

ASX Code: AEF

28 February 2011

## Results for the half-year ended 31 December 2010

Australian Ethical Investment Ltd today announced its half-year results for the period ended 31 December 2010.

### Key points:

- Net profit after tax (NPAT) was \$0.49 million (32% lower than the previous corresponding period)
- Funds under management were \$653.6 million (before distribution) at 31 December 2010 (an increase of 3.8% over the previous corresponding period)
- Revenues were \$7.1 million (a decrease of 1.7% over the previous corresponding period)
- Expenses were \$6.4 million (an increase of 3.4% over the previous corresponding period)

When comparing the result to the previous corresponding period the following one-off events affecting the previous corresponding period need to be taken into account:

- positive impact on underlying profit of accounting for costs associated with the departure and replacement of the CEO of \$297,000;
- net negative impact on underlying profit of fee revenue errors of \$3,000.

After taking these items into account, a comparison of underlying NPAT of the current half-year end period and the previous corresponding period shows a decrease of 47%. These half-year results are summarised in the table below.

	Half-year 2009	Half-year 2010	Change
Funds under management	\$629.9 million	\$653.6 million	4%
	<b>\$000</b>	<b>\$000</b>	
Revenue	7,252	7,127	(2%)
Expenses	(5,780)	(5,999)	(4%)
<b>Operating profit</b>	<b>1,472</b>	<b>1,128</b>	<b>(23%)</b>
Community grants	(85)	(56)	34%
<b>EBITDA</b>	<b>1,387</b>	<b>1,072</b>	<b>(23%)</b>
Depreciation/amortisation/options/rights	(299)	(317)	(6%)
Tax	(375)	(267)	29%
<b>Net profit after tax</b>	<b>713</b>	<b>488</b>	<b>(32%)</b>
<b>Underlying profit</b>			
Adjustments (gross)			
- CEO departure/recruitment costs	297	-	
- Net impact of fee revenue errors	(3)	-	
Tax on adjustments	(88)	-	
<b>Net underlying profit after tax</b>	<b>919</b>	<b>488</b>	<b>(47%)</b>

### **Interim dividend payment**

The Board has determined that an interim dividend of \$0.45 per share be paid. The record date will be 11 March 2011.

In determining the amount of the interim dividend the board were conscious of the company's dividend payment policy which targets a dividend payout ratio of between 80% and 100% of net profit after tax in a given year subject to the capital requirements of the business.

### **Review of operations**

- The decreased underlying net profit after tax result reflects a difficult market environment where net inflows into retail funds management products are significantly subdued across the industry. It also reflects the impacts of changes being made in the business to address rapidly changing industry and regulatory requirements.
- Funds under management (FUM) have increased by \$24 million or 3.8% when compared to the previous corresponding period. Net inflows were \$5.8m, a 71% decrease to the prior corresponding period.
- Revenues decreased by 1.7% over the previous corresponding period. Revenues have been impacted positively by increased FUM, increased superannuation members and an increase in the superannuation member fee. These positive impacts have been offset by lower inflows, the introduction of wholesale fee rates on our Smaller Companies Trust as well as lower up-front fees for our managed funds and superannuation fund. Revenues have also been impacted by lower reimbursements from the managed funds and superannuation fund.
- Operating expenses (including community grants, depreciation and amortisation) increased by 3.4% over the previous corresponding period. The main drivers for this increase are staff costs, superannuation administration costs and increased information technology costs.
- Trade and other receivables includes an amount of \$1,077,308 which represents costs related to the configuration and implementation of the Garradin asset management and unit pricing platform for the Australian Ethical public unit trusts (AE Trusts). The new platform is expected to be live in the second half of the 2010/11 year at which point the trustee (Australian Ethical Investment Ltd) will seek reimbursement for these costs from the AE Trusts as per the trust deeds.
- We continue to invest in client and adviser services aimed at maximizing client retention and sales support. In difficult market conditions, focusing on the basics of servicing clients well is critical to success and we continue to perform well in terms of net inflows relative to industry peers. This continued focus on client and adviser service together with more competitive fee arrangements should see a steady improvement in net flows over time.

End.

ASX Announcement

ASX Code: AEF

Date: 28/02/2011

Appendix 4D  
Half-year report  
For the 6 months ended  
31 December 2010

Released 28 February 2011

This report comprises information required by the Australian Securities Exchange (ASX) under listing rule 4.2A.3, by AASB 134 "Interim Financial Reporting" and the Corporations ACT 2001.

