

ASX Code: AEF
Date: 25 February 2010

Appendix 4D - half-year results and interim dividend

Please find attached Australian Ethical's half year results to 31 December 2009.

Discussion of results

The Australian Ethical group recorded a consolidated net profit after income tax expense for the half-year ending 31 December 2009 of \$712,688. This result is an increase on the result of \$536,203 for the previous corresponding period. The profit result includes non-cash expense items of \$299,166.

At 31 December 2009, funds under management were \$623M (ex. distribution). This compares to funds under management at 31 December 2008 of \$517M (ex. distribution). Currently, funds under management stand at \$612M.

Further discussion of the result is in the Director's Report, included in this announcement.

Interim Dividend

The Board has considered the half-year trading results of the company. It is mindful that the trading position of the company is markedly improved since this time last year and there is less need to adopt a conservative position in terms of retaining income. Thus the Board has authorised payment of a fully-franked interim dividend of 50 cents per share. The interim dividend paid in March 2009 was 15 cents per share. In authorising the amount of the interim dividend the Board has considered the strategic outlook for the company and were conscious of their intention to pay out, as dividend, most of the 2009/10 group net profit after tax (provided no unforeseen future cash needs arise).

Details of the dividend are as follows.

<u>Code</u>	<u>Div Amount</u>	<u>Ex Div Date</u>	<u>Record Date</u>	<u>Date Payable</u>	<u>% Franked</u>	<u>Type</u>
AEF	50c per share	8/3/2010	12/3/2010	26/3/2010	100%	Interim

The dividend reinvestment plan will not operate in respect of this interim dividend.

End/.

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.

ASX Announcement

ASX Code: AEF

Date: 25/02/2010

Appendix 4D
Half-Year Report
For the 6 months ended
31 December 2009

Released [25 February 2010](#)

This report comprises information required by the Australian Stock 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 period ended 31 December 2009
- Notes to the Condensed Consolidated Half-Year Financial Statements for the period ended 31 December 2009
- Directors’ Declaration
- Auditors’ Independent Review Report

Managed Investments: Phone 1800 021 227 **Email** trustadmin@australianethical.com.au **Fax** 02 6201 1987

Superannuation: Phone 1300 134 337 **Email** aes@australianethical.com.au **Fax** 02 6201 1959

Web www.australianethical.com.au **Post** GPO Box 2435 Canberra ACT 2601

Australian Ethical Investment Ltd **ABN** 47 003 188 930 **AFSL** 229949

Australian Ethical Superannuation Pty Ltd **ABN** 43 079 259 733 **RSEL** L0001441

© Registered trademark of Australian Ethical Investment Ltd. Printed on 100% recycled paper.

**AUSTRALIAN ETHICAL INVESTMENT LIMITED AND CONTROLLED ENTITY
RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

Revenue and Net Profit (Consolidated)				\$A
Revenue from ordinary activities	up	10%	to	7,251,884
Profit from ordinary activities after tax attributable to members	up	33%	to	712,688
Net profit for the period attributable to members	up	33%	to	712,688

Dividends (Distributions)	Amount per security	Franked amount per security	Record date *
Final dividend	-	-	-
Interim dividend	50 cents	50 cents	12 March 2010

* 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.

Net Tangible Asset (NTA) Backing	31-Dec-09	31-Dec-08
	\$	\$
Net tangible asset backing per ordinary security	8.11	7.88

Directors' Report

Australian Ethical Investment Limited and its Controlled Entity

For the half year ended 31 December 2009

The directors of Australian Ethical Investment Limited are pleased to submit their report for the half-year ended 31 December 2009.

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	
Howard Pender	Appointed 19 June 1991	
Naomi Edwards	Appointed 1 February 2005	
Justine Hickey	Appointed 1 March 2007	
Anne O'Donnell	Appointed 29 May 2008	Resigned 11 August 2009
Les Coleman	Appointed 1 July 2008	
André Morony	Appointed 1 July 2008	

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 2009 of \$712,688. This result is an increase on the result of \$536,203 for the previous corresponding period. The profit result includes non-cash expense items of \$299,166.

At 31 December 2009, funds under management were \$623M (ex. distribution). This compares to funds under management at 31 December 2008 of \$517M (ex. distribution). Currently, funds under management stand at \$615M.

