ASX Code: AEF

31 August 2012

Appendix 4E (rule 4.3A)

Preliminary final report for the year ended 30 June 2012

Australian Ethical Investment Limited and Controlled Entity

ABN 47 003 188 930

Results for announcement to the market

All comparisons to year ended 30 June 2011

	up/down	% movement		$
Revenues from ordinary activities	down	6%	to	14,792,790
Net profit after tax from ordinary activities (including significant items)	down	64%	to	402,155
Underlying net profit after tax (excluding significant items)	down	12%	to	859,955

Dividend information

	amount per share (cents)	franked amount per share (cents)	tax rate for franking credit
Interim 2012 dividend per share (paid 30 March 2012)	25	25	30%
Final 2012 dividend per share (to be paid 5 October 2012)	35	35	30%

Final dividend dates

Record date	14 September 2012
Payment date	5 October 2012

The Dividend Reinvestment Plan (DRP) will not operate in respect of the final dividend.

	30 June 2012	30 June 2011
Net tangible assets per security	$6.67	$7.60

Additional Appendix 4E disclosure requirements are in the attached market announcement, 30 June 2012 financial statements and accompanying notes.

This report is based on the consolidated financial statements that are in the process of being audited by Thomas Davis & Co.

For further information contact: Tom May, Company Secretary
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Australian Ethical Investment Ltd **ABN** 47 003 188 930 **AFSL** 229949

ASX Code: AEF

31 August 2012

Australian Ethical Investment Limited

Key financial results for year ended 30 June 2012

Key financial points

◦ Net profit after tax (NPAT)	$0.402 m	(down 64% on previous year)
◦ Underlying profit after tax (UPAT)	$0.859m	(down 12% on previous year)
◦ FUM at 30 June 2012 (before distribution)	$626.6 m	(down 3.6% on previous year)
◦ Revenues	$14.8 m	(down 5.9% on previous year)
◦ Expenses	$13.4 m	(up 1.6% on previous year)
◦ Return on Equity	5.9%	(down from 17.1% on previous year)
◦ Earnings per share (basic)	40.1 cents	(down 68.9% on previous year)

Key operating points

- Staff numbers reduced from 50 to 36 leading to a lower ongoing cost base.
- Fee reductions and other product improvements implemented.
- Appointment of Russell Investments as Superannuation Administrator.
- Portfolio administration fully implemented – service standards dramatically improved.

Overview

Australian Ethical Investment Limited today announced a net profit after tax (NPAT) of $0.402 million for the 12 months to 30 June 2012 (FY12) and an underlying profit after tax (UPAT) of $0.859 million. The NPAT result reflects lower revenues due to lower funds under management, arising from lower market values and the continued reduction of inflows across the industry, and our decision to gradually reduce management fees. These factors have been offset somewhat by a reduction in operating costs the full year benefits of which were not realised in FY12.

The result also includes a number of one off items such as a three yearly revaluation of the building, redundancy costs associated with a business restructuring to lower operating costs and costs incurred in respect of shareholder actions conducted throughout the year.

Commenting on the result, Phil Vernon, Managing Director of Australian Ethical said, “The past year has been one of considerable change for Australian Ethical. In the face of difficult market conditions we have continued repositioning the business from being a high cost, high priced business to being far more competitive, commercial, service oriented and efficient.”

Throughout the year a number of improvements were made to the business including reduced fees, product improvements, cost reductions and client service and operational enhancements. “We believe that investors should be able to save and invest in a way that provides financial security but also looks after the planet. We also believe they deserve competitive products and best practice client service." said Mr Vernon. "We are setting the business up for a long term sustainable future. Whilst transitional costs have been incurred in the short term, the company will be stronger in the long run" he said.

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Key impacts

Key impacts on the result were:

- **Lower market values** – markets were subdued. The All Ordinaries Index has dropped 11% from 1 July 2011 to 30 June 2012.
- **Impairment to building** – a non-cash impairment charge of $210,000 was incurred arising from a three yearly revaluation of the property at Trevor Pearcey House in Bruce, ACT. The reduced value is due to the more subdued commercial property market in Canberra.
- **Business restructuring** – redundancy costs of $319,000 were incurred in relation to restructuring the business to reduce operating costs to position it for a more competitive, lower fee environment in the future. This has reduced staff numbers from 50 to 36. The full year benefit of these cost reductions were not felt in these results.
- **Shareholder action** – during the year a group of shareholders called a general meeting. Direct costs incurred in respect of the campaign were $125,000.

Operational highlights

- **Product improvements: insurance** – we have made a number of improvements to our products during the year including new improved insurance arrangements for our superannuation fund members at a lower cost.
- **Product improvements: fees** – we have also reduced the fees on a number of products to make them more competitive in the market including our Cash Trust (formerly the Income Trust) and the wholesale unit of our Smaller Companies Trust and Larger Companies Trust.
- **Appointment of Russell Investments** – we recently appointed Russell Employee Benefits Limited as the administration provider for the Australian Ethical Superannuation Fund effective from April 2013. This appointment will result in enhanced service levels and reduced costs to superannuation members.
- **Operational improvements** – we finalised the implementation of the Garradin Portfolio Administration system on 31 December 2011. This, together with other renovations of our administration areas has significantly improved our ability to meet service standards required to operate in the market.

Regulatory changes

The financial services industry is going through significant regulatory changes that impact the business in a number of ways. In particular:

- Capital requirements for funds management businesses will change in November 2012 requiring greater liquidity to be held to comply with licensing requirements. This will be challenging to meet whilst we hold real estate on our balance sheet. It also has an impact on dividends; and
- Two new areas of legislation (Future of Financial Advice and MySuper) have combined to impact fees in a number of ways. In general, this legislation has led to lower fees and a more competitive environment. In particular it means the abolition of up-front fees. On 1 July 2012 we removed up-front fees on all of our products in order to position us for this new environment.

Balance sheet

The balance sheet holds a number of assets that the Board believe are inappropriate for a company of our size and nature and will be looking to realise these assets in an orderly manner and reinvest the proceeds in liquid and cash equivalents. In particular:

- The company purchased its own premises in Canberra in 2006 and undertook significant renovations over the course of 2006 and 2007 to bring it to 6 star Green Star rating standard. Whilst the Board is fully supportive of the company occupying appropriately rated premises it is of the view that it is inappropriate for the company to own real estate. We have entered into a marketing and sales agreement with CBRE to sell the property.
- The company has, over the past few years, supported the activities of the Climate Advocacy Fund (CAF) an index fund that engages in shareholder advocacy in relation to climate change. In particular it has purchased shares in the companies that the CAF was putting resolutions to on behalf of nominees in order to allow the resolutions to be put. Unrealised losses in respect of these activities amount to $106,000. We will be selling these over coming months.
- The company has, in the past, invested some surplus cash in unit trusts that it manages. These will also be liquefied and reinvested into cash or cash equivalents.

Final dividend

In line with the dividend policy the AEI Board confirmed a final dividend of 35 cents per share fully franked, bringing the total FY12 dividend to 60 cents per share fully franked. In determining the final dividend, the Board took into account the following:

- regulatory requirements, in particular the new capital requirements effective in November 2012 requiring net assets held for regulatory purposes to have a greater cash component;
- the uncertainty in the market;
- future potential strategic requirements.

The record date for the dividend is 21 September 2012. The dividend will be paid on 5 October 2012.

The dividend reinvestment plan will not operate in respect of the final dividend.