- Announcement to the market
- Directors' report
- Auditor's independence declaration
- Condensed consolidated half-year financial statements for the year ended 31 December 2010
- Notes to the condensed consolidated half-year financial statements for the year ended 31 December 2010
- Directors' declaration
- Auditor's independent review report

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**Australian Ethical Investment Limited and Controlled Entity  
Results for announcement to the market  
For the half-year ended 31 December 2010**

<b>Revenue and net profit (consolidated)</b>				\$A
Revenue from ordinary activities	down	-2%	to	7,127,072
Profit from ordinary activities after tax attributable to members	down	-32%	to	488,143
Net profit for the period attributable to members	down	-32%	to	488,143

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	<b>Record date *</b>
Final dividend	-	-	-
Interim dividend	45 cents	45 cents	11 March 2011

\* Record date for determining entitlements to the dividend

**Brief explanation of revenue, net profit and dividends**

Refer announcement, accompanying directors' report, financial statements and notes.

<b>Net tangible asset (NTA) backing</b>	<b>31-Dec-10</b>	<b>31-Dec-09</b>
	\$	\$
Net tangible asset backing per ordinary security	7.16	8.08

## Directors' Report

### Australian Ethical Investment Limited and its Controlled Entity

#### For the half year ended 31 December 2010

The directors of Australian Ethical Investment Limited are pleased to submit their report for the half-year ended 31 December 2010.

The names of the directors of the company during or since the end of the half-year are:

Name	Period of Directorship
James Thier	Appointed 19 June 1991 Retired 17 November 2010
Howard Pender	Appointed 19 June 1991
Naomi Edwards	Appointed 1 February 2005
Justine Hickey	Appointed 1 March 2007
Les Coleman	Appointed 1 July 2008
André Morony	Appointed 1 July 2008
Phillip Vernon	Appointed 27 July 2010
Stephen Newnham	Appointed 20 December 2010

The directors note that Naomi Edwards will retire on 23 March 2011 as announced on 24 February 2011.

### Review of Operations

The principal activity of the controlling entity during the half-year was to offer to the public ethically managed investment funds. During the half-year, the controlled entity (Australian Ethical Superannuation Pty Ltd) provided to the public an ethically managed superannuation fund. There was no significant change in the nature of these activities during the half-year.

The consolidated entity recorded a consolidated net profit after income tax expense for the half-year ending 31 December 2010 of \$488,143. This result is a 32% decrease on the result of \$712,688 for the previous corresponding period. The decreased result can be attributed to a few main points:

- Flows based revenue (up-front fees) has dropped 30% compared to the previous corresponding period. This is due to two factors:
  - Inflows are down 23% compared to the previous corresponding period, in line with industry trends; and
  - Up-front fee margin reduction resulting from adjustments made to fee rates in October 2009 and May 2010. These adjustments were made to make the products more competitive and also to address regulatory and industry trends away from current up-front fee models. The up-front fee adjustments to our superannuation product, made in May 2010, were significantly influenced by regulatory and industry trends away from up-front fees. In the short term this has impacted the result but over time, is expected to have a positive impact on flows;
- Average group FUM has risen 5% compared to the previous corresponding period however FUM based revenue has remained static. The revenue has been affected by adjustments to wholesale fees in order to make the products more attractive to the wholesale/adviser market; and
- Pressure on fixed expenses around administrator costs and software platforms.

At 31 December 2010, group funds under management were \$654M (before distribution). This

compares to funds under management at 31 December 2009 of \$630M (before distribution).

During the period the company has continued to address improving our client service ensuring that the client experience is positive and ensuring that clients are aware that we can service the full cycle of their investing life. The company has also been progressing well on interacting with the intermediated market and solving issues associated with providing wholesale products.

Australian Ethical is also progressing an initiative to provide limited advice to clients where appropriate.

### **Interim Dividend**

The directors are pleased to report that upon consideration of the half-year trading result the Board has authorised the payment of a fully-franked interim dividend of 45c per share. The interim dividend paid in March 2010 was 50c per share.

### **Auditor's declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 forms part of this report and follows at the end of the report.

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'P. Vernon', followed by a horizontal line extending to the right.