In the 2009 Annual Report the company indicated that this financial year would include several one-off expenses (including CEO transition costs, new systems expenditure and new PDS and website production) which would impact on profit in 2009–10.

The half-year result includes a payment of \$235,000 to Ms Anne O'Donnell (in addition to statutory leave payments), who left the role of CEO in December 2009. It also includes CEO recruitment expenses leading to the appointment of the company's new CEO, Phillip Vernon, in December 2009.

The company completed a new PDS for its managed funds in October 2009 and intends to launch a new PDS for its superannuation fund from 1 July 2010. The company's new website was launched in October 2009. Expenditure on new systems was limited during the period.

The attached financial statements include in Note 6 an operating segment report. This is the first time the company has reported on operating segments. The company has identified two operating segments – its managed investment funds and the superannuation fund. While the company does assess the performance of these segments on an ongoing basis, overall the company's operations are integrated and not all group overheads are allocated to these operating segments.

As at the date of this report, Australian Ethical does not intend to make any significant changes to the nature of its operations in future years.

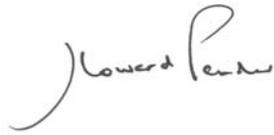
Interim Dividend

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 50c per share. The interim dividend paid in March 2009 was 15c 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 that reads "Howard Pender". The signature is written in a cursive style with a large, looping initial 'H'.

Howard Pender
Director
25 February 2010

**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 2009 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



P. L. WHITEMAN PARTNER

Date 25 February 2010

Liability limited by a scheme approved under Professional Standards Legislation

**Condensed Consolidated Statement of Financial Position
as at 31 December 2009**

	Consolidated	
	31 December 2009	30 June 2009
	\$	\$
Current assets		
Cash and cash equivalents	1,959,216	2,614,467
Trade and other receivables	2,396,617	1,800,859
Financial assets	1,037,227	1,673,953
Other current assets	449,116	279,367
Total current assets	<u>5,842,176</u>	<u>6,368,646</u>
Non-current assets		
Property, plant & equipment	4,091,998	4,139,581
Intangible assets	33,868	-
Financial assets	112,661	82,492
Deferred tax assets	388,170	464,200
Total non-current assets	<u>4,626,697</u>	<u>4,686,273</u>
Total assets	<u>10,468,873</u>	<u>11,054,919</u>
Current liabilities		
Trade and other payables	1,789,415	1,756,373
Current tax liabilities	73,210	227,200
Short-term provisions	458,688	535,406
Total current liabilities	<u>2,321,313</u>	<u>2,518,979</u>
Non-current liabilities		
Deferred tax liabilities	33,732	33,732
Other long-term provisions	57,995	49,003
Total non-current liabilities	<u>91,727</u>	<u>82,735</u>
Total liabilities	<u>2,413,040</u>	<u>2,601,714</u>
Net assets	<u>8,055,833</u>	<u>8,453,205</u>
Equity		
Issued capital	5,791,147	5,739,635
Reserves	682,551	535,269
Retained earnings	1,582,135	2,178,301
Total equity	<u>8,055,833</u>	<u>8,453,205</u>

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2009**

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
Revenue	7,251,884	6,576,739
Commissions paid to advisers	(98,898)	(89,947)
External services	(1,253,783)	(1,346,801)
Employee benefits expense	(3,647,655)	(3,229,814)
Depreciation and amortization	(165,869)	(142,392)
Occupancy costs	(111,166)	(107,172)
Communication costs	(381,183)	(372,507)
Other expenses	<u>(420,593)</u>	<u>(434,425)</u>
Profit before tithe and income tax expense	1,172,737	853,681
Tithes expense	<u>(84,569)</u>	<u>(58,821)</u>
Profit before income tax	1,088,168	794,860
Income tax expense	<u>(375,480)</u>	<u>(258,657)</u>
Profit for the period	<u>712,688</u>	<u>536,203</u>
Other comprehensive income		
Net gain/(loss) on revaluation of available-for-sale investments	<u>13,985</u>	<u>(21,911)</u>
Other comprehensive income for the period, net of tax	<u>13,985</u>	<u>(21,911)</u>
Total comprehensive income for the period	<u>726,673</u>	<u>514,292</u>
Profit attributable to members of the parent entity	712,688	536,203
Total comprehensive income attributable to members of the parent entity	726,673	514,292
Basic earnings per share (cents per share)	71.76	54.36
Dilutive earnings per share (cents per share)	71.67	54.36

