and employees		(28,399)	(21,210)	(25,940)	(10,980)
Interest received		205	143	133	82
Income taxes paid		(1,426)	(1,321)	(746)	(486)
Community grants paid		(200)	(117)	(200)	(117)
Net cash inflow from operating activities	23	6,453	5,363	4,275	1,267
Cash flows from investing activities					
Payments for property, plant and equipment	10	(67)	(87)	(67)	(87)
Proceeds from sale of property, plant and equipment		5	1	5	1
Proceeds from buyback/sale of investments		1	87	1	87
Payments for intangibles		(26)	(29)	(26)	(29)
Dividends received from subsidiary		-	-	2,988	956
Net cash outflow from investing activities		(87)	(28)	2,901	928
Cash flows from financing activities					
Dividends paid to the Company's shareholders		(2,089)	(1,279)	(2,089)	(1,279)
Net cash outflow from financing activities		(2,089)	(1,279)	(2,089)	(1,279)
Net increase in cash and cash equivalents		4,277	4,056	5,087	916
Cash and cash equivalents at the beginning of the year		7,950	3,894	3,479	2,563
Cash and cash equivalents at end of year	9	12,227	7,950	8,566	3,479

The above Consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

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1 General information

The financial report covers the consolidated entity of Australian Ethical Investment Limited and its wholly owned subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and Australian Ethical Investment Limited as an individual parent entity. Australian Ethical Investment Limited is a listed public company (ASX: AEF) and both the parent and wholly owned entities are incorporated and domiciled in Australia.

The Company's controlled entities are: Australian Ethical Superannuation Pty Limited and Australian Ethical Investment Limited Employee Share Plan Trust.

The Group is a for-profit entity for the purposes of preparing financial statements. Australian Ethical Investment Limited is the Responsible Entity (RE) for a range of ethically managed investment schemes. Australian Ethical Superannuation Pty Limited is the Registrable Superannuation Entity (RSE) of Australian Ethical Retail Superannuation Fund. Australian Ethical Investment Limited Employee Share Plan Trust is a newly established employee deferred share plan trust.

The consolidated financial report for the consolidated entity as of and for the year ended 30 June 2015 is available at www.australianethical.com.au.

The consolidated financial report was authorised for issue by the directors on 28 August 2015.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

(i) Compliance with IFRS

The consolidated financial statements of the Australian Ethical Investment Limited and its Controlled Entities and the separate financial statements of Australian Ethical Investment Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the Group.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of available-for-sale financial assets and property, plant and equipment.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9 <i>Financial Instruments and consequential amendments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets, financial liabilities, and hedging. This standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.	Based on the preliminary analyses performed, AASB 9 will impact classification of available for sale financial assets within the Statement of Financial Position, while other amendments are not expected to have a material impact on the Consolidated Entity.
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i> . The standard become mandatory for the June 2018 financial year and will be applied retrospectively.	The potential effect of this standard is yet to be determined.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Parent entity financial statements are now included in the financial report.

(ii) *Employee Share Trust*

For reporting purposes the Australian Ethical Investment Limited Employee Share Plan Trust has been treated as a branch of the Company. The assets and liabilities of the Trust are accounted for as assets and liabilities of the Company on the basis that the Trust is merely acting as an agent of the Company.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) *Revenue from the provision of services*

Revenue is earned from provision of services to customers outside the consolidated entity. Revenue is recognised when services are provided.

(ii) *Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

(iv) Profit or loss from sale of assets

Net gains or losses on disposal of non-current assets are included in profit or loss. The gain or loss arising from disposal of an item of property, plant and equipment is determined as the difference between net disposal proceeds, being the cash price equivalent where payment is deferred, and the carrying amount of the item.

Profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

(d) Income tax

(i) Current tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(iii) Tax group

Australian Ethical Investment Limited and its wholly owned entities have formed an income tax consolidated group under the Tax Consolidation System. Australian Ethical Investment Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

The tax consolidated group has a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Under the tax sharing agreement Australian Ethical Superannuation Pty Limited agrees to pay its share of the income tax payable to Australian Ethical Investment Limited on the same day that Australian Ethical Investment Limited pays the Australian Taxation Office for group tax liabilities.

2 Summary of significant accounting policies (continued)

(e) Leases

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. The respective leased assets are included in the Consolidated Statements of Financial Position based on their nature.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(f) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(g) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statements of Cash Flows, 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.

(h) Financial instruments

Recognition and derecognition

The Group initially recognises financial instruments at fair value on the date that they are originated. All other financial instruments are initially recognised on trade date, which is the date the Group becomes party to the contractual rights or obligations. Subsequent to initial recognition these instruments are measured as set out below.

(i) Available-for-sale financial assets

The Group holds available-for-sale financial assets, which are financial assets not classified as assets held at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value other than impairment losses and are recognised in other comprehensive income and presented in the Asset Revaluation Reserve in equity.

2 Summary of significant accounting policies (continued)

(h) Financial instruments (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Consolidated Statements of Financial Position.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Determination of Fair Value

Fair value is determined based on current bid prices for all quoted investments. Investments in unlisted unit trusts are valued at the redemption price as reported by the fund's responsible entity.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

The amount of impairment loss is recognised in the Consolidated Statements of Comprehensive Income within other expenses.

(i) Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(j) Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see accounting policy 2(f)). The carrying amount of property, plant and equipment is reviewed annually to ensure that it is not in excess of the recoverable amount from these assets. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost of self-constructed assets includes cost of materials, direct labour, an appropriate proportion of overheads, and where relevant, the initial estimates of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2 Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings, is depreciated over their estimated useful lives on a straight-line basis to the consolidated entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

The estimated useful lives for current and comparative periods are as follows:

Class of fixed asset	Estimated useful life
Buildings	5 - 40 years
Plant & Equipment	2.6 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(k) Intangible assets

The development of the Group's website has been capitalised as an intangible asset and carried at cost less accumulated amortisation and accumulated impairment losses. Additional developments were made to the website during the year ended 2015. Amortisation is recognised on a straight-line basis over the estimated useful life of two and a half years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

(m) Employee benefits

(i) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for wages and salaries and annual leave that are expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the Consolidated Statements of Financial Position and includes related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term bonus or profit-sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee.

