

Australian Ethical[®] Investment

for Investors, Society and the Environment

Appendix 4D

Half-Year Report

For the 6 months ended

31 December 2005

Released 24 February 2006

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
- Consolidated Condensed Half-Year Financial Statements for the period ended 31 December 2005
- Notes to the Consolidated Condensed Half-Year Financial Statements for the period ended 31 December 2005
- Directors’ Declaration
- Auditors’ Independent Review Report

Australian Ethical Investment Ltd **ABN** 47 003 188 930 **AFSL No.**229949

Canberra Business Centre Bradfield St Downer ACT 2602 **Phone** 02 6201 1988 **Unit Trusts** 1300 139 447 **Superannuation** 1300 134 337

Facsimile 02 6201 1987 **Website** www.austethical.com.au **Email** centre@austethical.com.au

**AUSTRALIAN ETHICAL INVESTMENT LIMITED AND CONTROLLED ENTITY
RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Revenue and Net Profit (Consolidated)				\$A
Revenue from ordinary activities	up	28%	to	4,457,130
Profit from ordinary activities after tax attributable to members	up	41%	to	551,080
Net profit for the period attributable to members	up	41%	to	551,080

Dividends (Distributions)	Amount per security	Franked amount per security	Record date *
Final dividend	-	-	-
Interim dividend	35 cents	35 cents	10 March 2006

* Record date for determining entitlements to the dividend

Brief Explanation of Revenue, Net Profit and Dividends

Refer accompanying directors' report, financial statements and notes.

Net Tangible Asset (NTA) Backing	31-Dec-05	31-Dec-04
	\$	\$
Net tangible asset backing per ordinary security	6.29	5.27

Directors' Report

Australian Ethical Investment Limited and its Controlled Entity

For the half year ended 31 December 2005

The directors of Australian Ethical Investment Limited are pleased to submit their report for the half-year ended 31 December 2005.

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

Name	Period of Directorship
James Their	Appointed 19 June 1991
Howard Pender	Appointed 19 June 1991
Caroline Le Couteur	Appointed 20 July 1991
George Pooley	Appointed 26 October 2001
Ray De Lucia	Appointed 23 January 2002, resigned 10 October 2005
Naomi Edwards	Appointed 1 February 2005

Review of Operations

The principal activity of the controlling entity during the half-year was to manage four public ethical investment trusts. The controlled entity (Australian Ethical Superannuation Pty Ltd) manages an ethical public offer 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 2005 of \$551,080. This result is a significant increase on the result of \$390,532¹ for the previous corresponding period.

During the six month period Australian Ethical experienced strong growth in funds under management (FUM) and this has resulted in increased revenue for the group and the excellent trading result. Inflow of funds into the investment trusts and superannuation fund has exceeded budget projections. At 31 December 2005 FUM totalled \$409 m (ex. distribution); an increase of 32% from \$311 m (ex. distribution) as at 30 June 2005.

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

Interim Dividend

The directors are pleased to report that upon consideration of the half-year trading results the Board has authorised the payment of a fully-franked interim dividend of 35c per share. The interim dividend paid in March 2005 was 30c 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 Board of directors.



George Pooley

Director

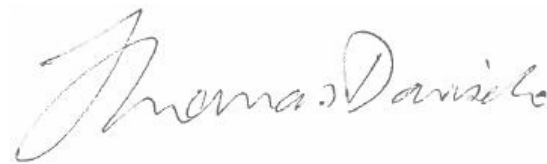
24 February 2006

¹ Comparative profit after tax figure which shows the impact of adopting the Australian equivalents to International Financial Reporting Standards. The amount reported in February 2005 under Australian Accounting Standards then applicable was \$402,484.