Phillip Vernon  
Director  
28 February 2011

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the six months ended 31 December 2010 there have been:

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



THOMAS DAVIS & CO



J. G. RYAN PARTNER

Date 28 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

**Condensed consolidated statement of financial position  
as at 31 December 2010**

	Note	Consolidated	
		31 December 2010	30 June 2010
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		1,717,181	1,892,734
Trade and other receivables	7	2,020,088	3,050,029
Financial assets		673,350	998,441
Current tax assets		-	24,474
Other current assets		388,633	337,195
Total current assets		<u>4,799,252</u>	<u>6,302,873</u>
<b>Non-current assets</b>			
Property, plant & equipment		4,160,478	4,215,168
Intangible assets		34,339	46,297
Financial assets		71,908	100,505
Deferred tax assets		406,891	435,083
Total non-current assets		<u>4,673,616</u>	<u>4,797,053</u>
<b>Total assets</b>		<u>9,472,868</u>	<u>11,099,926</u>
<b>Current liabilities</b>			
Trade and other payables		1,601,256	2,495,424
Current tax liabilities		66,134	-
Short-term provisions		524,062	451,046
Total current liabilities		<u>2,191,452</u>	<u>2,946,470</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		34,805	34,805
Other long-term provisions		71,709	62,923
Total non-current liabilities		<u>106,514</u>	<u>97,728</u>
<b>Total liabilities</b>		<u>2,297,966</u>	<u>3,044,198</u>
<b>Net assets</b>		<u>7,174,902</u>	<u>8,055,728</u>
<b>Equity</b>			
Issued capital		5,915,219	5,791,147
Reserves		865,820	869,149
Retained earnings		393,863	1,395,432
<b>Total equity</b>		<u>7,174,902</u>	<u>8,055,728</u>

The accompanying notes form part of these Financial Statements.



**Condensed consolidated statement of comprehensive income  
for the half-year ended 31 December 2010**

	<b>Consolidated</b>	
	<b>31 December 2010</b>	31 December 2009
	\$	\$
Revenue	7,127,072	7,251,884
Commissions paid to advisers	( 89,006)	( 98,898)
External services	( 1,305,904)	( 1,253,783)
Employee benefits expense	( 3,500,399)	( 3,647,655)
Depreciation and amortization	( 208,193)	( 165,869)
Occupancy costs	( 130,573)	( 111,166)
Communication costs	( 503,106)	( 381,183)
Other expenses	( 579,081)	( 420,593)
Profit before title and income tax expense	810,810	1,172,737
Tithes expense	( 55,534)	( 84,569)
<b>Profit before income tax</b>	<b>755,276</b>	<b>1,088,168</b>
Income tax expense	( 267,133)	( 375,480)
<b>Profit for the period</b>	<b>488,143</b>	<b>712,688</b>
<b>Other comprehensive income</b>		
Net gain/(loss) on revaluation of available-for-sale investments	12,302	13,985
Other comprehensive income for the period, net of tax	12,302	13,985
<b>Total comprehensive income for the period</b>	<b>500,445</b>	<b>726,673</b>
Profit attributable to members of the parent entity	488,143	712,688
Total comprehensive income attributable to members of the parent entity	500,445	726,673
Basic earnings per share (cents per share)	49.10	71.76
Dilutive earnings per share (cents per share)	48.36	71.67

The accompanying notes form part of these Financial Statements.

**Condensed consolidated statement of changes in equity  
for the half-year ended 31 December 2010**

Note	Issued Capital Ordinary \$	Asset Revaluation Reserve \$	Share-based Payment Reserve \$	Retained Earnings \$	Total \$
<b>Balance at 1 July 2009</b>	<b>5,739,635</b>	<b>( 59,322)</b>	<b>594,591</b>	<b>2,178,301</b>	<b>8,453,205</b>
Profit attributable to members of the parent entity	-	-	-	712,688	712,688
Other comprehensive income for the period	-	13,985	-	-	13,985
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>13,985</b>	<b>-</b>	<b>712,688</b>	<b>726,673</b>
Transactions with owners in their capacity as owners:					
Shares Issued during the period	51,512	-	-	-	51,512
Dividends paid or provided for	-	-	-	( 1,308,854)	( 1,308,854)
Share-based payment expense	-	-	133,297	-	133,297
<b>Balance at 31 December 2009</b>	<b>5,791,147</b>	<b>( 45,337)</b>	<b>727,888</b>	<b>1,582,135</b>	<b>8,055,833</b>
<b>Balance at 1 July 2010</b>	<b>5,791,147</b>	<b>( 40,677)</b>	<b>909,826</b>	<b>1,395,432</b>	<b>8,055,728</b>
Profit attributable to members of the parent entity	-	-	-	488,143	488,143
Other comprehensive income for the period	-	12,302	-	-	12,302
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>12,302</b>	<b>-</b>	<b>488,143</b>	<b>500,445</b>
Transactions with owners in their capacity as owners:					
Shares Issued during the period	124,072	-	( 124,072)	-	-
Dividends paid or provided for	-	-	-	( 1,489,712)	( 1,489,712)
Share-based payment expense	-	-	108,441	-	108,441
<b>Balance at 31 December 2010</b>	<b>5,915,219</b>	<b>( 28,375)</b>	<b>894,195</b>	<b>393,863</b>	<b>7,174,902</b>