During the year ended 30 June 2014, employee benefits included an amount of \$409,831 for redundancy costs incurred during the year as a result of closure of the Canberra office.

There were no redundancy costs during the year ended 30 June 2015.

2 Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and expected future payments are discounted based on period of service.

(iii) Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met and the prevailing share price. The objective is that the amount ultimately recognised as an expense is based on the number of awards that meet the related service conditions at the vesting date.

(iv) Employee share trust

Long term incentives for employees are held as shares in an employee share trust with various vesting conditions.

(v) Employee bonus

The Group recognises a liability and an expense for bonuses based on individual key performance indicators. Key staff key performance indicators include profit targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(n) Community grants expense

The Company's Constitution states that the directors before recommending or declaring any dividend to be paid out of the profits of any one year must have first:

- paid or provisioned for payment to current employees, or other persons performing work for the Group, a work related bonus or incentive payment, set at the discretion of the directors, but to be no more than 30 percent (30%) of what the profit for that year would have been had not the bonus or incentive payment been deducted.
- gifted or provisioned for gifting an amount equivalent to ten percent (10%) of what the profit for that year would have been had not the above mentioned bonus and amount gifted been deducted.

Provision for community grants expense has been made in the current year.

(o) Issued capital

Ordinary shares are classified as equity.

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

(p) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

2 Summary of significant accounting policies (continued)

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statements of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

All revenue are stated net of the amount of GST.

(s) Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(t) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(u) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

As this is the first year that the Parent entity information has been presented, comparative information has been provided.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, management risk and interest rate risk), credit risk and liquidity risk. The Board of the Company has in place a risk management framework to mitigate these risks.

Risk management framework

The Group recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Strategy and the Risk Appetite Statement. The Risk & Compliance Manager is responsible for the design and maintenance of the risk and compliance framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Board, the Audit, Compliance & Risk Committee (ACRC). The Board regularly monitors the overall risk profile of the group and sets the risk appetite for the group, usually in conjunction with the annual planning process.

The Board is responsible for ensuring that management have appropriate processes in place for managing all types of risk, ranging from financial risk to operational risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ACRC. The main functions of this Committee are to oversee the consolidated entity's accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of insurance programs. This Committee is also responsible for monitoring overall legal and regulatory compliance.

The activities of the Group expose it to the following financial risks: market risk, credit risk liquidity risk. These are distinct from the financial risks borne by customers which arise from financial assets managed by the consolidated entity in its role as fund manager, trustee and responsible entity.

The following discussion relates to financial risks exposure of the consolidated entity in its own right.

(a) Market risk

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

(i) Currency risk

Exposure

The Group is not directly exposed to currency risk as all its monetary financial instruments are quoted in Australian dollars.

(ii) Price risk

Exposure

The Group is exposed to price risk on equity securities listed or quoted on recognised exchanges. This arises from investments held by the Group and classified in the Consolidated Statements of Financial Position as available for sale financial assets.

There was no exposure to market securities price risk at 30 June 2015 and an insignificant exposure as at 30 June 2014.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

Consolidated entity Index	Impact on other components of equity	
	2015 \$'000	2014 \$'000
Change in variable +/- 10% (2014: +/-10%)	-	1

Parent entity Index	Impact on other components of equity	
	2015 \$'000	2014 \$'000
Change in variable +/- 10% (2014: +/-10%)	-	1

(iii) Market risks arising from Funds under Management

Exposure

The Group's revenue is significantly dependent on Funds Under Management ('FUM') which is influenced by equity market movements. Management calculates that a 1% movement in FUM changes annualised revenue by approximately \$205,000 (2014: \$164,000).

(iv) Cash flow and fair value interest rate risk

The Group'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.

The consolidated entity and parent entity's exposure to interest rate risk arise predominantly on cash balances held with banks. In order to manage the interest rate risk relating to bank deposits the CFO reviews the interest rates on those deposits on a regular basis.

Sensitivity

Consolidated entity	Impact on post-tax profit	
	2015 \$'000	2014 \$'000
Interest rates - increase by 100 basis points (100 bps)	122	79
Interest rates - decrease by 100 basis points (100 bps)	(122)	(79)

Parent entity	Impact on post-tax profit	
	2015 \$'000	2014 \$'000
Interest rates - increase by 100 basis points (100 bps)	86	35
Interest rates - decrease by 100 basis points (100 bps)	(86)	(35)

3 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instruction fails to meet its contractual obligations.

The Group is predominantly exposed to credit risk on its deposits with banks and financial institutions, outstanding receivables and committed transactions. The maximum exposure of the Group to credit risk on financial assets which have been recognised on the Consolidated Statements of Financial Position is the carrying amount, net of any provision for doubtful debts.

The Group manages this risk by settling the receivables from the managed investment schemes and superannuation fund on a weekly or monthly basis and holding cash and cash equivalents at financial institutions with a Standard & Poor's rating of 'A' or higher.

The table below outlines the Group's maximum exposure to credit risk as at reporting date.

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash and cash equivalents	12,227	7,950	8,566	3,479
Trade and other receivables	1,780	2,745	1,757	3,175
	14,007	10,695	10,323	6,654

There are currently no past due receivables as at 30 June 2015 (2014: nil).

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The Group manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a twelve month forecast of liquid assets, cash flows and balance sheet is reviewed by the Board annually as part of the budget process to ensure there is sufficient liquidity within the Group.