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investment + superannuation

Fact sheet

Funds under management	**2011**	**2012**	**% Change**
	$644.1 m	$626.6 m	(3%)

Net profit after tax	**2011* ($,000)**	**2012 ($,000)**	**% Change**
Revenue	15,744	14,793	(6%)
Expenses	(13,124)	(13,359)	(2%)
Operating profit	**2,620**	**1,434**	**(45%)**
Community grants	(153)	(53)	
EBITDA	**2,467**	**1,380**	**(44%)**
Depreciation/amortisation/options/rights	(677)	(658)	3%
Tax	(665)	(320)	52%
Net profit after tax	**1,125**	**402**	**(64%)**
Adjustments (gross)			
– Add back employment restructure expenses	445	319	
– Add back property revaluation	-	210	
– Add back legal costs for shareholder actions	-	125	
– Deduct acquisition fee Lawley House	(651)	0	
Tax on adjustments	62	(197)	
Underlying profit after tax	**981**	**859**	**(12%)**

* Restated

Dividends	**2011 (cents per share)**	**2012 (cents per share)**
Interim	45.0	25.0
Final	100.0	35.0
Special	25.0	-
Total dividend	170.0	60.0

For further information please contact:

Phil Vernon
Managing Director
Tel: 0407 169 528

End/

Statement of financial position
as at 30 June 2012

	Notes	Consolidated entity 2012 $	Consolidated entity 2011 Restated* $	Parent entity 2012 $	Parent entity 2011 Restated* $
Current assets					
Cash and cash equivalents	7	**2,309,587**	2,554,689	**2,102,684**	2,298,126
Trade and other receivables	8	**1,715,999**	3,245,297	**1,073,168**	2,698,177
Financial assets	9	**350,412**	496,423	**350,412**	496,423
Current tax assets	13	**19,156**	-	**46,554**	-
Other current assets	10	**173,598**	232,306	**142,323**	189,988
Total current assets		**4,568,752**	6,528,715	**3,715,141**	5,682,714
Non-current assets					
Property, plant & equipment	11	**3,621,747**	4,040,747	**3,621,747**	4,040,747
Intangible assets	12	**17,746**	45,355	**17,745**	45,355
Financial assets	9	**33,757**	61,820	**349,757**	377,820
Deferred tax assets	13	**396,685**	607,503	**395,170**	606,108
Total non-current assets		**4,069,935**	4,755,425	**4,384,419**	5,070,030
Total assets		**8,638,687**	11,284,140	**8,099,560**	10,752,744
Current liabilities					
Trade and other payables	14	**1,538,173**	2,587,710	**1,123,761**	2,339,705
Current tax liabilities	15	**-**	443,545	**-**	443,545
Short-term provisions	16	**283,589**	533,024	**283,589**	533,024
Total current liabilities		**1,821,762**	3,564,279	**1,407,350**	3,316,274
Non-current liabilities					
Deferred tax liabilities	15	**35,087**	34,926	**35,087**	34,926
Other long-term provisions	16	**74,117**	56,123	**74,117**	56,123
Total non-current liabilities		**109,204**	91,049	**109,204**	91,049
Total liabilities		**1,930,966**	3,655,328	**1,516,554**	3,407,323
Net assets		**6,707,721**	7,628,812	**6,583,006**	7,345,421
Equity					
Issued capital	17	**6,038,301**	5,915,219	**6,038,301**	5,915,219
Reserves		**302,071**	1,131,904	**302,071**	1,131,904
Retained earnings		**367,349**	581,689	**242,634**	298,298
Total equity		**6,707,721**	7,628,812	**6,583,006**	7,345,421

*see note 27

The accompanying notes form part of these financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Notes	Consolidated entity 2012 $	Consolidated entity 2011 Restated* $	Parent entity 2012 $	Parent entity 2011 Restated* $
Revenue	3	**14,792,790**	15,744,031	**12,642,119**	14,928,938
Commissions paid to advisers		**(146,750)**	(175,660)	**(8,481)**	(15,048)
External services		**(3,469,806)**	(3,024,619)	**(1,701,853)**	(1,318,507)
Employee benefits expense		**(6,753,962)**	(7,628,517)	**(6,727,978)**	(7,611,134)
Depreciation		**(426,395)**	(421,258)	**(426,395)**	(421,258)
Occupancy costs		**(276,680)**	(271,218)	**(276,680)**	(262,184)
Communication costs		**(729,448)**	(748,853)	**(708,888)**	(747,597)
Other expenses		**(2,003,796)**	(1,531,231)	**(1,738,669)**	(1,440,464)
Impairment charge on building	11	**(210,000)**	-	**(210,000)**	-
Profit before community grants and income tax expense		**775,953**	1,942,675	**843,175**	3,112,746
Community grants expense	1 (h)	**(53,327)**	(152,802)	**(53,327)**	(152,802)
Profit before income tax		**722,626**	1,789,873	**789,848**	2,959,944
Income tax expense	4	**(320,471)**	(664,842)	**(229,015)**	(516,024)
Profit for the year		**402,155**	1,125,031	**560,833**	2,443,920
Other comprehensive income					
Net gain/(loss) on revaluation of available-for-sale investments		**(50,172)**	(26,580)	**(50,172)**	(26,580)
Other comprehensive income for the period, net of tax		**(50,172)**	(26,580)	**(50,172)**	(26,580)
Total comprehensive income for the period		**351,983**	1,098,451	**510,661**	2,417,340
Profit attributable to members of the parent entity		**402,155**	1,125,031	**560,833**	2,443,920
Total comprehensive income attributable to members of the parent entity		**351,983**	1,098,451	**510,661**	2,417,340
Basic earnings per share (cents per share)	6	**40.1**	113.0		
Diluted earnings per share (cents per share)	6	**39.4**	112.2		

*see note 27 and note 3

The accompanying notes form part of these financial statements

Statement of changes in equity
for year ended 30 June 2012

Consolidated entity

	Note	Issued capital ordinary $	Asset revaluation reserve $	Share-based payment reserve $	Retained earnings $	Total $
Balance at 1 July 2010		5,791,147	(40,677)	909,826	1,395,432	8,055,728
Profit attributable to members of the group		-	-	-	1,282,533	1,282,533
Other comprehensive income for the period		-	(26,580)	-	-	(26,580)
Total comprehensive income for the period		-	(26,580)	-	1,282,533	1,255,953
Transactions with owners in their capacity as owners:						
Shares issued during the period	17	124,072	-	(124,072)	-	-
Dividends paid or provided for	5	-	-	-	(1,938,772)	(1,938,772)
Share-based payment expense		-	-	255,905	-	255,905
Balance at 30 June 2011		5,915,219	(67,257)	1,041,659	739,191	7,628,812
Net effect of a correction of an error:						
Share-based payment expense		-	-	157,502	(157,502)	-
Restated balance at 30 June 2011		5,915,219	(67,257)	1,199,161	581,689	7,628,812
Balance at 1 July 2011		**5,915,219**	**(67,257)**	**1,199,161**	**581,689**	**7,628,812**
Profit attributable to members of the group		**-**	**-**	**-**	**402,155**	**402,155**
Other comprehensive income for the period		**-**	**(50,172)**	**-**	**-**	**(50,172)**
Total comprehensive income for the period		**-**	**(50,172)**	**-**	**402,155**	**351,983**
Transactions with owners in their capacity as owners:						
Shares issued during the period	17	**123,082**	**-**	**(123,082)**	**-**	**-**
Dividends paid or provided for	5	**-**	**-**	**-**	**(1,504,553)**	**(1,504,553)**
Transfer from share-based payments reserve to retained earnings				**(888,057)**	**888,057**	**-**
Share-based payment expense		**-**	**-**	**231,478**	**-**	**231,478**
Balance at 30 June 2012		**6,038,301**	**(117,429)**	**419,500**	**367,349**	**6,707,721**

