

ASX Announcement

ASX Code: AEF

Date: 21 February 2008

Appendix 4D - half-year results and interim dividend

Please find attached Australian Ethical's half year results to 31 December 2007.

Discussion of results

The Australian Ethical® group half year result to 31 December 2007 is a NPAT of \$1,083,326. The strong result is 41% greater than the previous corresponding period.

The result is underpinned by funds under management (FUM) growth in the six month period resulting in increased revenues from management fees. A significant part of the half year FUM growth is attributable to net inflow of investment funds resulting in significantly increased entry fee income compared to the previous corresponding period.

Costs have increased in some areas during the six month period. Employment costs have risen due to the tight labour market and communication costs have increased in line with our strategy of increasing our market profile. We are also experiencing "one-off" transition costs as we transition to a new superannuation administrator.

These increased expenditures have been offset, somewhat, by a reduction in custodian fees resulting from our transition to a new custodian late in the 06/07 year.

The growth in revenue, offset by strategic expenditure increases, has netted a small reduction in our cost to income ratio over the six month period down from 76% for the full year to 30 June 2007 to 75% for the half-year.

The balance sheet remains strong with \$8.2 million in net assets and no corporate debt.

Outlook

Given the significant decrease in global equity markets since December and the continued economic uncertainty present in the market, the results for the second half of the 2007/08 year are not expected to be as strong as the first half. It is noted, though, that in general the Australian Ethical trust investments have outperformed the market during this volatile period.

Interim Dividend

Upon consideration of the half-year trading results the Board has authorised payment of a fully-franked interim dividend of 45c per share. The interim dividend paid in March 2007 was 40c per share.

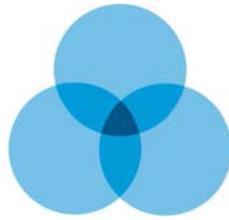
Details of the dividend are as follows.

<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	45c	3/3/2008	7/3/2008	14/3/2008	100%	Interim

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.



Australian Ethical[®] Investment

for Investors, Society and the Environment

Appendix 4D

Half-Year Report

For the 6 months ended

31 December 2007

Released 21 February 2008

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 2007
- Notes to the Consolidated Condensed Half-Year Financial Statements for the period ended 31 December 2007
- Directors’ Declaration
- Auditors’ Independent Review Report

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

Trevor Pearcey House, 34 Thynne St, Bruce ACT 2617 **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 2007**

Revenue and Net Profit (Consolidated)				\$A
Revenue from ordinary activities	up	28%	to	7,240,840
Profit from ordinary activities after tax attributable to members	up	41%	to	1,083,326
Net profit for the period attributable to members	up	41%	to	1,083,326

Dividends (Distributions)	Amount per security	Franked amount per security	Record date *
Final dividend	-	-	-
Interim dividend	45 cents	45 cents	7 March 2008

* 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-07	31-Dec-06
	\$	\$
Net tangible asset backing per ordinary security	8.32	7.31

Directors' Report

Australian Ethical Investment Limited and its Controlled Entity

For the half year ended 31 December 2007

The directors of Australian Ethical Investment Limited are pleased to submit their report for the half-year ended 31 December 2007.

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
Pauline Vamos	Appointed 1 July 2006, resigned 31 August 2007
Naomi Edwards	Appointed 1 February 2005
Justine Hickey	Appointed 1 March 2007

Review of Operations

The principal activity of the controlling entity during the half-year was to manage five public ethical investment trusts and one wholesale trust. 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 2007 of \$1,083,326. This result is a significant increase on the result of \$765,880 for the previous corresponding period.

Given the significant decrease in global equity markets since December and the continued economic uncertainty present in the market, the results for the second half of the 2007/08 year are not expected to be as strong as the first half. It is noted, though, that in general the Australian Ethical trust investments have outperformed the market during this volatile period.

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.

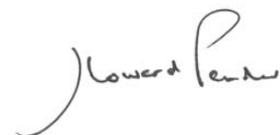
Interim Dividend

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 45c per share. The interim dividend paid in March 2007 was 40c 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.



Howard Pender

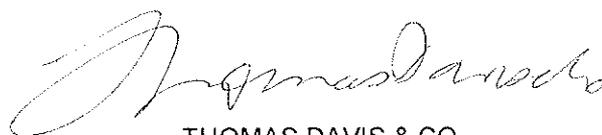
Director

21 February 2008

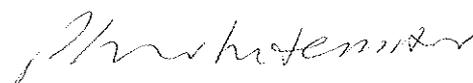
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the six months ended 31 December 2007 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 21 February 2008