Maturities of financial liabilities

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Consolidated entity - at 30 June 2015	Less than 6 months	6 - 12 months	More than 12 months
	\$'000	\$'000	\$'000
Trade and other payables	3,964	309	-
Provisions	-	293	130
	3,964	602	130

3 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 6 months \$'000	6 - 12 months \$'000	More than 12 months \$'000
Consolidated entity - at 30 June 2014			
Trade and other payables	3,140	275	-
Provisions	-	232	94
	3,140	507	94
Parent entity - at 30 June 2015			
Trade and other payables	2,703	309	-
Provisions	-	293	130
	2,703	602	130
Parent entity - at 30 June 2014			
Trade and other payables	1,854	275	-
Provisions	-	232	94
	1,854	507	94

(d) Capital management

(i) Capital requirements

The Group manages its capital to ensure that the level of financial conservatism is appropriate for its businesses. Capital is managed to provide business stability and accommodate the growth needs of the Group.

Part of the capital management of the Group is to determine the dividend policy. Dividends paid to shareholders are typically in the range of 80-100 per cent of the Group's net profit after tax attributable to members of the Company, which is in line with the historical dividend range paid to shareholders. In certain circumstances, the Board may declare a dividend outside that range.

As at year end the Group had no long term debt arrangements.

(ii) External requirements

In connection with operating a funds management business in Australia the Parent entity is required to hold an Australian Financial Services Licence (AFSL). As a holder of an AFSL, the Australian Securities & Investment Commission (ASIC) requires the Company to:

- prepare 12-month cash-flow projections which must be approved at least quarterly by directors, and reviewed annually by auditors;
- hold at all times minimum Net Tangible Assets (NTA) the greater of:
 - (a) \$150,000
 - (b) 0.5% of the average value of scheme property (capped at \$5 million); or
 - (c) 10% of the average responsible entity revenue (uncapped).

The Company must hold at least 50% of its minimum NTA requirement as cash or cash equivalents and hold at least \$50,000 in Surplus Liquid Funds (SLF).

The Company has complied with these requirements at all times during the year.

4 Fair value measurements

The Group measures and recognises the following assets at fair value on a recurring basis:

- Available-for-sale financial assets

The Group has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Consolidated Entity and Parent Entity did not have any available for sale investments at 30 June 2015.

<i>Recurring fair value measurements</i>	Level 1	Level 2	Level 3	Total
Consolidated entity - at 30 June 2014	\$'000	\$'000	\$'000	\$'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	12	-	-	12
Total financial assets	12	-	-	12
<i>Recurring fair value measurements</i>	Level 1	Level 2	Level 3	Total
Parent entity - at 30 June 2014	\$'000	\$'000	\$'000	\$'000
Financial assets				
Available-for-sale financial assets				
Australian listed equity securities	12	-	-	12
Total financial assets	12	-	-	12

There were no transfers between Level 1 and 2 in the year.

(i) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

5 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Assessment of impairment of property, plant and equipment - Note 10
- Estimation of provisions - Note 16
- Recognition and measurement of share based payments- Note 26
- Recoverability of deferred tax assets - Note 13

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

6 Revenue

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
From continuing operations				
Management fees (net of rebates)	13,642	9,452	15,096	12,079
Member and withdrawal fees	1,675	1,443	-	-
Dividends	-	-	2,988	956
Administration fees	5,609	8,835	-	2,547
Interest income	205	143	133	82
Other income	40	16	23	28
	21,171	19,889	18,240	15,692

7 Expenses

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
External services				
Ethical research	164	292	164	291
Audit	318	358	241	279
Consultants	379	770	293	716
Legal services	126	194	109	146
Other	727	404	523	235
	1,714	2,018	1,330	1,667
Employee benefits expense				
Staff remuneration	5,699	5,612	5,699	5,606
Directors fees	293	280	198	173
Bonus and rights amortisation	3,019	1,223	3,019	1,223
Other employment costs	40	33	40	24
	9,051	7,148	8,956	7,026

7 Expenses (continued)

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Depreciation and amortisation expense				
Depreciation	134	231	134	231
Amortisation	52	41	52	41
	186	272	186	272
Occupancy costs				
Premises	268	224	268	224
Rates and taxes	60	31	60	31
Electricity, gas & telephone	109	105	109	105
Other occupancy costs	48	79	48	79
	485	439	485	439
Marketing and communication costs				
Printing and stationery	159	135	145	123
Marketing	603	872	603	872
	762	1,007	748	995
Fund related expenses				
Administration and custody	2,447	2,388	221	297
Licence fees	315	219	258	75
PDS expense	5	14	4	-
APRA levy	88	117	-	-
Other fund related expenses	61	32	469	428
	2,916	2,770	952	800
Other expenses				
Insurance	115	118	48	48
IT	942	863	932	863
Travel	247	272	239	270
Subscriptions and listing	74	38	74	38
Other expenses	170	212	142	181
	1,548	1,503	1,435	1,400
Total expenses	16,662	15,157	14,092	12,599

8 Income tax expense

(a) Income tax expense through profit or loss

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current tax expense	2,135	1,669	1,114	889
Under/(over) provision in prior year	(44)	-	(44)	(13)
Deferred tax benefit	(483)	(79)	(465)	(66)
	1,608	1,590	605	810

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax benefit	3,578	4,133	3,217	2,494
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	1,073	1,240	965	748
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible share based provisions	442	279	442	279
Non-deductible impairment of property, plant and equipment	145	85	145	85
Other non-taxable items	(8)	(1)	(7)	-
Non-taxable intercompany dividend from AES	-	-	(896)	(287)
Under/(over) provision in prior year	(44)	(11)	(44)	(13)
Net realised and unrealised losses on available-for-sale assets	-	(2)	-	(2)
Income tax expense	1,608	1,590	605	810

The applicable weighted average effective tax rates are as follows:

45%	38%	19%	32%
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(c) Amounts recognised directly in equity

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax: Employee share plan	139	-	139	-
Deferred tax: Revaluation of available-for-sale assets	-	(1)	-	(1)
	139	(1)	139	(1)

The current tax liabilities for the Group represents income taxes payable in respect of the current financial year. In accordance with tax consolidation legislation, the Company, as head entity of the Australian tax-consolidated group, has assumed the current tax asset/(liability) recognised by members in the tax consolidated group.

