

## ASX Announcement

ASX Code: AEF

Date: 26 August 2008

### Full year profit expectation

On 2 July 2008 Australian Ethical advised the market that it expected profit for the year ended 30 June 2008 would be approximately 95% - 100% of the profit result for the previous corresponding period.

The expectation was based on unaudited management accounts to the end of May 2008 and on management estimates for the June 2008 month.

The announcement also noted that during April through June 2008, Australian Ethical's wholly owned subsidiary, Australian Ethical Superannuation Pty Ltd ('AES') has been transitioning the outsourced administration of the group's superannuation fund. Due to the transition, the expected result included management estimates in some areas related to the transition.

The company now wishes to advise that the expected profit result for the year ended 30 June 2008 is approximately \$1.64M compared to a profit result of \$1.82M for the previous corresponding period, a decrease of approximately 10%.

The change in expectation is largely due to issues with the superannuation transition. AES is in dispute with United Funds Management Limited (United), its former fund administrator. AES believes that United has failed to provide the contracted service and that it has valid claims for damages against United. United is seeking payment of monies invoiced to AES for the service in the reporting period (approximately \$250,000). Notwithstanding the dispute, and without any prejudice to AES' claims, AES has decided to recognise as expenses the disputed invoices in its 2008 financial statements consistent with a conservative accounting approach. Similarly, a liability for the disputed amount will be included on the AES balance sheet. The approach of AES will be reflected in Australian Ethical's consolidated financial statements. AES and United continue to discuss the claims and disputed invoices.

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#### **Company Background**

Australian Ethical is a funds manager that specialises exclusively in ethical funds management. It offers managed investment schemes and corresponding superannuation strategies (for accumulation and pension accounts). The Australian Ethical Charter is the foundation of the investment process. It aims to avoid harmful investments and actively seeks investments that benefit society and the environment. Uniquely, the company's constitution requires that 10% of profit is donated to charitable and conservation initiatives.