Parent entity

	Note	Issued capital ordinary $	Asset revaluation reserve $	Share-based payment reserve $	Retained earnings $	Total $
Balance at 1 July 2010		5,791,147	(40,677)	909,826	(206,850)	6,453,446
Profit attributable to members of the parent entity		-	-	-	2,601,422	2,601,422
Other comprehensive income for the period		-	(26,580)	-	-	(26,580)
Total comprehensive income for the period		-	(26,580)	-	2,601,422	2,574,843
Transactions with owners in their capacity as owners:						
Shares issued during the period	17	124,072	-	(124,072)	-	-
Dividends paid or provided for	5	-	-	-	(1,938,772)	(1,938,772)
Share-based payment expense		-	-	255,905	-	255,905
Balance at 30 June 2011		5,915,219	(67,257)	1,041,659	455,800	7,345,421
Net effect of a correction of an error:						
Share-based payment expense		-	-	157,502	(157,502)	-
Restated balance at 30 June 2011		5,915,219	(67,257)	1,199,161	298,298	7,345,421
Balance at 1 July 2011		**5,915,219**	**(67,257)**	**1,199,161**	**298,298**	**7,345,421**
Profit attributable to members of the parent entity		**-**	**-**	**-**	**560,833**	**560,833**
Other comprehensive income for the period		**-**	**(50,172)**	**-**	**-**	**(50,172)**
Total comprehensive income for the period		**-**	**(50,172)**	**-**	**560,833**	**510,661**
Transactions with owners in their capacity as owners:						
Shares issued during the period	17	**123,082**	**-**	**(123,082)**	**-**	**-**
Dividends paid or provided for	5	**-**	**-**	**-**	**(1,504,553)**	**(1,504,553)**
Transfer from share-based payments reserve to retained earnings				**(888,057)**	**888,057**	**-**
Share-based payment expense		**-**	**-**	**231,478**	**-**	**231,478**
Balance at 30 June 2012		**6,038,301**	**(117,429)**	**419,500**	**242,634**	**6,583,006**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Notes	Consolidated entity		Parent entity	
		2012	2011	**2012**	2011
		$	$	**$**	$
Cash flows from operating activities					
Receipts from operations		**15,869,290**	21,360,606	**13,320,548**	18,497,823
Payment to suppliers & employees		**(13,705,086)**	(18,429,046)	**(11,601,735)**	(16,282,198)
Dividends received		**-**	-	**372,055**	1,665,953
Interest/distributions received		**95,589**	95,885	**86,805**	76,271
Income tax paid		**(550,692)**	(357,731)	**(418,912)**	(87,001)
Bonus		**(191,533)**	(184,026)	**(191,533)**	(184,026)
Community grants		**(152,801)**	(125,396)	**(152,801)**	(125,396)
Net cash provided by (used in) operating activities	22 (b)	**1,364,767**	2,360,292	**1,414,427**	3,561,426
Cash flows from investing activities					
Proceeds from sale of investments		**100,306**	656,109	**100,306**	656,109
Purchase of property, plant & equipment		**(201,218)**	(273,142)	**(201,218)**	(273,142)
Purchase of investments		**(33,564)**	(191,352)	**(33,564)**	(191,352)
Loans to Staff		**-**	-		-
Repayment of loans		**29,160**	48,820	**29,160**	48,820
Net cash provided by (used in) investing activities		**(105,316)**	240,435	**(105,316)**	240,435
Cash flows from financing activities					
Proceeds from share issue		**-**	-		-
Share buy-back payment		**-**	-		-
Dividends paid		**(1,504,553)**	(1,938,772)	**(1,504,553)**	(1,938,772)
Net cash provided by (used in) financing activities		**(1,504,553)**	(1,938,772)	**(1,504,553)**	(1,938,772)
Net increase (decrease) in cash held		**(245,102)**	661,955	**(195,442)**	1,863,089
Cash at beginning of financial year		**2,554,689**	1,892,734	**2,298,126**	435,037
Cash at end of financial year	22 (a)	**2,309,587**	2,554,689	**2,102,684**	2,298,126

The accompanying notes form part of these Financial Statements

Notes to the financial statements for the year ended 30 June 2012

Note 1 - Statement of significant accounting policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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

The financial report covers the consolidated entity of Australian Ethical Investment Limited and its wholly owned entity Australian Ethical Superannuation Pty Ltd and Australian Ethical Investment Limited as an individual parent entity. Australian Ethical Investment Limited is a listed public company and both the parent and wholly owned entity are incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Accounting policies

a) Principles of consolidation

A controlled entity is any entity Australian Ethical Investment Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of controlled entities have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

The consolidated financial statements comprise the financial statements of Australian Ethical Investment Limited and its wholly owned entity Australian Ethical Superannuation Pty Limited.

b) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Note 1 - Statement of significant accounting policies - continued

b) Income tax - continued

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Australian Ethical Investment Limited and its wholly owned entity Australian Ethical Superannuation Pty Ltd 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 group notified the Australian Tax Office (ATO) on 24 March 2004 that it had formed an income tax consolidated group to apply from 1 July 2002. The tax consolidated group has entered 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 Ltd 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 ATO for group tax liabilities.

c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Leasehold land and buildings are shown at cost less any accumulated depreciation and any accumulated impairment losses.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets

Note 1 - Statement of significant accounting policies - continued

c) Property, plant and equipment - continued

employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings	2.5%-20%	Straight line
Furniture, fittings and equipment	10% to 37.5%	Straight line/diminishing value
Software	18.75% to 40%	Straight line/diminishing value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d) Intangible assets

The development of the company's website was capitalised as an intangible asset and carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over its estimated useful live at two and 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.

e) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale financial assets

The consolidated entity holds available for sale financial assets. Available for sale financial assets are assets not classified as financial assets at fair value through profit and loss, loans and receivables, or held-to-maturity investments. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Note 1 - Statement of significant accounting policies – continued

e) Financial instruments– continued

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

f) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Share options and rights

Share based compensation benefits are provided to employees via the Australian Ethical Investment Limited employee share ownership plan. Share options and rights have been granted annually to employees and details are disclosed in the annual financial report.

At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options and rights the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

Note 1 - Statement of significant accounting policies – continued

Employee bonus

The group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

h) 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:-

(i) paid or provisioned for payment to current employees, or other persons performing work for the company, 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"

(ii) "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.

i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

k) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

l) Goods and services tax (GST)

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

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

Note 1 - Statement of significant accounting policies - continued

m) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the financial year.

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 the interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

n) Comparative figures

Where required comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – annual leave and long service leave provision
In estimating the annual leave and long service leave provision, an average salary increase of three percent has been incorporated.

Key judgements
Australian Ethical Investment Limited has a loan receivable from the Centre for Australian Ethical Research recorded as an asset on its statement of financial position for $44,659, and a staff loan for $7,455. The directors have determined that no provision for impairment is required for these loans.

Accounting Standards not previously applied

The AASB has issued new, revised and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the group follows:

• AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013). These standards are applicable retrospectively and amend the classification and measurement of financial assets. The group has not yet determined the potential impact on the financial statements.

Notes to the financial statements for the year ended 30 June 2012

• AASB 1053: Application of Tiers of Australian Accounting Standards and AASB2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).
AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

− Tier 1: Australian Accounting Standards; and

− Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Since the group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011 Restated*	**2012**	2011 Restated*
	$	$	**$**	$
Note 2 - Auditors' remuneration				
Remuneration of the auditors for:				
Audit services				
- Auditing the financial report	**39,900**	39,188	**35,000**	34,538
- Auditing the sustainability report	**-**	5,900	**-**	5,900
Non-audit services				
- Tax and other accounting advice	**4,000**	3,462	**4,000**	3,462
Note 3 - Revenue				
Operating activities				
- Management fees net of rebates	**10,088,674**	11,235,864	**4,032,129**	4,602,218
- Entry fees	**1,010,122**	1,107,289	**50,435**	80,839
- Member & Withdrawal Fees	**775,276**	697,654	**-**	-
- Reimbursed expenses	**2,668,095**	1,819,105	**1,597,624**	1,598,522
- Dividend from wholly owned subsidiary	**-**	-	**372,055**	1,665,953
- Interest/distributions	**93,014**	98,246	**84,229**	78,632
- Wholly owned entity fee	**-**	-	**6,403,976**	6,167,594
- Other revenue	**157,609**	785,873	**101,671**	735,180
	14,792,790	15,744,031	**12,642,119**	14,928,938
Total revenue	**14,792,790**	15,744,031	**12,642,119**	14,928,938

*Other fees for 2011 have been restated to reflect changed accounting treatment for expenses that the company pays and subsequently seeks reimbursement from the Managed Trusts and Superannuation Fund. Other fees reflects the full amount of expenses recovered for the Managed Trusts and Superannuation Fund. There has been a corresponding adjustment to external services (Statement of Comprehensive Income) reflecting the full cost of services provided by third parties to the Managed Trusts and Superannuation Fund.

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011 Restated*	**2012**	2011 Restated*
	$	$	**$**	$
Note 4 - Income tax expense				
a) The components of tax expense comprise:				
- Current tax	**87,992**	828,581	**(3,584)**	679,763
- Deferred tax	**232,479**	(163,739)	**232,599**	(163,739)
	320,471	664,841	**229,015**	516,024
b) The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011:30%)				
- Consolidated entity	**216,788**	536,962	**-**	-
- Parent entity	**-**	-	**236,954**	887,983
- Other members of the income tax consolidated group net of intercompany transactions	**-**	-	**91,456**	148,818
Add: tax effect of:				
- Other non-allowable items	**34,241**	2,130	**34,236**	2,076
- Share options expensed during year	**69,443**	124,022	**69,443**	124,022
- Under provision for income tax in prior year	**943**	2,483	**943**	2,483
	321,415	665,597	**433,032**	1,165,382
Less: tax effect of:				
- Rebateable fully franked dividends	**-**	-	**(111,617)**	(499,785)
- Franking and foreign tax credits	**(944)**	(755)	**(944)**	(755)
- Tax allowance on capital investment	**-**	-		-
Income tax expense attributable to entity	**320,471**	664,842	**320,471**	664,842
Allocation of income tax expense to wholly owned entity under the tax sharing agreement	**-**	-	**(91,456)**	(148,818)
Income tax expense attributable to entity	**320,471**	664,842	**229,015**	516,024
The applicable weighted average effective tax rates are as follows:	**44%**	37%	**29%**	17%