9 Current assets - Cash and cash equivalents

	Consolidated entity		Parent entity	
	At		At	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash at bank	20	10	15	5
Deposits at call	12,207	7,940	8,551	3,474
	12,227	7,950	8,566	3,479

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits at call is money invested in bank account earning interest. Interest is calculated daily based on daily bank deposit rates. The average interest rate for the Consolidated entity was 2.04% (2014: 2.41%). The average interest rate for the Parent entity was 2.21% (2014: 1.39%).

10 Non-current assets - Property, plant and equipment

Consolidated entity	Land	Buildings	Leasehold	Plant and	Total
	\$'000	\$'000	improvements	equipment	\$'000
			\$'000	\$'000	
At 30 June 2014					
Cost	-	-	370	1,565	1,935
Accumulated depreciation	-	-	(36)	(1,440)	(1,476)
Net book amount	-	-	334	125	459
Year ended 30 June 2014					
Opening net book amount	-	-	314	306	620
Additions	-	-	50	37	87
Disposals	-	-	-	(92)	(92)
Depreciation charge	-	-	(30)	(126)	(156)
Closing net book amount	-	-	334	125	459

Consolidated entity	Land	Buildings	Leasehold	Plant and	Total
	\$'000	\$'000	improvements	equipment	\$'000
			\$'000	\$'000	
At 30 June 2015					
Cost	230	1,785	1,117	374	3,506
Accumulated depreciation	-	(546)	(554)	(338)	(1,438)
Net book amount	230	1,239	563	36	2,068

10 Non-current assets - Property, plant and equipment (continued)

Consolidated entity	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2015					
Opening net book amount	-	-	334	125	459
Additions	-	-	8	59	67
Reclassification of assets included in a disposal group classified as held for sale and other disposals (see Note 11)	230	1,728	280	-	2,238
Depreciation charge	-	(25)	(39)	(70)	(134)
Impairment loss	-	(464)	(20)	-	(484)
Write off	-	-	-	(78)	(78)
Closing net book amount	230	1,239	563	36	2,068

Parent entity	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2014					
Cost	-	-	370	1,565	1,935
Accumulated depreciation	-	-	(36)	(1,440)	(1,476)
Net book amount	-	-	334	125	459
Year ended 30 June 2014					
Opening net book amount	-	-	314	306	620
Additions	-	-	50	37	87
Disposals	-	-	-	(92)	(92)
Depreciation charge	-	-	(30)	(126)	(156)
Closing net book amount	-	-	334	125	459

Parent entity	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
At 30 June 2015					
Cost	230	1,785	1,117	374	3,506
Accumulated depreciation	-	(546)	(554)	(338)	(1,438)
Net book amount	230	1,239	563	36	2,068
Year ended 30 June 2015					
Opening net book amount	-	-	334	125	459
Additions	-	-	8	59	67
Reclassification of assets included in a disposal group classified as held for sale and other disposals (see Note 11)	230	1,728	280	-	2,238
Depreciation charge	-	(25)	(39)	(70)	(134)
Impairment loss	-	(464)	(20)	-	(484)
Write off	-	-	-	(78)	(78)
Closing net book amount	230	1,239	563	36	2,068

11 Reclassification of assets classified as held for sale

In June 2013, the Company's management reclassified its Canberra property from "Non-current assets - Property, plant and equipment" to "Current assets - Assets classified as held for sale" to reflect its effort to sell the property. Over the past 2 years, the Company has had a comprehensive sales program to locate a buyer. Unfortunately despite continued efforts, the Company has been unable to sell the property. As a result of the depressed market, the Company feels that a sale is not probable in the short term.

Since 30 June 2014 the Canberra property market continued to soften with:

- Secondary rents falling further including units within the properties' immediate vicinity being offered at lower rents.
- Incentives across all precincts have increased significantly and on average, are moving towards a baseline of 25% for prime and 30%+ for secondary.
- Vacancy rates have continued to increase.
- Comparative sales have deteriorated.

As a result of the above factors at 31 December 2014, a valuation of the Canberra building was conducted by Jones Lang LaSalle and Knight Frank, independent valuers not related to the Group, to determine the fair value. Based on advice received from independent valuers, the Directors determined that the value of the property was below the carrying value and have recorded an impairment of \$412,500.

During the subsequent six months the profile of leasing clients changed with further falls in secondary rents which were partly offset by a reduction in incentives offered. A valuation was conducted by Jones Lang LaSalle and based on this advice the Directors determined to record a further impairment of \$71,749.

Valuers Jones Lang LaSalle and Knight Frank are both members of the Institute of Valuers of Australia. The valuation was determined by reference to recent market transactions on arm's length terms. Estimated selling costs of \$75,000, including agent's commission and associated legal costs, were deducted from the independent valuation to determine the carrying value.

In accordance with AASB13 *Fair Value Measurement*, the fair value category for the Canberra building input into the valuation techniques has been assessed as **Level 3**. The Company considers the market approach to valuing the building to be the most appropriate method of assessing the fair value. More specifically in arriving at its opinion of fair value, the Company has referred to the direct comparison and capitalisation of net income approach adopted by the independent Valuers.

The capitalisation of net income approach is based on estimates of net market rent, capitalised at an appropriate discount rate less estimates of the time required to lease the property, estimated leasing incentives and estimated agents fees. Significant quantitative unobservable inputs used in determining the fair value of the property include market rents, capitalisation rates, leasing downtime, leasing incentives and agents' fees. These rates are based on feedback from independent Valuers based on the location, type and nature of the property along with current and anticipated market conditions.