The accompanying notes form part of these Financial Statements.

**Condensed consolidated statement of cash flows  
for the half-year ended 31 December 2010**

	<b>Consolidated</b>	
	<b>31 December 2010</b>	31 December 2009
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from operations	7,766,699	7,469,170
Payment to suppliers & employees	( 6,248,248)	( 6,684,386)
Interest/distributions received	56,489	71,011
Income tax paid	( 153,606)	( 459,434)
Bonus	( 184,026)	( 170,904)
Tithe	( 125,396)	( 100,218)
Net cash provided by (used in) operating activities	<u>1,111,912</u>	<u>125,239</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	( 172,015)	( 149,682)
Purchase of investments	( 189,669)	( 516,029)
Proceeds from sale of investments	525,898	1,185,539
Proceeds from loan repayments	38,033	5,988
Loans to staff	-	( 48,964)
Net cash provided by (used in) investing activities	<u>202,247</u>	<u>476,852</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	51,512
Share buy-back payment	-	-
Dividends paid	( 1,489,712)	( 1,308,854)
Net cash provided by (used in) financing activities	<u>( 1,489,712)</u>	<u>( 1,257,342)</u>
Net increase (decrease) in cash held	<u>( 175,553)</u>	<u>( 655,251)</u>
Cash at 1 July	1,892,734	2,614,467
Cash at 31 December	<u>1,717,181</u>	<u>1,959,216</u>

The accompanying notes form part of these Financial Statements.

**Notes to the consolidated financial statements for the half-year ended 31 December 2010**

**Note 1 - Statement of significant accounting policies**

**Basis of preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Ethical Investment Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010 together with any public announcements made during the half-year

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

**Note 2 - Dividends**

	<b>31 December 2010</b>	31 December 2009
(a) Distributions paid		
Final fully franked dividend of 50 (2009: 132) cents per share franked at the tax rate of 30% (2009:30%)	<b>496,570</b>	1,308,854
Special fully franked dividend of 100 (2009: 0) cents per share franked at the tax rate of 30%	<b>993,142</b>	-
	<u><b>1,489,712</b></u>	<u>1,308,854</u>
(b) Distribution declared		
Declared interim fully franked dividend of 45 (2009: 50) cents per share franked at the tax rate of 30% (2009:30%)	<b>449,061</b>	496,570

**Note 3 - Events after the balance sheet date**

Since the end of the half-year period ending on 31 December 2010, no material events that may have an impact on these financial statements have occurred.

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

**Note 4 - Contingent liabilities**

<b>Liabilities and assets of trusts and superannuation fund</b>	<b>31 December 2010</b>	30 June 2010
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 or parent entity were:		
Current liabilities		
Payables	<b>8,433,695</b>	29,220,186
Provisions	<b>8,579,431</b>	11,719,003
Total liabilities	<u><b>17,013,126</b></u>	<u>40,939,189</u>
Rights of indemnities for liabilities incurred by the consolidated entity and parent entity not recorded in the financial statements were:	<u><b>17,013,126</b></u>	<u>40,939,189</u>

The contingent liability includes a provision for managed funds distribution. The managed funds do not distribute capital gains realised during the period at the half-year end (31 December). Hence, the year 30 June balance includes capital gains, the half-year end 31 December balance does not.

The managed funds 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 economic entity acting in its own right.