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011 Restated*	**2012**	2011 Restated*
	$	$	**$**	$
Note 5 - Dividends				
(a) Distributions paid				
Final fully franked dividend of 100 (2011: 50) cents per share franked at the tax rate of 30% (2011:30%)	**1,003,036**	496,570	**1,003,036**	496,570
Special fully franked dividend of 25 (2011: 100) cents per share franked at the tax rate of 30% (2011:30%)	**250,758**	993,141	**250,758**	993,141
Interim fully franked dividend of 25 (2011: 45) cents per share franked at the tax rate of 30% (2011:30%)	**250,759**	449,061	**250,759**	449,061
	1,504,553	1,938,772	**1,504,553**	1,938,772
(b) Distributions declared				
Final fully franked dividend of 35 (2011: 100) cents per share franked at the tax rate of 30% (2011: 30%)	**351,062**	997,913	**351,062**	997,913
Special final fully franked dividend of 0 (2011: 25) cents per share franked at the tax rate of 30% (2011: 30%)	**-**	249,478	**-**	249,478
(c) Franking account				
Balance of franking account at year end adjusted for franking credits which will arise from income tax payments in the following year.			**871,804**	1,380,710
Subsequent to year-end, the franking account would be reduced by the declared dividend reflected above as follows:			**150,455**	534,596
			721,349	846,114
Note 6 - Earnings per share				
(a) Earnings used to calculate basic EPS and dilutive EPS	**402,155**	1,125,031		
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**1,001,859**	996,004		
Weighted average number of rights outstanding	**18,751**	6,886		
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	**1,020,610**	1,002,890		
Note 7 - Cash and cash equivalents				
Cash on hand	**300**	300	**300**	300
Cash at bank	**185,773**	171,559	**5,958**	10,000
Deposits at call	**2,123,514**	2,382,830	**2,096,426**	2,287,826
	2,309,587	2,554,689	**2,102,684**	2,298,126

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

Deposits at call is money invested in high interest bank account. Interest is calculated daily based on daily bank deposit rates.

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Note 8 - Trade and other receivables				
Trade receivables	**1,711,718**	3,238,499	**1,057,697**	2,623,778
Other	**4,281**	6,798	**4,281**	6,798
Amounts receivable - wholly owned entity	**-**	-	**11,190**	67,601
	1,715,999	3,245,297	**1,073,168**	2,698,177
Note 9 - Financial assets				
Available-for-sale financial assets	**332,055**	476,902	**648,055**	792,902
Loans	**52,114**	81,341	**52,114**	81,341
	384,169	558,243	**700,169**	874,243
Less non-current portion	**33,757**	61,820	**349,757**	377,820
Current portion	**350,412**	496,423	**350,412**	496,423
a. Available-for-sale financial assets comprise:				
- Listed securities at fair value	**108,947**	137,036	**108,947**	137,036
- Units in unit trust at fair value	**223,108**	339,866	**223,108**	339,866
- Shares in wholly owned entity at cost	**-**	-	**316,000**	316,000
	332,055	476,902	**648,055**	792,902
b. Loans comprise				
- Loan to other entity	**44,659**	69,091	**44,659**	69,091
- Loan to staff	**7,455**	12,250	**7,455**	12,250
	52,114	81,341	**52,114**	81,341

The first loan is provided to an independent entity with a fixed interest rate of 9.0% and matures 1 August 2015..
Loan to staff is provided to one staff member with the Fringe Benefits Tax interest rate set by the ATO.

	Consolidated 2012	Consolidated 2011	Parent 2012	Parent 2011
Note 10 - Other current assets				
Other	**1,442**	11,857	**1,442**	11,858
Prepayments	**172,156**	220,449	**140,881**	178,130
	173,598	232,306	**142,323**	189,988

Notes to the financial statements for the year ended 30 June 2012

Note 11 - Property, plant and equipment

	Consolidated entity 2012 $	Consolidated entity 2011 $	Parent entity 2012 $	Parent entity 2011 $
Land and buildings				
Leasehold land				
At cost	**230,000**	230,000	**230,000**	230,000
Total land	**230,000**	230,000	**230,000**	230,000
Buildings				
At cost	**2,784,117**	2,784,117	**2,784,117**	2,784,117
Accumulated depreciation	**(440,241)**	(368,642)	**(440,241)**	(368,642)
Impairment loss	**(210,000)**	-	**(210,000)**	-
Total buildings	**2,133,876**	2,415,475	**2,133,876**	2,415,475
Total land and buildings	**2,363,876**	2,645,475	**2,363,876**	2,645,475
Plant and equipment				
At cost	**2,964,106**	2,809,022	**2,964,106**	2,809,022
Accumulated depreciation	**(1,706,235)**	(1,413,750)	**(1,706,235)**	(1,413,750)
Total plant and equipment	**1,257,871**	1,395,272	**1,257,871**	1,395,272
Total property, plant and equipment	**3,621,747**	4,040,747	**3,621,747**	4,040,747
Movements in carrying amounts				
Land				
Balance at the beginning of year	**230,000**	230,000	**230,000**	230,000
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Carrying amount at the end of year	**230,000**	230,000	**230,000**	230,000
Buildings				
Balance at the beginning of year	**2,415,475**	2,487,032	**2,415,475**	2,487,032
Additions				
Disposals	**-**	-	**-**	-
Depreciation expense	**(71,599)**	(71,557)	**(71,599)**	(71,557)
Impairment loss	**(210,000)**	-	**(210,000)**	-
Carrying amount at the end of year	**2,133,876**	2,415,475	**2,133,876**	2,415,475
Plant and equipment				
Balance at the beginning of year	**1,395,272**	1,498,136	**1,395,272**	1,498,136
Additions	**193,588**	256,948	**193,588**	256,948
Disposals	**(3,966)**	(36,793)	**(3,966)**	(36,793)
Depreciation expense	**(327,023)**	(323,019)	**(327,023)**	(323,019)
Carrying amount at the end of year	**1,257,871**	1,395,272	**1,257,871**	1,395,272
Total	**3,621,747**	4,040,747	**3,621,747**	4,040,747

As at 30 June 2012 a valuation of the Property asset (land and buildings) was conducted in accordance with the company's policy. Based on advice received from independent valuers the directors determined that the value of the property was below its carrying value and have noted an impairment of $210,000.

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Note 12 - Intangible Assets				
Website development				
At cost	**69,560**	85,540	**69,560**	85,540
Accumulated amortisation	**(51,814)**	(40,185)	**(51,814)**	(40,185)
Total intangibles	**17,746**	45,355	**17,746**	45,355
Website development				
Balance at the beginning of year	**45,355**	46,297	**45,355**	46,297
Additions	**7,630**	25,740	**7,630**	25,740
Disposals	**(7,467)**	-	**(7,467)**	-
Amortisation expense	**(27,772)**	(26,682)	**(27,772)**	(26,682)
Carrying amount at the end of year	**17,746**	45,355	**17,746**	45,355
Note 13 - Tax assets				
Current tax assets				
Tax refund receivable due to income tax overpayment	**19,156**	-	**46,554**	-
	19,156	-	**46,554**	-
Deferred tax assets				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Employee benefits	**252,295**	517,881	**252,295**	517,881
Community grants	**15,998**	46,578	**15,998**	46,578
Loss on sale of financial instrument	**1,930**	-	**1,930**	-
Building impairment	**63,000**	-	**63,000**	-
Audit fees	**13,136**	14,220	**11,621**	12,825
	346,359	578,679	**344,844**	577,284
Amounts recognised directly in equity				
Financial asset revaluations	**50,326**	28,824	**50,326**	28,824
	396,685	607,503	**395,170**	606,108
Movements				
Opening balance at 1 July	**607,503**	435,083	**606,108**	433,688
Credited (charged) to the income statement	**(232,320)**	161,029	**(232,320)**	161,029
Credited (charged) to equity	**21,502**	11,391	**21,382**	11,391
Closing balance at 30 June	**396,685**	607,503	**395,170**	606,108
Note 14 - Trade and other payables				
Trade payables	**243,197**	411,535	**26,452**	394,251
Sundry payables and accrued expenses	**1,195,633**	1,971,145	**997,966**	1,740,426
Employee bonus	**99,343**	205,029	**99,343**	205,029
	1,538,173	2,587,710	**1,123,761**	2,339,705
Note 15 - Tax liabilities				
Current tax liabilities				
Income tax payable	**-**	443,545	**-**	443,545
	-	443,545	**-**	443,545
Deferred tax liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Stamp duty on leasehold property:	**30,896**	30,896	**30,896**	30,896
Tax deferred income	**4,191**	4,030	**4,191**	4,030
	35,087	34,926	**35,087**	34,926
Movements				
Opening balance at 1 July	**34,926**	34,805	**34,926**	34,805
Credited/(charged) to the income statement	**161**	121	**161**	121
Credited/(charged) to equity	**-**	-	**-**	-
Closing balance at 30 June	**35,087**	34,926	**35,087**	34,926

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Note 16 - Provisions				
Current				
Employee benefits - long service leave	**283,589**	533,024	**283,589**	533,024
	283,589	533,024	**283,589**	533,024
Non-Current				
Employee benefits - long service leave	**74,117**	56,123	**74,117**	56,123
	74,117	56,123	**74,117**	56,123
Note 17 - Issued capital				
Ordinary shares				
Fully paid ordinary shares at the beginning of the financial year 997,913 (2011 - 993,141) shares	**5,915,219**	5,791,147	**5,915,219**	5,791,147
Issue of share capital				
Shares issued during the year under the employee share ownership plan:				
4,772 on 23 November 2010 (rights exercised)	**-**	124,072	**-**	124,072
5,122 on 22 September 2011 (rights exercised)	**123,082**	-	**123,082**	-
Balance 30 June				
1,003,035 (2011 - 997,913) shares	**6,038,301**	5,915,219	**6,038,301**	5,915,219

At 30 June 2012 there were 1,003,035 fully paid ordinary shares which have no par value.