Significant unobservable quantitative inputs used in determining the fair value as at 30 June 2015 include:

Unobservable Quantitative Inputs	Range	Average
Comparative sales	\$1,700 - \$1,900 psm	\$1,800 psm
Building sizes	1,006.5 square meters	

12 Non-current assets - Intangible assets

	Capitalised website development \$'000
Consolidated entity	
At 30 June 2014	
Cost	129
Accumulated amortisation	(46)
Net book amount	83
Year ended 30 June 2014	
Opening net book amount	95
Additions	29
Amortisation charge	(41)
Closing net book amount	83
Consolidated entity	
At 30 June 2015	
Cost	154
Accumulated amortisation	(97)
Net book amount	57
Year ended 30 June 2015	
Opening net book amount	83
Additions	26
Amortisation charge	(52)
Closing net book amount	57
Parent entity	
At 30 June 2014	
Cost	129
Accumulated amortisation	(46)
Net book amount	83
Year ended 30 June 2014	
Opening net book amount	95
Additions	29
Amortisation charge	(41)
Closing net book amount	83

12 Non-current assets - Intangible assets (continued)

	Capitalised website development \$'000
Parent entity	
At 30 June 2015	
Cost	154
Accumulated amortisation	(97)
Net book amount	57
Year ended 30 June 2015	
Opening net book amount	83
Additions	26
Amortisation charge	(52)
Closing net book amount	57

13 Non-current assets - Deferred tax assets

	Consolidated entity		Parent entity	
	At		At	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
The balance comprises temporary differences attributable to:				
Other employee benefits	342	86	342	86
Audit fees	66	38	36	25
Community grants	144	92	144	92
Provision for employee leave	220	180	220	180
Total deferred tax assets	772	396	742	383
Movements:				
Opening balance	396	348	383	348
Charged/credited:				
- to profit or loss	376	48	359	35
Closing balance	772	396	742	383

14 Other non-current assets

	Consolidated entity		Parent entity	
	At		At	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Investment in Australian Ethical Superannuation Pty Limited	-	-	316	316

15 Current liabilities - Trade and other payables

	Consolidated entity		Parent entity	
	At		At	
	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2015 \$'000	30 June 2014 \$'000
Trade payables	1,171	1,446	313	540
Unearned income	60	61	60	61
Other payables	1,960	1,684	1,557	1,304
Employee bonus payable	1,142	285	1,142	285
	4,333	3,476	3,072	2,190

16 Provisions

	Consolidated entity					
	At					
	30 June 2015			30 June 2014		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits - long service leave	293	130	423	232	94	326

	Parent entity					
	At					
	30 June 2015			30 June 2014		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits - long service leave	293	130	423	232	94	326

17 Issued capital

(a) Share capital

	Notes	Consolidated and Parent Entity			
		30 June 2015 Shares	30 June 2014 Shares	30 June 2015 \$'000	30 June 2014 \$'000
Ordinary shares - fully paid	17(b), 17(c)	1,053,818	1,023,147	7,004	6,432

The Company does not have authorised capital or par value in respect of its issued shares.

(b) Movements in ordinary share capital

Details	Notes	Number of shares	\$'000
Opening balance - 1 July 2013		1,015,086	6,278
Employee share scheme issues	17(d)	8,061	154
Closing balance - 30 June 2014		1,023,147	6,432
Opening balance - 1 July 2014		1,023,147	6,432
Employee share scheme issues	17(d)	30,671	572
Closing balance - 30 June 2015		1,053,818	7,004

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of 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.

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 26.

For information related to rights and shares issued to key management personnel during the financial year refer to the remuneration report contained within the Directors' report.

14,924 shares are considered to be Treasury shares as the Employee Share Plan Trust is defined as an agent of the Company. No value is attributed to these shares.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, and retained earnings).

17 Issued capital (continued)

(e) Capital management (continued)

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of distributions to shareholders and share issues. The Group has external capital requirements and at all times during the year the Group has met all externally imposed capital requirements. Further details on the external capital requirements are contained in Note 3(d).

18 Reserves and retained earnings

(a) Reserves

	Consolidated entity		Parent entity	
	At		At	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Share-based payments	2,022	1,122	2,022	1,122
Other reserves	316	(4)	316	(4)
	2,338	1,118	2,338	1,118

	Consolidated entity		Parent entity	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000

Movements:

Share-based payments reserve

Opening balance	1,122	345	1,122	345
Employee share plan expense	1,472	931	1,472	931
Issue of shares held by entity to employees	(572)	(154)	(572)	(154)
	2,022	1,122	2,022	1,122

Other - Asset revaluation reserve

Opening balance	(4)	4	(4)	4
Net loss on revaluation of available-for-sale financial assets	-	(1)	-	(1)
Net realised loss on available-for-sale financial assets	-	(7)	-	(7)
Write-off of available-for-sale financial assets	4	-	4	-
	-	(4)	-	(4)

Other - Employee share plan reserves

Employee share plan - Deferred	316	-	316	-
	316	-	316	-

Nature and purpose of reserves

Rights reserve

The share-based payment reserve relates to rights granted by the Group to its employees under its previous share-based payment arrangements. Items included in the share-based payment reserve will not be reclassified subsequently to profit or loss. Further information about share-based payments to employees is set out in Note 26.

18 Reserves and retained earnings (continued)

(a) Reserves (continued)

Asset revaluation reserve

The asset revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the Consolidated Statements of Comprehensive Income when those assets have been disposed of or are determined to be impaired.

Share-based payment reserve

This reserve relates to shares granted by the Group to its employees under its current share-based payment arrangement. Items included in the rights reserve will not be reclassified subsequently to profit or loss. Further information about the new share-based payments to employees is set out in Note 26.

(b) Retained earnings/accumulated losses

Movements in retained earnings/(accumulated losses) were as follows:

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Opening balance - 1 July	1,933	669	(337)	(742)
Net profit for the year	1,970	2,543	2,612	1,684
Dividends	(2,089)	(1,279)	(2,089)	(1,279)
Transfer of reserve due to write off of financial assets	(4)	-	(4)	-
Closing balance - 30 June	1,810	1,933	182	(337)

19 Dividends

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Ordinary shares				
Interim dividend for the current financial year	843	819	843	819
Final dividend for the prior financial year	1,246	460	1,246	460
	2,089	1,279	2,089	1,279

(b) Dividends not recognised at the end of the reporting period

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
In addition to the above dividends, since year end the Directors have declared a final dividend of 120 cents per fully paid ordinary share (2014: 120 cents), fully franked based on tax paid at 30%. The aggregate amount of the declared dividend expected to be paid on 30 September 2015 out of profits for the year ended at 30 June 2015, but not recognised as a liability at year end, is	1,265	1,246	1,265	1,246