**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 2005 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 24 February 2006

Liability limited by a scheme approved under Professional Standards Legislation

**Consolidated Balance Sheet
as at 31 December 2005**

	Consolidated	
	31 December 2005 \$	30 June 2005 \$
Current assets		
Cash assets	3,179,324	1,824,746
Receivables	859,688	813,495
Other financial assets	2,029,104	3,037,021
Other	239,675	157,845
Total current assets	<u>6,307,791</u>	<u>5,833,107</u>
Non-current assets		
Property, plant & equipment	2,572,720	282,903
Other financial assets	194,820	200,000
Deferred tax assets	210,086	217,603
Total non-current assets	<u>2,977,626</u>	<u>700,506</u>
Total assets	<u>9,285,417</u>	<u>6,533,613</u>
Current liabilities		
Payables	2,449,470	451,767
Tax liabilities	334,100	309,615
Provisions	655,543	694,484
Total current liabilities	<u>3,439,113</u>	<u>1,455,866</u>
Non-current liabilities		
Deferred Tax liabilities	36,274	-
Provisions	44,744	30,861
Total non-current liabilities	<u>81,018</u>	<u>30,861</u>
Total liabilities	<u>3,520,131</u>	<u>1,486,727</u>
Net assets	<u>5,765,286</u>	<u>5,046,886</u>
Equity		
Contributed equity	4,628,423	4,113,706
Reserves	76,187	38,630
Retained profits	1,060,676	894,550
Total equity	<u>5,765,286</u>	<u>5,046,886</u>

The accompanying notes form part of these Financial Statements.

**Consolidated Income Statement
for the half-year ended 31 December 2005**

	Consolidated 31 December 2005 \$	31 December 2004 \$
Revenues from ordinary activities	4,457,130	3,482,110
Commissions paid to advisers	(128,096)	(118,006)
External services	(954,444)	(785,851)
Employee benefits expense	(1,921,130)	(1,513,131)
Depreciation	(56,731)	(41,016)
Occupancy costs	(129,922)	(112,399)
Communication costs	(226,408)	(168,827)
Other expenses from ordinary activities	<u>(161,392)</u>	<u>(126,420)</u>
Profit from ordinary activities before tithe and income tax expense	879,007	616,460
Tithes expense	<u>(69,828)</u>	<u>(47,796)</u>
Profit from ordinary activities before income tax expenses	809,179	568,664
Income tax expense relating to ordinary activities	<u>(258,099)</u>	<u>(178,132)</u>
Net profit from ordinary activities after related income tax expense attributable to members of the parent entity	551,080	390,532
Total changes in equity other than those resulting from transactions with owners as owners	<u>551,080</u>	<u>390,532</u>
Basic earnings per share (cents per share)	61.4	44.9
Dilutive earnings per share (cents per share)	59.9	44.8

The accompanying notes form part of these Financial Statements.

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2005**

	Consolidated	
	31 December 2005	31 December 2004
	\$	\$
Total equity at beginning of financial period	5,046,886	4,541,716
Available-for-sale financial assets, net of tax	12,548	-
Employee share options	25,009	11,952
Net income recognised directly in equity	37,557	11,952
Profit for the period	551,080	390,532
Total recognised income and expense for the period	588,637	402,484
Transactions with equity holders in their capacity as equity holders:		
Contribution of equity, net of transaction costs	514,717	(528)
Dividends provided for or paid	(384,954)	(364,965)
	129,763	(365,493)
Total equity at the end of the financial period	5,765,286	4,578,707
Total recognised income and expense for the period is attributable to:		
Equity holders of the parent	588,637	402,484
	588,637	402,484
Effect of changes in accounting policy as at the start of the period:		
Adjustment to reserves on adoption of AASB 2	-	12,149
Adjustment to retained earnings on adoption of AASB 2	-	(12,149)
	-	-

The accompanying notes form part of these Financial Statements.