Options/rights

(i) For detailed information relating to the Australian Ethical Investment Limited employee share ownership plan, including details of options/rights issued, exercised and lapsed during the financial year and the options/rights outstanding at year-end, refer to Note 25 share-based payments.

(ii) For information related to share options and rights issued to key management personnel during the financial year refer to the remuneration report contained within the Directors' report.

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meeting each ordinary share is entitled to one vote when a poll is called, othewise each shareholder has one vote on a show of hands.

Capital management

The company's capital structure and policies remain relatively simple. The company currently has no debt and capital not required for working purposes is held as an investment in Trevor Pearcey House and in an investment portfolio comprising an Australian Ethical trust and listed securities. Detail provided in Note 9 and 11.

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.

Maintenance of a certain level of capital is a condition of the company's Australian Financial Services Licence. The company currently meets the $5.0M capital requirement above which no extra capital is required as a result of increased funds under management. The company will comply with the new capital rules (as per CO 11/1140) with effect from 1 November 2012. These new capital rules require the company to:

(i) Maintain net tangible assets (NTA) of 0.5% of managed investment scheme assets (approximately $3M based on current funds under management) if not acting as its own custodian.
(ii) Hold 50% of the NTA requirement in cash or cash equivalents
(iii) Hold the balance of NTA requirement in liquid assets (convertible within 6 months)

Notes to the financial statements for the year ended 30 June 2012

Note 18 – Events after the balance sheet date

Since the end of the financial year, the following material events have occurred:

1. In August 2012 an agreement was entered into to market Trevor Pearcey House for sale.
2. Upfront fees on all products were removed from 1 July 2012.

The financial report was authorised for issue on the directors' declaration date by the board of directors.

Note 19 - Economic dependence

The consolidated entity is dependent upon management fees received in its capacity as responsible entity of the Australian Ethical Trusts and as trustee of the Australian Ethical Retail Superannuation Fund.

Note 20 - Contingencies

Liabilities and assets of trusts and superannuation fund

Liabilities of the trusts and superannuation fund for which the consolidated entity and parent entity are responsible entity and trustee but not shown in the financial statements of the consolidated entity or parent entity were:

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Current liabilities				
Payables	**3,013,871**	3,249,481	**1,365,919**	1,957,613
Provisions	**10,927,089**	18,472,200	**10,199,487**	17,710,906
Total liabilities	**13,940,960**	21,721,681	**11,565,406**	19,668,519
Rights of indemnities for liabilities incurred by the consolidated entity and parent entity not recorded in the financial statements were:	**13,940,960**	21,721,681	**11,565,406**	19,668,519

The trusts and superannuation fund hold sufficient assets to meet these liabilities as and when they fall due.

The assets of the trusts and superannuation fund are not available to meet any liabilities of the consolidated entity or parent entity acting in their own right.

Notes to the consolidated financial statements for the half-year ended 30 June 2012

Note 21 - Operating segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors and chief operating decision makers in assessing performance and determining the allocation of resources.

Reportable segments disclosed are:
1) public offer managed funds (managed funds); and
2) public offer retail superannuation fund (super)

(i) Segment performance

	30 June 2012			30 June 2011		
	Managed funds	**Super**	**Total**	Managed funds	Super	Total Restated*
	$	**$**	**$**	$	$	$
Revenue						
External sale	5,781,860	8,917,917	14,699,777	7,016,759	8,629,026	15,645,785
Inter-segment sale	6,403,976	-	6,403,976	6,167,594	-	6,167,594
Interest revenue	84,229	8,784	93,013	78,632	19,614	98,246
Total segment revenue	**12,270,065**	**8,926,701**	**21,196,766**	13,262,985	8,648,640	21,911,625
Inter-segment eliminations			(6,403,976)			(6,167,594)
Total group revenue			**14,792,790**			15,744,031
Segment net profit before tax	**963,268**	**556,404**	**1,519,672**	2,622,030	795,165	3,417,195
Reconciliation of segment result to group net profit/loss after tax						
Income tax expense	(229,015)	(91,456)	(320,471)	(516,024)	(148,818)	(664,842)
Unallocated items						
- Depreciation and amortisation			(426,395)			(421,258)
- Other corporate overheads *			(370,651)			(1,206,064)
Group net profit after tax			**402,155**			1,125,031

* Other corporate overheads includes staff bonus, community grants expense and staff options/rights expense.

(ii) Segment assets

	30 June 2012			30 June 2011		
	Managed funds	**Super**	**Total**	Managed funds	Super	Total
	$	**$**	**$**	$	$	$
Assets	**8,099,560**	**893,714**	**8,993,274**	10,752,744	914,998	11,667,742
Inter-segment eliminations			(354,587)			(383,602)
Total group assets			**8,638,687**			11,284,140
(iii) Segment liabilities						
Liabilities	**1,516,554**	**453,000**	**1,969,554**	3,407,323	315,606	3,722,929
Inter-segment eliminations			(38,588)			(67,601)
Total group liabilities			**1,930,966**			3,655,328

Notes to the financial statements for the year ended 30 June 2012

Note 22 - Cash flow information

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated entity		Parent entity	
	2012	2011 Restated*	**2012**	2011 Restated*
	$	$	**$**	$
Cash on hand	**300**	300	**300**	300
Cash at bank	**185,773**	171,559	**5,958**	10,000
Deposits at call	**2,123,514**	2,382,830	**2,096,426**	2,287,826
	2,309,587	2,554,689	**2,102,684**	2,298,126

(b) Reconciliation of cash flow from operations with net profit from ordinary activities after income tax expense

	Consolidated entity 2012	Consolidated entity 2011 Restated*	Parent entity 2012	Parent entity 2011 Restated*
Net profit from ordinary activities after income tax expense	**402,155**	1,125,031	**560,833**	2,443,920
Non-cash flows in operating profit				
Depreciation	**426,395**	421,258	**426,395**	421,258
Provisions	**(668,631)**	75,178	**(668,631)**	75,178
(Profit) loss on sale of property, plant & equipment	**11,433**	27,246	**11,433**	27,246
(Profit) loss on sale of investment	**6,432**	(6,449)	**6,432**	(6,449)
Share options/rights expensed	**231,478**	413,407	**231,478**	413,407
Impairment loss	**210,000**	-	**210,000**	-
Changes in assets and liabilities				
(Increase) decrease in trade & other receivables	**1,529,355**	(199,654)	**1,557,465**	(30,088)
(Increase) decrease in prepayments & other assets	**58,709**	104,888	**47,665**	107,296
(Increase) decrease in deferred tax assets	**232,320**	(136,555)	**232,440**	52,958
Increase (decrease) in trade & other payables	**(612,336)**	92,276	**(778,745)**	(319,365)
Increase (decrease) in current tax liability	**(462,701)**	443,545	**(422,497)**	375,944
Increase (decrease) in deferred tax liability	**160**	121	**160**	121
Net cash provided by (used in) operating activities	**1,364,769**	2,360,292	**1,414,428**	3,561,426

Notes to the financial statements for the year ended 30 June 2012

Note 23 – Related party transactions

Australian Ethical Investment Limited is the ultimate parent entity and owns 100% of Australian Ethical Superannuation Pty Ltd.