19 Dividends (continued)

(c) Dividend rate

Dividends declared and/or paid fully franked at 30% tax rate in respect of the corresponding financial year

	Cents per share	Total Amount	Date of Payment	% Franked
2015				
Ordinary shares - 2015 interim	80	\$843,054	27/03/2015	100
Ordinary shares - 2014 final	120	\$1,246,676	03/10/2014	100
2014				
Ordinary shares - 2014 interim	80	\$818,522	28/03/2014	100
Ordinary shares - 2013 final	45	\$460,416	04/10/2013	100

20 Key management personnel disclosures

The specified Directors of Australian Ethical Investment Limited and its Controlled Entities during the financial year were:

Parent entity directors

Name	Position
Stephen Gibbs	Chairperson, non-executive
Mara Bun	Director, non-executive
Tony Cole	Director, non-executive
Kate Greenhill	Director, non-executive
Phil Vernon	Managing Director & Chief Executive Officer, executive

Other key management personnel

Name	Position
David Barton	Chief Financial Officer
Adam Kirk	General Manager, Business Development
David Macri	Chief Investment Officer
Tom May	General Counsel & Company Secretary
Stuart Palmer	Head of Ethics & Corporate Advocacy

Departed management

Name	Position
Paul Smith (resigned 28/11/2014)	General Manager, Strategy & Communications

20 Key management personnel disclosures (continued)

(a) Key management personnel compensation

	Consolidated entity		Parent entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Short-term employee benefits	1,994,192	1,830,107	1,910,221	1,766,239
Post-employment benefits	142,840	156,522	134,863	150,457
Long-term benefits	44,420	37,269	44,420	37,269
Share-based payments	249,251	83,309	249,251	83,309
	2,430,703	2,107,207	2,338,755	2,037,274

21 Remuneration of auditors

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:

(a) KPMG Australia

(i) Audit and other assurance services

	Consolidated entity		Parent entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
<i>Audit services for the consolidated entity and subsidiaries</i>				
Audit and review of consolidated and subsidiary financial statements	32,710	31,700	27,450	26,600
Audit services in accordance with regulatory requirements	40,480	35,600	36,250	31,500
	73,190	67,300	63,700	58,100
<i>Audit services for non-consolidated trusts and superannuation fund *</i>				
Audit and review of managed funds for which the Company acts as Responsible Entity	109,290	109,400	109,290	109,400
Audit and review of superannuation fund for which the subsidiary entity acts as Responsible Superannuation Entity	21,160	20,500	-	-
Audit services in accordance with regulatory requirements	46,030	49,600	-	-
	176,480	179,500	109,290	109,400
Total remuneration for audit services	249,670	246,800	172,990	167,500
<i>Taxation services</i>				
Tax and other accounting services	68,299	111,708	68,299	111,708
Total remuneration of KPMG Australia	317,969	358,508	241,289	279,208

* These fees are incurred by the Company and are effectively recovered from the funds via management fees.

22 Related party transactions

(a) Ultimate parent entity

Name	Type	Place of incorporation
Australian Ethical Investment Limited	Public company	Australia

(b) Subsidiaries

Interests in subsidiaries are set out in Note 24.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity		Parent entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Australian Ethical Trusts				
Australian Ethical Investment Limited provides investment services and administration to the Australian Ethical Trusts in accordance with the trust deed	21,625,739	15,978,015	21,625,739	15,978,015
Australian Ethical Retail Superannuation Fund				
Australian Ethical Superannuation Pty Limited provides investment services/ (rebate of investment services) to the Australian Ethical Retail Superannuation Fund	(14,491,963)	(8,549,666)	-	-
Australian Ethical Superannuation Pty Limited provides Administration/Trustee services to the Australian Ethical Retail Superannuation Fund	11,959,605	10,652,828	-	-
Australian Ethical Superannuation Pty Limited provides Member Administration services to the Australian Ethical Retail Superannuation Fund	1,675,403	1,442,946	-	-
Australian Ethical Superannuation Pty Limited				
Service fee paid to Australian Ethical Investment Limited	-	-	7,954,852	7,197,435
Dividends paid to Australian Ethical Investment Limited	-	-	2,988,213	956,228
Director fees paid by Australian Ethical Investment Limited	-	-	92,836	105,038
Transactions between Australian Ethical Superannuation Pty Limited and its parent entity under the tax consolidation and related tax sharing agreement referred to in Note 2(d)	-	-	1,004,218	779,920

22 Related party transactions (continued)

(c) Transactions with other related parties (continued)

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated entity		Parent entity	
	At 30 June 2015 \$	30 June 2014 \$	At 30 June 2015 \$	30 June 2014 \$
Investment held in Australian Ethical Superannuation Pty Limited	-	-	316,000	316,000
Amounts receivable from the Australian Ethical Trusts	1,056,974	1,689,795	1,056,974	1,689,795
Amounts receivable from the Australian Ethical Retail Superannuation Fund	720,066	888,253	-	-
Amounts receivable from the Australian Ethical Superannuation Pty Limited	-	-	697,408	1,485,318
Amounts payable to Australian Ethical Superannuation Pty Limited	-	-	-	26,788

(e) Terms and conditions

Transaction between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

No provision for doubtful debts has been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Outstanding balances are unsecured and are repayable in cash.