**Notes to the consolidated financial statements for the half-year ended 31 December 2010**

**Note 5 - Shared based payments**

During the half-year reporting period, Australian Ethical Investment Limited issued 4,772 ordinary shares on vesting of 4,772 performance rights class AEFAX granted under its employee share incentive scheme in November 2009. The vesting of these performance rights resulted in an increase of ordinary shares by 4,772

**Note 6 - Operating Segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Reportable segments disclosed are:

- 1) Public offer managed funds (Trust); and
- 2) Public offer retail superannuation fund (Super)

**(i) Segment performance**

	31 December 2010			31 December 2009		
	Trust \$	Super \$	Total \$	Trust \$	Super \$	Total \$
<b>Revenue</b>						
External sale	2,923,758	4,152,230	7,075,988	3,355,122	3,836,519	7,191,641
Inter-segment sale	2,981,307	-	2,981,307	1,920,931	-	1,920,931
Investment interest / distribution revenue	39,610	11,474	51,084	46,552	13,691	60,243
<b>Total segment revenue</b>	<b>5,944,675</b>	<b>4,163,704</b>	<b>10,108,379</b>	<b>5,322,605</b>	<b>3,850,210</b>	<b>9,172,815</b>
Inter-segment eliminations			(2,981,307)			(1,920,931)
<b>Total group revenue</b>			<b>7,127,072</b>			<b>7,251,884</b>
<b>Segment net profit before tax</b>	<b>923,301</b>	<b>235,097</b>	<b>1,158,398</b>	<b>717,349</b>	<b>1,083,618</b>	<b>1,800,967</b>
Reconciliation of Segment result to group net profit/loss after tax						
Income tax expense	(196,569)	(70,564)	(267,133)	(50,325)	(325,155)	(375,480)
Unallocated items						
- Depreciation and amortisation			(208,193)			(165,869)
- Other corporate overheads *			(194,929)			(546,930)
<b>Group net profit after tax</b>			<b>488,143</b>			<b>712,688</b>

\* Other corporate overheads includes staff bonus, title expense, staff options/rights expense.

**(ii) Segment assets**

	31 December 2010			31 December 2009		
	Trust \$	Super \$	Total \$	Trust \$	Super \$	Total \$
<b>Assets</b>	<b>8,652,948</b>	<b>1,160,771</b>	<b>9,813,719</b>	<b>9,172,612</b>	<b>2,385,348</b>	<b>11,557,960</b>
Inter-segment eliminations			(340,851)			(1,089,087)
<b>Total group assets</b>			<b>9,472,868</b>			<b>10,468,873</b>

**(iii) Segment liabilities**

<b>Liabilities</b>	<b>1,578,907</b>	<b>743,909</b>	<b>2,322,816</b>	<b>2,407,149</b>	<b>778,977</b>	<b>3,186,127</b>
Inter-segment eliminations			(24,851)			(773,087)
<b>Total group liabilities</b>			<b>2,297,965</b>			<b>2,413,040</b>

**Note 7 - Trade and other receivables**

Trade and other receivables includes an amount of \$1,077,308 which represents costs related to the configuration and implementation of the Garradin asset management and unit pricing platform for the Australian Ethical public unit trusts (AE Trusts). The new platform is expected to be live in production in the second half of the 2010/11 year at which point the trustee (AEI Ltd) will seek reimbursement for these costs from the AE Trusts as per the trust deeds.

### Directors' Declaration

The Directors of Australian Ethical Investment Limited declare that:

1. the financial statements and notes, as set out on pages 4 to 9:
  - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the economic entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'P. Vernon', with a long horizontal line extending to the right.

Phillip Vernon  
Director  
28 February 2011

**AUSTRALIAN ETHICAL INVESTMENT LIMITED  
AND CONTROLLED ENTITY  
ABN 47 003 188 930**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Australian Ethical Investment Limited.

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Australian Ethical Investment Limited and Controlled Entity (the consolidated entity), which comprises the condensed Statement of Financial Position as at 31 December 2010, the condensed Statement of Comprehensive Income, condensed Statement of Changes in Equity and condensed Statement of Cash Flows for the half-year ended on that date notes comprising, a Summary of Significant Accounting Policies, other explanatory notes and the Directors' Declaration.

**Directors' Responsibility for the Half-Year Financial Report**

The Directors of Australian Ethical Investment Limited (the Company) are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of Interim Financial Report performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Australian Ethical Investment Limited and Controlled entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Ethical Investment Limited and Controlled Entity is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 : Interim Financial Reporting and Corporations Regulations 2001.



**THOMAS DAVIS & CO**



**J.G. RYAN**

**PARTNER**

Chartered Accountants

SYDNEY,

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