Australian Ethical Investment Limited acts as the responsible entity for the Australian Ethical Trusts (Australian Ethical Balanced Trust, Australian Ethical Smaller Companies Trust, Australian Ethical Cash Trust, Australian Ethical Larger Companies Trust, Australian Ethical International Equities Trust, Australian Ethical World Trust, Australian Ethical Property Trust, Australian Ethical Fixed Interest Trust and the Climate Advocacy Fund).

Australian Ethical Superannuation Pty Ltd acts as trustee for the Australian Ethical Retail Superannuation Fund.

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

Australian Ethical Superannuation Pty Ltd

a) Transactions between Australian Ethical Investment Limited and its wholly owned entity, Australian Ethical Superannuation Pty Ltd during the financial year consisted of:

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
(i) Transactions whereby Australian Ethical Investment Limited provides management services to the wholly owned entity on a cost recovery basis	**-**	-	**6,403,976**	6,167,594
(ii) Transactions between Australian Ethical Investment Limited and its wholly owned entity under the tax consolidation and related tax sharing agreement referred to in note 1(b).	**-**	-	**91,456**	148,818
(iii) Transactions whereby Australian Ethical Investment Limited collects management fee income on behalf of wholly owned entity and on-pays this management fee income to the wholly owned entity on a monthly basis.	**-**	-	**6,347,842**	6,401,445
(iv) Transactions whereby Australian Ethical Investment Limited receives a dividend from the wholly owned entity referred to in note 3.	**-**	-	**372,055**	1,665,953
b) Outstanding balances at balance date:				
Amounts receivable from wholly owned entity:				
Taxation and other	**-**	-	**38,587**	67,601

Notes to the financial statements for the year ended 30 June 2012

Note 23 – Related party transactions - continued

Australian Ethical Trusts

a) Transactions between Australian Ethical Investment Limited, as responsible entity, and the Australian Ethical Trusts during the financial year consisted of:

	Consolidated Entity 2012 $	Consolidated Entity 2011 $	Parent Entity 2012 $	Parent Entity 2011 $
(i) Transactions whereby Australian Ethical Investment Limited provides investment services to the Australian Ethical Trusts in accordance with the trust deed.				
- Australian Ethical Balanced Trust	**2,841,322**	3,459,096	**2,841,322**	3,459,096
- Australian Ethical Smaller Companies Trust	**3,923,345**	4,039,271	**3,923,345**	4,039,271
- Australian Ethical Cash Trust	**435,383**	360,548	**435,383**	360,548
- Australian Ethical Larger Companies Trust	**1,582,941**	1,717,663	**1,582,941**	1,717,663
- Australian Ethical International Equities Trust	**1,059,980**	1,442,241	**1,059,980**	1,442,241
- Australian Ethical Property Trust	**686,211**	296,802	**686,211**	296,802
- Climate Advocacy Fund	**57,185**	23,775	**57,185**	23,775
(ii) Transactions whereby Australian Ethical Investment Limited provides accounting services to the Australian Ethical Trusts in accordance with the trust deed.				
- Australian Ethical Balanced Trust	**240,292**	253,495	**240,292**	253,495
- Australian Ethical Smaller Companies Trust	**194,334**	204,500	**194,334**	204,500
- Australian Ethical Cash Trust	**84,361**	88,251	**84,361**	88,251
- Australian Ethical Larger Companies Trust	**123,348**	130,247	**123,348**	130,247
- Australian Ethical International Equities Trust	**97,167**	102,249	**97,167**	102,249
- Australian Ethical Property Trust	**34,384**	34,201	**34,384**	34,201
- Climate Advocacy Fund	**-**	-	**-**	-
(iii) Transactions whereby Australian Ethical Investment Limited seeks expense reimbursement from the Australian Ethical Trusts in accordance with the trust deed.				
- Australian Ethical Balanced Trust	**19,765**	26,885	**19,765**	26,885
- Australian Ethical Smaller Companies Trust	**29,584**	32,012	**29,584**	32,012
- Australian Ethical Cash Trust	**3,678**	1,963	**3,678**	1,963
- Australian Ethical Larger Companies Trust	**17,633**	20,885	**17,633**	20,885
- Australian Ethical International Equities Trust	**(1,004)**	4,502	**(1,004)**	4,502
- Australian Ethical Property Trust	**28**	121	**28**	121
- Climate Advocacy Fund	**-**	-	**-**	-
(iv) Transaction whereby Australian Ethical Investment Limited received a distribution payment from the Australian Ethical Balanced Trust and Climate Advocacy Fund	**2,883**	4,665	**2,883**	4,665

Notes to the financial statements for the year ended 30 June 2012

	Consolidated Entity		Parent Entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Note 23 – Related party transactions - continued				
b) Outstanding balances at balance date:				
Amounts receivable from the Australian Ethical Trusts in relation to investment services, accounting services and reimbursable expenses:				
- Australian Ethical Balanced Trust	**189,557**	438,059	**189,557**	438,059
- Australian Ethical Smaller Companies Trust	**330,638**	491,102	**330,638**	491,102
- Australian Ethical Cash Trust	**24,397**	93,853	**24,397**	93,853
- Australian Ethical Larger Companies Trust	**193,177**	235,973	**193,177**	235,973
- Australian Ethical International Equities Trust	**88,584**	168,801	**88,584**	168,801
- Australian Ethical World Trust	**-**	6,501	**-**	6,501
- Australian Ethical Property Trust	**59,896**	64,300	**59,896**	64,300
- Climate Advocacy Fund	**5,174**	6,992	**5,174**	6,992
Value of units held by Australian Ethical Investment Limited in the Australian Ethical Balanced Trust	**223,108**	233,479	**223,108**	233,479
Value of units held by Australian Ethical Investment Limited in the Climate Advocacy Fund	**-**	106,386	**-**	102,452
Distribution receivable from Australian Ethical Balanced Trust	**4,281**	3,316	**4,281**	3,316
Distribution receivable from Climate Advocacy Fund	**-**	3,482	**-**	3,482

Notes to the financial statements for the year ended 30 June 2012

	Consolidated entity		Parent entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Note 23 – Related party transactions - continued				
Australian Ethical Retail Superannuation Fund				
a) Transactions between the Consolidated entity and the Australian Ethical Retail Superannuation Fund during the financial year consisted of:				
(i) Transactions between Australian Ethical Superannuation Pty Limited and the Australian Ethical Retail Superannuation Fund related to investment services/ (rebate of investment services.)	**(291,298)**	232,201	**-**	-
(ii) Transactions between Australian Ethical Superannuation Pty Limited and the Australian Ethical Retail Superannuation Fund related to contribution fee/ (rebate of contribution fee)	**959,687**	1,026,450	**-**	-
(iii) Transactions between Australian Ethical Superannuation Pty Limited and the Australian Ethical Retail Superannuation Fund related to member admin fee/ (rebate of member admin fee)	**775,276**	697,654	**-**	-
(iv) Transactions between Australian Ethical Superannuation Pty Limited and the Australian Ethical Retail Superannuation Fund related to other reimbursables/ (rebate of other reimbursables)	**1,070,471**	226,299	**-**	-
Outstanding balances at end of period:				
Amounts receivable from/ (payable to) the Australian Ethical Retail Superannuation Fund:				
(i) Investment services/ (rebate of investment services fee)	**(172,722)**	52,372	**-**	-
(ii) Contribution fee/ (rebate of contribution fee)	**141,416**	175,916	**-**	-
(iii) Member admin fee/ (rebate of member admin fee)	**384,674**	350,798	**-**	-
(iv) Other reimbursables/ (rebate of other reimbursables)	**149,880**	37,623	**-**	-

Terms and conditions
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.

Notes to the financial statements for the year ended 30 June 2012

Note 24 - Key management personnel compensation

a) Key management personnel
Names and positions of key management personnel (directors and named executives) at any time during the financial year

Parent entity directors

Name	Position	
Howard Pender	Director, non-executive	Ceased 17 November 2011
Justine Hickey	Director, non-executive	
Les Coleman	Director, non-executive	Ceased 17 November 2011
Stephen Newnham	Director, Business Development, executive	Appointed (full time) 12 December 2011
Louise Herron	Director, non-executive	Appointed 20 February 2012, ceased July 25, 2012
André Morony	Chairperson, non-executive	
Phillip Vernon	Managing Director ,executive	

Other key management personnel

Name	Position	
Gary Leckie	Chief Financial Officer	Resigned 23 May 2012
Tim Xirakis	Head of Client Relationships	Resigned 8 August 2011
Adam Kirk	General Manager, Business Development	Appointed 9 August 2011
Paul Smith	General Manager, Strategy & Communications	Appointed 11 July 2011
Philip George	Head of Product & Client Services	
James Jordan	Chief Investment Officer	Resigned 28 March 2012
David Macri	Chief Investment Officer	Appointed 13 February 2012

b) Key management personnel compensation

	Economic Entity		Parent Entity	
	2012	2011	**2012**	2011
	$	$	**$**	$
Short term employment benefits	**1,978,000**	1,698,879	**1,956,070**	1,661,759
Post-employment benefits	**167,914**	151,363	**164,567**	148,016
Other long-term benefits	**34,939**	19,073	**34,939**	19,073
Termination benefits	**221,528**	57,459	**221,528**	57,459
Share-based payments	**151,310**	127,143	**151,310**	127,143
Total compensation	**2,553,691**	2,053,917	**2,528,414**	2,013,450

Further key management personnel remuneration details are included in the Remuneration Report section of the Directors' Report.

c) Equity instrument disclosures relating to key management personnel

Option Holdings
Number of options held by key management personnel.