23 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Profit for the year	1,970	2,543	2,612	1,684
Adjustments to operating profit:				
Depreciation and amortisation	186	272	186	272
Loss on disposal of property, plant & equipment	74	15	74	15
Loss on write-off of property, plant & equipment	11	-	11	-
Tax effect of sale of investments recognised in financing activities	-	(1)	-	(1)
Non-cash employee benefits expense - share-based payments	1,649	931	1,648	931
Impairment loss	484	282	484	282
Recognition of unearned income	(61)	(71)	(61)	(71)
Dividends received from subsidiary classified as investing activity	-	-	(2,988)	(956)
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	966	(271)	1,418	(1,890)
Decrease/(increase) in other current assets	39	(142)	53	(139)
Decrease in deferred tax assets	(515)	(48)	(497)	(35)
Increase in trade and other payables	857	1,559	882	872
Increase in current tax liabilities	697	349	357	390
Decrease in deferred tax liabilities	(1)	(30)	(1)	(30)
Increase/(decrease) in provisions	97	(25)	97	(57)
Net cash inflow from operating activities	6,453	5,363	4,275	1,267

24 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of the subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
Australian Ethical Superannuation Pty Limited	Trustee of the Australian Ethical Retail Superannuation Fund	Australia	100%
Australian Ethical Investment Limited Employee Share Plan Trust	Employee deferred share plan trust	Australia	100%

25 Events occurring after the reporting period

Between 30 June 2015 the following events occurred that may significantly affect the Group:

- On 31 August the following shares were issued:
 - 11,659 shares were issued to the Employee Share Trust for employee long term incentives;
 - 11,899 shares were issued in respect of the vesting of STI performance rights (AEFAG);
 - 16,834 shares were issued in respect of the vesting of LTI performance rights (AEFAC).
- On 31 July the administration fee on the Superannuation fund was reduced from 0.93% to 0.63%. This reduction will impact revenues in 2015/16.
- A new subsidiary company, Australian Ethical Foundation Ltd was established which going forward will receive and administer the Group's community grants.

The Group's fees are primarily based on its funds under management which in turn is impacted by changes in equity markets.

Other than as outlined in this report, no matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

26 Share-based payments

The following share-based payment arrangements existed as at 30 June 2015.

(a) Performance rights

Under the Australian Ethical Investment Limited employee share incentive scheme (ESIS) that existed until August 2014, participants were granted performance rights to ordinary shares, subject to meeting specified performance criteria over the performance period. The number of shares that the participant will ultimately receive will depend on the extent to which the performance criteria are met by the Group and the individual employee. These rights were issued for nil consideration. These rights hold no voting or dividend rights. Subject to the terms and conditions of the ESIS rules, the performance rights have the following attributes determining whether shares will be issued in respect of the rights.

Performance rights granted during the year:

ASX Code	Number Granted	Attributes
AEFAC	16,834	<p>i) employment must continue until 30 June 2015.</p> <p>ii) the average return on equity over the performance period ("AROE") must exceed 15%pa or no shares shall be awarded at the end of the performance period;</p> <ul style="list-style-type: none"> - if the AROE exceeds 15%pa but less than 20%pa, half the maximum number of shares shall be awarded; - if the AROE is equal to or greater than 20%pa the maximum number of shares shall be awarded. <p>AROE is determined as the average of return on equity over six month periods calculated using audited half-year financial statements.</p>

26 Share-based payments (continued)

(a) Performance rights (continued)

ASX Code	Number Granted	Attributes
AEFAE	16,879	<p>i) employment must continue until 30 June 2016.</p> <p>ii) the average return on equity over the performance period ("AROE") must exceed 15%pa or no shares shall be awarded at the end of the performance period;</p> <p>- if the AROE exceeds 15%pa but less than 20%pa, half the maximum number of shares shall be awarded;</p> <p>- if the AROE is equal to or greater than 20%pa the maximum number of shares shall be awarded.</p> <p>AROE is determined as the average of return on equity over six month periods calculated using audited half-year financial statements.</p>
AEFAG	11,899	employment must continue until 1 July 2015.

Parent entity

	2015 Number of options	2014 Number of options
As at 1 July	54,056	45,043
Granted during the year	11,899	29,614
Forfeited during the year	(5,855)	(4,147)
Exercised during the year	(15,745)	(8,061)
Expired during the year	-	(8,393)
Other adjustment	1,257	-
As at 30 June	<u>45,612</u>	<u>54,056</u>
Vested and exercisable at 30 June 2015	<u>11,899</u>	10,693

Performance rights summary

Rights Class	Performance Period	Grant date	Vesting date	No. Granted	No. Forfeited	No. Vested	No. Expired	Balance
AEFAA	FY12-FY14	2012	30/06/2014	19,195	(15,400)	(3,795)	-	-
AEFAC	FY13-15	2013	30/06/2015	23,357	(6,523)	-	-	16,834
AEFAE	FY14-16	2014	30/06/2016	17,955	(1,076)	-	-	16,879
AEFAF	FY13	2014	30/06/2014	11,950	-	(11,950)	-	-
AEFAG	FY15	2014	30/06/2015	11,899	-	-	-	11,899

(i) Fair value of rights granted

All rights were calculated at grant date based on the underlying share prices minus estimated net present value of future dividends that the holders of rights are not entitled to.

Included under employee benefits expense in the Consolidated Statements of Comprehensive Income is \$1,648,718 (2014: \$930,557) relating to rights issued under the employee share ownership plan.

26 Share-based payments (continued)

(b) Deferred shares

Under the long term incentive scheme introduced in 2014, participants are granted shares subject to meeting specified performance criteria over the performance period. The number of shares that the participant receives is determined at the time of grant with the shares being held in trust. These shares are issued for nil consideration. The shares have voting rights and employees receive dividends. Subject to the terms and conditions of the incentive scheme the deferred shares have the following attributes determining whether they will vest.

Deferred shares are held in an Employee Share Trust until vesting conditions are met.

Number to be Granted	Attributes
11,659	i) employment must continue until July 2018 ii) the number of shares that will be issued to an employee is fixed at the grant date iii) 50% of the shares are subject to the following hurdle: (a) if the compound earnings per share ("EPS") growth over 3 years is less than 5%, no shares will vest (b) if the compound EPS growth over 3 years is greater than 10%, 100% will vest (c) if the compound EPS growth over 3 years is greater than 5% and less than 10%, then pro rata amount will vest on a straight line basis (d) the compound average growth rate on earnings per share is determined as the average EPS over six month periods calculated using audited half-year financial statements iv) the performance period is the financial years 2015/16, 2016/17 and 2017/18.

