

31 August 2017

Australian Ethical reports strong full year growth

Membership, net inflows and FUM up by more than 30%

Financial highlights (all comparisons to year ended 30 June 2016):

- Net profit after tax attributable to shareholders \$2.920m¹ (2016: \$3.010m down 3%)
- Consolidated statutory net profit after tax of \$2.924m
- Underlying profit after tax (UPAT) of \$4.235m (up 11%)
- Revenues of \$28.3m (up 23%)
- Expenses of \$25.4m (up 34%)
- Final ordinary dividend of 210 cents per share, fully franked

Operating highlights:

- Net profit impacted by \$1.96m cost of remediating unit pricing error
- Group funds under management of \$2.15bn (up 38%)
- Net inflows of \$454m (up 42%)
- Superannuation membership at 35,352 members (up 34%)

Australian Ethical Investment (ASX: AEF) today announced its financial results for the year ended 30 June 2017, reporting a decrease in net profit after tax attributable to shareholders of 3% when compared to the prior corresponding period.

The consolidated statutory net profit after tax was \$2.924m (2016 restated: \$3.186m²) including the results of the Australian Ethical Foundation Limited.

Results were impacted by remediation and project costs associated with a unit pricing error in our superannuation fund as well as employment restructure expenses. Underlying profit after tax was \$4.235m, up 11% compared with the prior corresponding period.

Revenue increased 23% to \$28.3m, up from the \$23.0m recorded for the previous corresponding period.

Funds under management (FUM) for the full year increased by 39% to \$2.15 billion, up from \$1.55 billion reported for the previous corresponding period. The increase was driven by significant member growth, net inflows and positive investment performance.

Membership of Australian Ethical Super has grown 34% from the previous corresponding period to 35,352.

1. Net profit after tax attributable to shareholders excludes the net profit after tax of the Australian Ethical Foundation.
2. The consolidated statutory net profit after tax for 2016 has been restated to reflect the consolidation of the Australian Ethical Foundation Limited ("The Foundation"). All income received and net assets of the Foundation are restricted to the Foundation's activities and are not available for distribution to Australian Ethical Investment Limited's shareholders.

“We were the fastest growing super fund in Australia in 2016 and in FY17 this growth continued with a 34% increase in membership and a 42% increase in Net Flows,” said Australian Ethical Managing Director Phil Vernon.

“This growth demonstrates that more and more people disillusioned with world events and political inertia are choosing to take direct action with their consumption and investment choices. They are choosing Australian Ethical based on our proven track record of performance and our strong ethical credentials. We have more than 30 years’ experience delivering fully featured, professionally managed superannuation and investment products that enable people to look after the planet without sacrificing their investment returns,” said Mr Vernon.

Unit price remediation

As previously reported, our results for the period were impacted by remediation and project costs relating to unit pricing error affecting our superannuation fund.

The error was identified by management in June 2016 and a provision was made in the financial year ended 30 June 2016. The investigation was completed at the end of the 2016 calendar year and the remediation of member accounts was completed by 31 March 2017. Our approach was to put members back into the position that they would have been in had the error not occurred. The total impact of remediation was:

Item	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Total (\$,000)
Member remediation	795	900	1,695
Project costs	1,160	-	1,160
Total	1,955	900	2,855

In order to minimise the chances of such an error reoccurring we have increased our resources in key operational, risk and compliance roles. This is a step-change strengthening of our support infrastructure to ensure that we have a strong basis for future growth.

The impact of the remediation project and employment restructure on net profit was:

Key financials	30 June 2017 (\$'000)	30 June 2016 (\$'000)	Change (%)
Net profit after tax attributable to shareholders	2,920	3,010	(3%)
Adjustments (gross)			
Add back employment restructure	250	-	
Add back impairment of investment property / Deduct reversal of impairment	(228)	181	
Add back unit price remediation expense	795	900	
Add back unit price remediation project costs	1,160	-	
Tax on adjustments	(662)	(270)	
Underlying profit after tax (UPAT)^	4,235	3,821	11%

[^]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.

Australian Ethical Foundation Limited ('the Foundation')

The Foundation was established in July 2015 as a vehicle to manage the portion of profits to be distributed to charitable, benevolent and conservation causes under the Australian Ethical Constitution. Utilising a vehicle such as the Foundation provides more flexibility.

This is the first year in which the Foundation has been consolidated. Prior period balances have been restated accordingly. Net profits and assets within the Foundation are not available to shareholders.

A summary of the profits of the group are:

	2017 (\$m)	2016 (\$m) restated
Consolidated statutory profit	2,924	3,186
Profit attributable to The Foundation	0,004	0,176
Net profit after tax attributable to shareholders	2,920	3,010

Final dividend

The Board declared a fully franked final dividend of 210 cents per share for the full year ended 30 June 2017, bringing the total dividend for the year to \$2.60 per share, a decrease of 13% on the previous year. The record date for the dividend will be 8 September 2017 and payment due on 22 September 2017.

Outlook

"Ethical investing has truly come of age. The continued growth of the core responsible investment segment in Australia (26% in calendar year 2016³), and of our own business, shows no sign of abating.

"As investors become increasingly aware of the risks of climate change, we are well positioned to respond to their concerns. We have been managing climate change risk for decades – and through our advocacy and impact investing programs we are actively influencing institutions around us to do better managing their own exposures.

"Our own investment portfolios only include investments that align with the 23 principals of our Ethical Charter and focus on building a sustainable future. They are heavily weighted towards sectors such as technology, healthcare and alternative fuels", said Mr Vernon.

- Ends -

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3. Responsible Investment Report 2017, RIAA

About Australian Ethical

Australian Ethical is Australia's leading ethical wealth manager, providing investors with products that align with their values without compromising on returns.

Since its inception in 1986, Australian Ethical has invested according to its Ethical Charter. The Charter not only guides all investments but also underpins all elements of the business. 10% of Australian Ethical's profits fund its community grants program, one of the highest levels of corporate giving in Australia.

Australian Ethical has over \$2 billion in funds under management, across superannuation and managed funds. It was named Australia's fastest growing super fund by both funds under management and membership in 2016.

The company was a founding B Corp in Australia, and is one of only two listed B Corps worldwide. It was awarded the B Corp "Best for the World" ranking it in the top 10% of 1,300 B Corps globally in 2016

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