KMP Options Holdings	**Option Class**	**Balance at beginning of year**	**No. granted**	**No. expired**	**No. vested & excercised**	**Balance at end of year**	**Vested at end of year**	**Vested & excercisable at end of year**	**Vested & un-excercisable at end of year**
Parent Entity Directors									
James Thier	AEFAV	1,364	-	(1,364)	-	-	-	-	-
	2012 Total	**1,364**	**-**	**(1,364)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	2,881	-	(1,517)	-	1,364	-	-	-
Howard Pender	AEFAV	1,326	-	(1,326)	-	-	-	-	-
	2012 Total	**1,326**	**-**	**(1,326)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	2,839	-	(1,513)	-	1,326	-	-	-
Named executives (including other key management personnel)									
Philip George	AEFAU	2,169	-	(2,169)	-	-	-	-	-
	2012 Total	**2,169**	**-**	**(2,169)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	4,638	-	(2,469)	-	2,169	-	-	-
Gary Leckie	AEFAU	1,919	-	(1,919)	-	-	-	-	-
	2012 Total	**1,919**	**-**	**(1,919)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	3,686	-	(1,767)	-	1,919	-	-	-
Tim Xirakis	AEFAU	1,895	-	(1,895)	-	-	-	-	-
	2012 Total	**1,895**	**-**	**(1,895)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	3,671	-	(1,776)	-	1,895	-	-	-
James Jordan	AEFAU	1,243	-	(1,243)	-	-	-	-	-
	2012 Total	**1,243**	**-**	**(1,243)**	**-**	**-**	**-**	**-**	**-**
	2011 Total	2,389	-	(1,146)	-	1,243	-	-	-

Notes to the financial statements for the year ended 30 June 2012

Note 24 - Key management personnel compensation - continued

Rights Holdings

Number of Rights held by key management personnel.

KMP Rights Holdings	Rights Class	Balance at beginning of year	No. granted	No.forfeited	No. vested & excercised	Balance at end of year	Vested at end of year	Vested & excercisable at end of year	Vested & un-excercisable at end of year
Parent Entity Directors									
James Thier	AEFAY	689	-	(689)	-	-	-	-	-
	AEFAW	319	-	(319)	-	-	-	-	-
	2012 Total	**1,008**	-	**(1,008)**	-	-	-	-	-
	2011 Total	319	689	-	-	1,008	-	-	-
Howard Pender	AEFAY	736	-	-	-	736	-	-	-
	AEFAW	320	-	-	-	320	-	-	-
	2012 Total	**1,056**	-	-	-	**1,056**	-	-	-
	2011 Total	320	736	-	-	1,056	-	-	-
Phillip Vernon	AEFAB	-	1,474	-	-	1,474	-	-	-
	AEFAA	-	1,472	-	-	1,472			
	AEFAY	2,481	-	-	-	2,481			
	AEFAW	317	-	-	-	317	-	-	-
	2012 Total	**2,798**	**2,946**	-	-	**5,744**	-	-	-
	2011 Total	317	2,481	-	-	2,798	-	-	-
Named executives (including other key management personnel)									
Philip George	AEFAB	-	390	-	-	390	-	-	-
	AEFAA		1,105	-	-	1,105			
	AEFAY	985	-	-	-	985			
	AEFAW	501	-	-	-	501	-	-	-
	2012 Total	**1,486**	**1,495**	-	-	**2,981**	-	-	-
	2011 Total	501	985	-	-	1,486	-	-	-
Gary Leckie	AEFAB	-	696	(696)	-	-	-	-	-
	AEFAA	-	1,134	(1,134)	-	-			
	AEFAY	1,008	-	(1,008)	-	-			
	AEFAW	506	-	(506)	-	-	-	-	-
	2012 Total	**1,514**	**1,830**	**(3,344)**	-	-	-	-	-
	2011 Total	506	1,008	-	-	1,514	-	-	-
Tim Xirakis	AEFAB		646	-	-	646	-	-	-
	AEFAY	982	-	(982)	-	-			
	AEFAW	493	-	(493)	-	-	-	-	-
	2012 Total	**1,475**	**646**	**(1,475)**	-	**646**	-	-	-
	2011 Total	493	982	-	-	1,475	-	-	-
James Jordan	AEFAB	-	1,803	(1,803)	-	-	-	-	-
	AEFAA	-	1,457	(1,457)	-	-			
	AEFAY	868	-	(868)	-	-			
	AEFAW	409	-	(409)	-	-	-	-	-
	2012 Total	**1,277**	**3,260**	**(4,537)**	-	-	-	-	-
	2011 Total	1,271	915	-	(909)	1,277	-	-	-
David Macri	AEFAB	-	2,362	-	-	2,362	-	-	-
	AEFAA	-	827	-	-	827			
	AEFAY	666	-	-	-	666	-	-	-
	AEFAW	150	-	-	-	150	-	-	-
	2012 Total	**816**	3,189	-	-	**4,005**	-	-	-
	2011 Total	150	666	-	-	816	-	-	-

Share Holdings

Number of Shares held by key management personnel.

Parent Entity Directors		Balance at beginning of year	Acquired / Granted as Remuneration	On exercise of options/ rights	Net Change other (1)	Balance at end of year (2) & (3)
James Thier	**2012**	**66,576**	-	-	**405**	**66,981**
	2011	65,846	-	-	730	66,576
Howard Pender	**2012**	**50,683**	-	-	**(801)**	**49,882**
	2011	51,883	-	-	(1,200)	50,683
Justine Hickey	**2012**	**1,200**	-	-	-	**1,200**
	2011	700	-	-	500	1,200
Named executives (including other key management personnel)						
Philip George	**2012**	**1,104**	-	-	-	**1,104**
	2011	1,104	-	-	-	1,104
Paul Harding Davis	**2012**	**760**	-	-	**(760)**	-
	2011	1,598	-	-	(838)	760
James Jordan	**2012**	**909**	-	-	**(909)**	-
	2011	-	-	909	-	909

(1) "Net change other" incorporates changes resulting from purchases, sales, forfeitures during the year.

(2) Shares issued are fully paid

(3) Balance represents shareholdings by key management personnel including their related parties as required by AASB 124 Related Party Disclosures

Key management Personnel Loans

	Balance at beginning of year	Interest charged	Interest not charged	Write-off	Balance at end of year	No. of Individuals at end of year
Key Management Personnel	**$**	**$**	**$**	**$**	**$**	
2012	**12,250.11**	**778.30**	-	-	**7,454.99**	**1**
2011	**43,358.14**	**1,860.30**	-	-	**12,250.11**	**1**

(a) The Loan is repayable on 30 November 2013 and currently bears interest at 7.4 % per annum that is the FBT interest rate set by the ATO.

(b) In the 2011 -12 reporting period, there were no loans to individuals that exceeded $100,000 at any time.

Notes to the financial statements for the year ended 30 June 2012

Note 25 - Share based payments

The following share-based payment arrangements existed at 30 June 2012:

During this reporting period, Australian Ethical Investment Limited issued 5,122 ordinary shares on conversion of 5,122 AEFAZ performance rights for nil consideration granted under its employee share incentive scheme in April 2011. This conversion of performance rights resulted in an increase in ordinary shares of 5,122.

During 2010 reporting period, 10,819 performance rights (identifier: AEFAW) were granted. Under the Australian Ethical Investment Limited employee share incentive scheme (ESIS) participants are 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 company 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.