27 Earnings per share

(a) Basic earnings per share

	2015	2014
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	190.00	248.51

(b) Diluted earnings per share

	2015	2014
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	180.69	241.13

27 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,036,821	1,023,103
Adjustments for calculation of diluted earnings per share:		
Weighted average number of rights outstanding	53,418	31,315
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,090,239	1,054,418

28 Commitments and contingencies

(a) Operating leases

Operating leases relate to leases of office premises for a term of 5 years. The Group does not have an option to purchase the premises at the expiry of the lease period.

	Consolidated entity		Parent entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-cancellable operating lease commitments				
Within one year	232	223	232	223
Later than one year but not later than five years	431	663	431	663
	663	886	663	886
Payments recognised as an expense				
Minimum lease payments recognised as an expense	234	208	234	208
	234	208	234	208
Liabilities recognised in respect of non-cancellable operating leases				
<i>Lease incentives</i>				
Current	61	61	61	61
Non-current	141	202	141	202
	202	263	202	263

(b) Guarantees

The Group has provided a guarantee for \$221,733 over the rental of building premises at 130 Pitt Street.

(c) Other commitments

The Group has no other commitments and contingent assets and liabilities as at 30 June 2015.

Directors' declaration

- 1 In the opinion of the directors of Australian Ethical Investment Limited and its Controlled Entities:
 - (a) the consolidated financial statements and notes that are set out on pages 25 to 64 and the Remuneration report in sections to in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.
- 3 The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



Phil Vernon
Managing Director and Chief Executive Officer

Sydney
28 August 2015

Auditors Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Ethical Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit ; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tanya Gilerman
Partner

Sydney

28 August 2015

Independent Auditors Report



Independent auditor's report to the members of Australian Ethical Investment Limited

Report on the financial report

We have audited the accompanying financial report of Australian Ethical Investment Limited (the 'Company'), which comprises the statements of financial position as at 30 June 2015, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Australian Ethical Investment Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Other Matter

The financial report of Australian Ethical Investment Limited for the year ended 30 June 2014 was prepared for the Group and did not present the individual financial statements for the Company. We did not express an audit opinion on the comparative figures for the Company.

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 21 of the directors' report for the year ended 30 June 2015. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Ethical Investment Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.



KPMG



Tanya Gilerman
Partner

Sydney

28 August 2015

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Shareholder Information

Shareholder information as at Tuesday, 8 September 2015

The Company has two classes of equity securities.

Equity securities	Number of holders	Number on issue	Voting rights
Fully paid ordinary shares	1,000	1,094,210	One vote per share
Unquoted performance rights	17	16,416	No voting rights

Top 20 shareholders of fully paid shares

Shareholder	Balance	%
Select Managed Funds Pty Ltd	196,472	17.956%
Citicorp Nominees Pty Ltd	61,754	5.644%
Mr James Andrew Thier	51,367	4.694%
Ms Caroline Le Couteur	49,436	4.518%
Mr Howard Pender	43,952	4.017%
Mr Eric Yin Wang & Mrs Patty Bik Yuk Tse	39,261	3.588%
Mr Trevor Roland Lee	29,376	2.685%
Mrs Judith Margaret Boag	28,503	2.605%
Pacific Custodians Pty Limited (Employee Share Plan Trust)	26,583	2.429%
Mr Bruce Allan & Mrs Ann Marion McGregor	24,279	2.219%
HB Sarjeant & Assoc Pty Ltd (HB Sarjeant & Assoc S/F Acc)	20,140	1.841%
Mr Anthony Scott Cook	18,121	1.656%
Ms Daisy Their	18,048	1.649%
Garrett Smythe Ltd	17,169	1.569%
Estate of Dr Edward Arthur Iceton	12,000	1.097%
Ms Judith Ingrouille Ajani	11,700	1.069%
Mr Andrew Charles Gracey	10,349	0.946%
Mr Michel & Mrs Ann Beuchat	9,667	0.883%
Mr Phillip Andrew Vernon	9,412	0.860%
Mr Trevor Roland Lee (Lee Family Super Fund)	8,041	0.735%

Distribution of holdings of fully paid shares

Range	Holders	Total Units	%
1-1,000	887	207,022	18.92
1,001-5,000	89	184,438	16.86
5,001-10,000	7	46,991	4.30
10,001-100,000	16	459,287	41.97
100,001+	1	196,472	17.96
Totals	1,000	1,094,210	100

On Monday, 7 September 2015 AEF ordinary shares closed at \$58. Accordingly, less than 9 shares constitute a marketable parcel. On Tuesday, 8 September 2015 the Company had 14 shareholders whose holding is not a marketable parcel; these 14 shareholders own a total of 49 shares.

Tom May, Company Secretary



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Australian Ethical Investment Ltd (ABN 47 003 188 930; Australian Financial Services Licence No. 229949) is the Responsible Entity and Investment Manager of the Australian Ethical Managed Investment Funds. Interests in the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743; Fund Registration No. R1004731) are offered by Australian Ethical Investment Ltd by arrangement with its subsidiary and trustee of the Super Fund, Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, Registrable Superannuation Entity Licence No. L0001441).

The information contained in this Update is general information only, and does not take into account your individual investment objectives, financial situation or needs. Before acting on it, you should consider seeking independent financial advice that is tailored to suit your personal circumstances and should refer to the Financial Services Guide, Product Disclosure Statements and Additional Information Booklets available on our website (www.australianethical.com.au).

Certain statements in this Update relate to the future. Such statements involve known and unknown risks and uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from expected future results. Australian Ethical Investment Ltd does not give any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Update will actually occur and you are cautioned not to place undue reliance on such statements.

The content of this Update is intended to provide a summary and general overview concerning matters of interest and is correct as at the date of publication. It has not been subject to auditor review. Australian Ethical Investment Ltd does not accept any liability, either directly or indirectly, arising from any person relying, either wholly or partially, upon any information shown in, or omitted from, this Update. Under no circumstances will Australian Ethical Investment Ltd be liable for any loss or damage caused by your reliance on information obtained from this Update. You should consider seeking independent advice from a legal or other professional adviser before acting in response to the content of this Update.