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2009**

	Note	Issued Capital Ordinary \$	Asset Revaluation Reserve \$	Share-based Payment Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2008		5,740,791	(36,643)	371,464	2,305,878	8,381,490
Profit attributable to members of the parent entity		-	-	-	536,203	536,203
Other comprehensive income for the period		-	(21,911)	-	-	(21,911)
Total comprehensive income for the period		-	(21,911)	-	536,203	514,292
Transactions with owners in their capacity as owners:						
Share Issued during the period		(1,156)	-	-	-	(1,156)
Dividends paid or provided for		-	-	-	(1,181,596)	(1,181,596)
Share-based payment expense		-	-	99,457	-	99,457
Balance at 31 December 2008		5,739,635	(58,554)	470,921	1,660,485	7,812,487
Balance at 1 July 2009		5,739,635	(59,322)	594,591	2,178,301	8,453,205
Profit attributable to members of the parent entity		-	-	-	712,688	712,688
Other comprehensive income for the period		-	13,985	-	-	13,985
Total comprehensive income for the period		-	13,985	-	712,688	726,673
Transactions with owners in their capacity as owners:						
Share 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
Balance at 31 December 2009		5,791,147	(45,337)	727,888	1,582,135	8,055,833

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2009**

	Consolidated	
	31 December 2009	31 December 2008
	\$	\$
Cash flows from operating activities		
Receipts from operations	7,469,170	6,649,167
Payment to suppliers & employees	(6,684,386)	(5,707,751)
Interest/distributions received	71,011	127,053
Income tax paid	(459,434)	(363,542)
Bonus	(170,904)	(245,201)
Tithe	(100,218)	(200,891)
Net cash provided by (used in) operating activities	<u>125,239</u>	<u>258,835</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	(149,682)	(24,181)
Purchase of investments	(516,029)	(1,120,000)
Proceeds from sale of investments	1,185,539	1,149,627
Proceeds from loan repayments	5,988	5,475
Loans to staff	(48,964)	-
Net cash provided by (used in) investing activities	<u>476,852</u>	<u>10,921</u>
Cash flows from financing activities		
Proceeds from share issue	51,512	113,354
Share buy-back payment	-	(195,811)
Dividends paid	(1,308,854)	(1,181,596)
Net cash provided by (used in) financing activities	<u>(1,257,342)</u>	<u>(1,264,053)</u>
Net increase (decrease) in cash held	(655,251)	(994,297)
Cash at 1 July	2,614,467	2,552,238
Cash at 31 December	<u>1,959,216</u>	<u>1,557,941</u>

The accompanying notes form part of these Financial Statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2009

Note 1 - Statement of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting policies have been consistently applied to the current half-year and comparative period, unless otherwise stated. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009.

The half-year financial report covers the economic entity of Australian Ethical Investment Limited and its wholly owned entity Australian Ethical Superannuation Pty Ltd. Australian Ethical Investment Limited is a listed public company and both the parent and wholly owned entity are incorporated and domiciled in Australia.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of the income statement with the statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the single statement approach to the presentation of the statement of comprehensive income; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

	31 December 2009	31 December 2008
--	-----------------------------	---------------------

Note 2 - Dividends

Distributions paid

Final fully franked dividend of 132 (2008: 120) cents per share franked at the tax rate of 30% (2008:30%)

	1,308,854	1,181,596
--	------------------	-----------

Declared interim fully franked dividend of 50 (2008: 15) cents per share franked at the tax rate of 30% (2008:30%)

	496,571	148,733
--	----------------	---------

Note 3 - Events after the balance sheet date

Since the end of the half-year period ending on 31 December 2009, 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.

Notes to the consolidated financial statements for the half-year ended 31 December 2009

Note 4 - Contingent liabilities

**31 December
2009** 30 June
2009

Liabilities and assets of managed funds and superannuation fund

\$ **\$**

Liabilities of the managed funds and superannuation fund for which the economic entity is Responsible Entity and Trustee but not shown in the financial statements of the economic entity were:

Current liabilities

Payables	11,235,129	4,537,926
Provisions	3,291,139	4,454,713
Total liabilities	14,526,268	8,992,639

Rights of indemnities for liabilities incurred by the economic entity not recorded in the financial statements were:

14,526,268	8,992,639
-------------------	-----------

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 end 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 managed funds and superannuation fund are not available to meet any liabilities of the economic entity acting in its own right.