**Consolidated Cash Flow Statement
for the half-year ended 31 December 2005**

	Consolidated	
	31 December	31 December
	2005	2004
	\$	\$
Cash flows from operating activities		
Receipts from operations	4,657,793	4,808,035
Payment to suppliers & employees	(3,802,239)	(4,332,680)
Interest received	160,612	90,744
Income tax paid	(195,201)	(64,766)
Bonus	(108,998)	(82,945)
Tithe	(98,227)	(58,262)
Net cash provided by (used in) operating activities	613,740	360,126
Cash flows from investing activities		
Proceeds from sale of property, plant & equipment	-	2,243
Purchase of property, plant & equipment	(384,554)	(67,214)
Purchase of investments	(1,943,421)	(1,665,762)
Proceeds from sale of investments	2,969,263	1,950,004
Proceeds from loan repayments	5,180	-
Net cash provided by (used in) investing activities	646,468	219,271
Cash flows from financing activities		
Proceeds from share issue	479,325	-
Share buy-back payment	-	(29,687)
Dividends paid	(384,955)	(364,965)
Net cash provided by (used in) financing activities	94,370	(394,652)
Net increase (decrease) in cash held	1,354,578	184,745
Cash at 1 July	1,824,746	1,470,261
Cash at 31 December	3,179,324	1,655,006

The accompanying notes form part of these Financial Statements.

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation

(i) Basis of accounting

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP'). It is also recommended that the half-year financial report be considered together with any public announcements made by Australian Ethical Investment Limited and its wholly owned entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

(ii) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies for the economic entity under AIFRS are disclosed in Note 1 (iii) below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 2 below.

(iii) 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 economic 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.

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation (continued)

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 balance sheet date.

Deferred tax is accounted for using the balance sheet 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 income statement 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 economic 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 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.

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation (continued)

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 asset's 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 useful lives to the economic 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%	Straight line
Furniture, fittings and equipment	10% to 57%	Straight line/Diminishing Value
Software	18% to 40%	Straight line/Diminishing Value

d) 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 economic entity holds only 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.

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 economic entity assess 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 income statement.

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation (continued)

e) Impairment of assets

At each reporting date, the economic entity 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 its recoverable amount is expensed to the income statement.

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

f) Employee benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance 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 defined benefit obligation at the reporting date.

Share options

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

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted on or after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the Australian Ethical Investment Limited employee share ownership plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period.

The fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, the entity revises its estimate of the number of options 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, the balance of the options reserve relating to those options is transferred to share capital.

Employee bonus

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

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation (continued)

g) Provisions

Provisions are recognised when the economic entity 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.

h) Cash and cash equivalents

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

i) 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).

j) 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 Tax 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 balance sheet are shown inclusive of GST.

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

k) Tithes 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".

l) Earnings per share

Basic Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the economic entity, by the weighted average number of ordinary shares outstanding during the half-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.

Notes to the financial statements for the half-year ended 31 December 2005

Note 1 - Basis of preparation (continued)

m) Comparative figures

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

Note 2: Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Consolidated		
	30 Jun 05	31 Dec 04	01 Jul 04
	\$	\$	\$
Total equity under AGAAP	5,046,886	4,578,707	4,541,716
<i>Adjustments to equity:</i>			
Recognition of options expense under share based payments (a)	(38,630)	(24,101)	(12,149)
Increase in options reserve (a)	38,630	24,101	12,149
Total equity under AIFRS	<u>5,046,886</u>	<u>4,578,707</u>	<u>4,541,716</u>

(a) Share based payment costs (options) are charged to the income statement under AASB 2 'Share-based Payment'

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Consolidated	
	Year ended 30 Jun 05	Half-Year ended 31 Dec 04
	\$	\$
Profit after tax as previously reported	810,900	402,484
Recognition of options expense under share based payments (a)	(26,481)	(11,952)
Profit after tax under AIFRS	<u>784,419</u>	<u>390,532</u>

(a) Share based payment costs (options) are charged to the income statement under AASB 2 'Share-based Payment' but not under AGAAP.

(iii) Adjustment to basic and diluted earnings per share

	31 December 2004
Basic earnings per share as previously reported	46.3
Diluted earnings per share as previously reported	46.2
Adjusted basic earnings per share after accounting policy change for share based payments	44.9
Adjusted diluted earnings per share after accounting policy change for share based payments	44.8

Notes to the financial statements for the half-year ended 31 December 2005

Note 2: Impact of adoption of AIFRS (continued)

(iv) Transitional exemption

The economic entity has elected to apply the exemption under AASB 1 from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply the previous Australian generally accepted accounting principles (AGAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the half-year ended 31 December 2004. The adjustment required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005.