- employment must continue until 30 June 2012
- the arithmetic average return on equity over the performance period (‘AROE’) must exceed 15% p.a. or no shares shall be awarded at the end of the performance period;
- if the AROE exceeds 15% p.a. but is less than 20% p.a., half the maximum number of shares shall be awarded;
- if the AROE is equal to or greater than 20% p.a. the maximum number of shares shall be awarded.
- AROE is determined as the arithmetic average of return on equity over six month periods calculated using audited half-year financial statements
- The performance period is the financial years 2009/10, 2010/11 and 2011/12

During 2011 reporting period, 25,432 performance rights in two classes (identifiers: AEFAY and AEFAZ) were granted. Under the Australian Ethical Investment Limited employee share incentive scheme (ESIS) participants are 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 company 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.

During the reporting period 33,837 performance rights in two classes (identifiers: AEFAA and AEFAB) were granted. Under the Australian Ethical Investment Limited employee share incentive scheme (ESIS) participants are 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 company 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.

ASX Code	Number Granted	Attributes
AEFAA	19,195	- employment must continue until 30 June 2014 - the arithmetic average return on equity over the performance period (‘AROE’) must exceed 15% p.a. or no shares shall be awarded at the end of the performance period; - if the AROE exceeds 15% p.a. but is less than 20% p.a., half the maximum number of shares shall be awarded; - if the AROE is equal to or greater than 20% p.a. the maximum number of shares shall be awarded. - AROE is determined as the arithmetic average of return on equity over six month periods calculated using audited half-year financial statements. - The performance period is the financial years 2011/12, 2012/13 and 2013/14.
AEFAB	14,642	- employment must continue until 1 July 2012; - the number of shares that will be issued to each employee in respect of their performance rights under this category will be adjusted up or down by a maximum 20%, dependent on the absolute performance of one of the company's managed investment schemes, for which the employee has responsibility or provides significant input; a managed investment scheme has been agreed between the company and the employee. Performance will be measured over a performance period of 1 July 2011 to 30 June 2012

Performance rights reconciliation	Consolidated Entity **2012** **Number of Rights**	 2011 Number of Rights		Parent Entity **2012** **Number of Rights**	 2011 Number of Rights
Outstanding at the beginning of the financial year	**32,416**	14,476		**32,416**	14,476
Granted	**34,199**	25,569		**34,199**	25,569
Forfeited	**(19,980)**	(2,857)		**(19,980)**	(2,857)
Exercised	**(5,122)**	(4,772)		**(5,122)**	(4,772)
Expired	**-**	-		**-**	-
Outstanding at year-end	**41,513**	32,416	-	**41,513**	32,416
Exercisable at year-end	**-**	-	**-**	**-**	**-**

Notes to the financial statements for the year ended 30 June 2012

Fair value - Rights

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 for.

Weighted average fair value - Options

	Consolidated Entity				Parent Entity			
	2012		2011		**2012**		2011	
	Number of Options	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $	**Number of Options**	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the financial year	**32,394**	**32.27**	68,682	44.00	**32,394**	**32.27**	68,682	44.00
Granted	**-**	**-**	-	-	**-**	**-**	-	-
Forfeited	**-**	**-**	(4,435)	32.27	**-**	**-**	(4,435)	32.27
Exercised	**-**	**-**	-	-	**-**	**-**	-	-
Expired	**(32,394)**	**32.27**	(31,853)	57.57	**(32,394)**	**32.27**	(31,853)	57.57
Outstanding at year-end	**-**	**-**	32,394	32.27	**-**	**-**	32,394	32.27
Exercisable at year-end	**-**	**-**	-	-	**-**	**-**	-	-

There were no options outstanding at 30 June 2012.

Included under employee benefits expense in the income statement is :
$14,070 (2011: $75,860) relating to options issued under the employee share ownership plan.
$217,407 (2011: $180,045) relating to rights issued under the employee share ownership plan.

Note 26 - Financial instruments

(a) Financial risk management

The consolidated entity's financial instruments consist of cash and cash equivalents (note 7), trade and other receivables (note 8), financial assets (note 9) and trade and other payables (note 13).

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

(b) Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Weighted average effective interest rate		**Floating interest rate**		**Fixed interest rate within 1 year**	
	2012 %	2011 %	**2012 $**	2011 $	**2012 $**	2011 $
Cash and cash equivalents	**4**	5	**2,309,287**	2,554,389	**-**	-
Trade and other receivables					**-**	-
Financial assets	**9**	9	**5,202**	4,862	**13,155**	14,659
Total financial assets			**2,314,489**	2,559,251	**13,155**	14,659
Trade and other payables			**-**	-	**-**	-
Total financial liabilities			**-**	-	**-**	-

	Fixed interest rate within 1 to 5 years		**Non-interest bearing**		**Total**	
	2012 $	2011 $	**2012 $**	2011 $	**2012 $**	2011 $
Cash	**-**	-	**300**	300	**2,309,587**	2,554,689
Trade and other receivables	**-**	-	**1,715,999**	3,245,297	**1,715,999**	3,245,297
Financial assets	**33,757**	61,820	**332,055**	476,902	**384,169**	558,243
Total financial assets	**33,757**	61,820	**2,048,354**	3,722,499	**4,409,755**	6,358,229
Trade and other payables	-	-	**1,538,173**	2,587,710	**1,538,173**	2,587,710
Total financial liabilities	**-**	-	**1,538,173**	2,587,710	**1,538,173**	2,587,710

Notes to the financial statements for the year ended 30 June 2012

(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Quantitative details related to financial assets is contained in note 9.

In relation to the financial asset – loan to independent entity – disclosed at note 9, the loan agreement between the parent entity and the independent entity provides for the parent to enforce a security over the independent entity's assets should a default in loan payments occur. The independent entity has not defaulted in loan payments over the six years of the loan.

Consideration of credit risk in relation to financial assets is incorporated into the finance committee risk considerations mentioned earlier in this note. The defined investment parameters governing the approval of financial asset investments incorporates a sliding scale of risk exposure as follows:

- The maximum exposure to any one issuer is to be no greater than twenty five per cent of the portfolio;
- Minimum amount to be held in cash, AAA securities or senior bank debt is fifty per cent of the portfolio; and
- Minimum amount to be held in cash, AAA securities, senior bank debt, rated corporate debt or subordinated bank debt to be eighty per cent of the portfolio.

(d) Liquidity risk

The group carries no borrowing debt on the balance sheet and has sufficient reserves of cash, cash equivalents and liquid investments to assess the liquidity risk as low. The cash position and cash flows are reviewed by the finance committee to ensure regulatory and future operational requirements are catered for.

Trade and other payables are expected to be paid as follows:

	Consolidated Entity		Parent Entity	
	2012	2011	**2012**	2011
	$	$	$ **$**	$
Less than 6 months	**1,234,874**	2,052,383	**820,462**	1,806,802
6 months to 1 year	**303,299**	535,327	**303,299**	535,327
1 to 5 years	**-**	-	**-**	-
	1,538,173	2,587,710	**1,123,761**	2,342,129

Note 27 - Restatement of financial statements as a result of change in accounting policy and correction of an error

When finalising the 31 December 2011 interim financial statements it was determined that the timing of recognition of expenses associated with share based payments granted to employees was incorrect.

In general the accounting treatment previously adopted was to recognise the expense related to share based payments from the date of issue of the equity instrument (rights) through to vesting date. However the correct accounting treatment under the Australian Accounting Standards is to recognise the expense from the date at which a constructive obligation to pay the share based payment exists.

Whilst this impacts financial results for periods since the inception of the employee share based payment scheme in 2009, it only materially impacts the 2010-11 prior period.

Specifically, in December 2011 a tranche of performance rights were issued to investment and management employees with a vesting date 1 July 2012. The value of the rights issued/owing was estimated as $311,427. Previously this amount would have been recognised as an expense over the period December 2011 (issue date) to June 2012 (vesting date). However on further investigation it was determined that these rights were in respect to performance of investment and management employees during the year ended 30 June 2011 (year 1) vesting at 1 July 2012 (year 2). Accordingly approximately half of this amount should have been recognised as an expense in the year ended 30 June 2011.

The statement of financial position for 30 June 2011 included this error and hence resulted in the restatement of the following line items for the year ended 30 June 2011.

• Options/Rights reserve increased by $157,502
• Retained earnings decreased by $157,502

In addition the profit for 30 June 2011 was overstated by this error and hence resulted in the restatement of the following line items for the year ended 30 June 2011

• Options/Rights expense increased by $157,502
• Net profit after tax decreased by $157,502

30 June 2011 Comparative year	**Actual 30 June 2011 $**	**Correction of Error Adj $**	**Restated Actual 30 June 2011 $**
Consolidated statement of financial position (extract)			
Equity			
Issued Capital	5,915,219		5,915,219
Reserves	974,402	157,502	1,131,904
Retained earnings	739,191	(157,502)	581,689
Total Equity	7,628,812	-	7,628,812