Note 5 - Shared based payments

During the half-year reporting period 16,330 performance rights in two classes (identifiers: AEF AW and AEF AX) 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
AEFAW	10,819	- 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, 2010/2011 and 2011/2012.
AEFAX	5,511	- employment must continue until 11 November 2010; - 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. The nominated managed investment scheme has been agreed between the company and the employee. Performance will be measured over a performance period of 1 July 2009 to 30 June 2010

During the half-year reporting period, Australian Ethical Investment Limited issued 1,585 ordinary shares for \$51,512.50 on exercise of 1,585 share options issued under its employee share ownership plan. The exercise of share options resulted in an increase in ordinary shares of 1,585.

Notes to the consolidated financial statements for the half-year ended 31 December 2009

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 (Managed Funds); and
- 2) Public offer retail superannuation fund (Super)

(i) Segment performance

	31 December 2009			31 December 2008		
	Managed Funds	Super	Total	Managed Funds	Super	Total
	\$	\$	\$	\$	\$	\$
Revenue						
External sale	3,355,122	3,836,519	7,191,641	2,900,792	3,554,633	6,455,425
Inter-segment sale	1,920,931	-	1,920,931	1,778,569	-	1,778,569
Interest revenue	46,552	13,691	60,243	86,309	35,005	121,314
Total segment revenue	5,322,605	3,850,210	9,172,815	4,765,670	3,589,638	8,355,308
Inter-segment eliminations			(1,920,931)			(1,778,569)
Total group revenue			7,251,884			6,576,739
Segment net profit before tax	717,349	1,083,618	1,800,967	254,808	870,888	1,125,696
Reconciliation of Segment result to group net profit/loss after tax						
Income tax expense	(50,325)	(325,155)	(375,480)	2,610	(261,267)	(258,657)
Unallocated items						
- Depreciation and amortisation			(165,869)			(142,392)
- Other corporate overheads *			(546,930)			(188,444)
Group net profit after tax			712,688			536,203

* Other corporate overheads includes staff bonus, title expense, staff options/rights expense and the payment to the outgoing CEO Anne O'Donnell.

(ii) Segment assets

	31 December 2009			30 June 2009		
	Managed Funds	Super	Total	Managed Funds	Super	Total
	\$	\$	\$	\$	\$	\$
Assets						
Assets	9,172,612	2,385,348	11,557,960	9,422,378	2,594,194	12,016,572
Inter-segment eliminations			(1,089,087)			(961,653)
Total group assets			10,468,873			11,054,919

(iii) Segment liabilities

	31 December 2009			30 June 2009		
	Managed Funds	Super	Total	Managed Funds	Super	Total
	\$	\$	\$	\$	\$	\$
Liabilities						
Liabilities	2,407,150	778,977	3,186,127	2,798,138	449,229	3,247,367
Inter-segment eliminations			(773,087)			(645,653)
Total group liabilities			2,413,040			2,601,714

Note 7 - Profit for the period

The following expense item is relevant in explaining the financial performance for the interim period:

The half-year result includes a payment of \$235,000 to Ms Anne O'Donnell (in addition to statutory leave payments), who left the role of CEO in December 2009.

Directors' Declaration

The Directors of Australian Ethical Investment Limited declare that:

1. the financial statements and notes, as set out on pages 5 to 11:
 - (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 2009 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 that reads "Howard Pender". The signature is written in a cursive style with a large initial 'H'.

Howard Pender
Director
25 February 2010

**AUSTRALIAN ETHICAL INVESTMENT LIMITED A.B.N. 47 003 188 930
AND CONTROLLED ENTITY**

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, 2009, 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, a Statement of Significant Accounting Policies, other selected 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and Other Financial Reports 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, 2009 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, 2009 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


P.L. WHITEMAN

PARTNER

Chartered Accountants

SYDNEY,

25 February 2010

Liability limited by a scheme approved under Professional Standards Legislation