31 December 2005	31 December 2004
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Note 3 - Movements in equity

Share capital

Ordinary shares

Balance at 1 July 2005 888,746 (2004 - 868,965) shares	4,113,706	3,787,847
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Shares issued during the period under the employee share ownership plan:

1,563 on 21 September 2005 (share bonus) (1,971 on 23 September 2004)	35,392	29,160
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17,275 on 31 October 2005 (options exercised)	315,442	-
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8,975 on 29 November 2005 (options exercised)	163,883	-
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Shares bought back during the period:

1,180 on 1 October 2004	-	(17,794)
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667 on 5 October 2004	-	(10,005)
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124 on 6 October 2004	-	(1,889)
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Balance at end of period 916,559 (2004 868,965)	<u>4,628,423</u>	<u>3,787,319</u>
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Reserves

Available-for-sale financial assets revaluation reserve

Balance at 1 July 2005	-	-
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Gross gains	17,926	-
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Deferred tax	(5,378)	-
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Balance at end of the period	<u>12,548</u>	-
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Share-based payments reserve

Balance at 1 July 2005	38,630	12,149
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Option expense	25,009	11,952
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Balance at end of the period	<u>63,639</u>	<u>24,101</u>
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Total reserves	<u>76,187</u>	<u>24,101</u>
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Retained earnings

Balance at 1 July 2005	894,550	753,869
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Changes in accounting policy	-	(12,149)
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Restated balance	894,550	741,720
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Profit for the period	551,080	390,532
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Total for the period	<u>551,080</u>	<u>390,532</u>
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Dividends	(384,954)	(364,965)
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Balance at end of the period	<u>1,060,676</u>	<u>767,287</u>
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Total Equity	<u>5,765,286</u>	<u>4,578,707</u>
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Notes to the financial statements for the half-year ended 31 December 2005

Note 4 - Dividends

	31 December 2005	31 December 2004
	\$	\$
Equity dividends on ordinary shares:		
(a) Dividend paid during the half-year		
Final franked dividend for financial year 30 June 2005: 42 cents (2004: 42 cents)	384,954	364,965
(b) Dividends proposed and not recognised as a liability		
Interim franked dividend for financial year 30 June 2006: 35 cents (2004: 30 cents)	320,796	266,624

Note 5 - Events subsequent to reporting date

Since 31 December 2005, no material events that may have an impact on these financial statements have occurred.

Note 6 - Liabilities and assets of trusts and superannuation fund

	31 December	30 June
	2005	2005
	\$	\$
Liabilities of the trusts 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	1,134,050	5,499,381
Provisions	7,566,803	51,079,088
Total liabilities	8,700,853	56,578,469
Rights of indemnities for liabilities incurred by the economic entity not recorded in the financial statements were:	8,700,853	56,578,469

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 economic entity acting in its own right.

Directors' Declaration

The Directors of Australian Ethical Investment Limited declare that:

1. the financial statements and notes, as set out on pages 4 to 15:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2005 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.



George Pooley
Director
24 February 2006

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
AUSTRALIAN ETHICAL INVESTMENT LIMITED
A.B.N. 47 003 188 930**

Scope

We have reviewed the financial report of Australian Ethical Investment Limited and controlled entity for the half-year ended 31 December, 2005 as set out on pages 4 to 16.

The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entity it controlled at the end of the half-year or from time to time during the half-year. The Company's Directors are responsible for the financial report. We have performed an independent review of this financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB134 "Interim Financial Reporting", other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investment Commission and the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review arrangements. The review is limited primarily to inquires of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit, and accordingly, we do not express an opinion.

Statement

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 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December, 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



THOMAS DAVIS & CO.



P.L. WHITEMAN PARTNER

Chartered Accountants

SYDNEY,

24 February 2006

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