Liability limited by a scheme approved under Professional Standards Legislation

**Condensed Consolidated Balance Sheet
as at 31 December 2007**

	Consolidated	
	31 December 2007	30 June 2007
	\$	\$
Current assets		
Cash and cash equivalents	2,770,332	1,672,464
Trade and other receivables	1,468,986	1,487,185
Financial assets	1,253,557	1,830,430
Other current assets	311,587	183,644
Total current assets	5,804,462	5,173,723
Non-current assets		
Property, plant & equipment	4,305,408	4,328,138
Financial assets	100,471	158,000
Deferred tax assets	363,010	392,435
Total non-current assets	4,768,889	4,878,573
Total assets	10,573,351	10,052,296
Current liabilities		
Trade and other payables	1,687,640	1,681,284
Current tax liabilities	228,791	279,307
Short-term provisions	377,071	331,953
Total current liabilities	2,293,502	2,292,544
Non-current liabilities		
Deferred tax liabilities	31,398	33,248
Other long-term provisions	58,242	42,371
Total non-current liabilities	89,640	75,619
Total liabilities	2,383,142	2,368,163
Net assets	8,190,209	7,684,133
Equity		
Issued capital	5,740,791	4,949,532
Reserves	269,203	200,687
Retained earnings	2,180,215	2,533,914
Total equity	8,190,209	7,684,133

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Income Statement
for the half-year ended 31 December 2007**

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Revenue	7,240,840	5,665,830
Commissions paid to advisers	(141,209)	(103,153)
External services	(1,551,502)	(1,352,519)
Employee benefits expense	(2,919,993)	(2,323,135)
Depreciation	(109,843)	(97,222)
Occupancy costs	(97,788)	(162,356)
Communication costs	(417,754)	(251,374)
Other expenses	(279,391)	(148,541)
Profit before tithe and income tax expense	1,723,360	1,227,530
Tithes expense	(136,262)	(99,158)
Profit before income tax	1,587,098	1,128,372
Income tax expense	(503,772)	(362,492)
Profit for the year	1,083,326	765,880
Profit attributable to members of the parent entity	1,083,326	765,880
Basic earnings per share (cents per share)	113.30	82.92
Dilutive earnings per share (cents per share)	109.13	80.28

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2007**

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Total equity at beginning of financial period	7,684,133	6,273,783
Available-for-sale investments:		
Valuation gains/(losses) taken to equity	(6,166)	16,361
Employee share options	72,832	42,949
Income tax on items taken directly to or transferred directly from equity	1,850	(4,908)
Net income recognised directly in equity	68,516	54,402
Profit for the period	<u>1,083,326</u>	<u>765,880</u>
Total recognised income and expense for the period	<u>1,151,842</u>	<u>820,282</u>
Transactions with equity holders in their capacity as equity holders:		
Contribution of equity, net of transaction costs	791,259	224,442
Dividends provided for or paid	(1,437,025)	(458,631)
	<u>(645,766)</u>	<u>(234,189)</u>
Total equity at the end of the financial period	<u>8,190,209</u>	<u>6,859,876</u>
Total recognised income and expense for the year is attributable to:		
Equity holders of the parent	<u>1,151,842</u>	<u>820,282</u>
	<u>1,151,842</u>	<u>820,282</u>

The accompanying notes form part of these Financial Statements.

**Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2007**

	Consolidated	
	31 December 2007	31 December 2006
	\$	\$
Cash flows from operating activities		
Receipts from operations	7,983,902	6,000,451
Payment to suppliers & employees	(5,951,313)	(4,678,189)
Interest/distributions received	136,832	159,922
Income tax paid	(524,863)	(380,889)
Bonus	(221,168)	(192,285)
Tithe	(199,964)	(173,132)
Net cash provided by (used in) operating activities	1,223,426	735,878
Cash flows from investing activities		
Purchase of property, plant & equipment	(92,143)	(450,531)
Proceeds from sale of investments	566,145	526,374
Proceeds from loan repayments	62,091	7,933
Net cash provided by (used in) investing activities	536,093	83,776
Cash flows from financing activities		
Proceeds from share issue	561,758	379,940
Share buy-back payment	(178,954)	(176,447)
Dividends paid	(1,044,455)	(458,631)
Net cash provided by (used in) financing activities	(661,651)	(255,138)
Net increase (decrease) in cash held	1,097,868	564,516
Cash at 1 July	1,672,464	1,479,234
Cash at 31 December	2,770,332	2,043,750

The accompanying notes form part of these Financial Statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2007

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 2007 annual financial report for the financial year ended 30 June 2007.

The half-year financial report covers the consolidated 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.

Note 2 - Dividends

	31 December 2007	31 December 2006
	\$	\$
Distributions paid		
Final fully franked dividend of 152 (2006: 50) cents per share franked at the tax rate of 30% (2006:30%)	1,437,025	458,631
Declared interim fully franked dividend of 45 (2006: 40) cents per share franked at the tax rate of 30% (2006:30%)	442,801	375,303

Note 3 - Events after the balance sheet date

Since the end of the half-year period ending on 31 December 2007, 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 2007

Note 4 - Segment reporting

The company was established in 1986 and is the Responsible Entity of the Australian Ethical Trusts. The company's subsidiary is Trustee of the Australian Ethical Superannuation Fund.

	31 December 2007	31 December 2006
	\$	\$
Note 5 - Capital expenditure commitments		
Capital expenditure commitments contracted for		
Property purchase	-	945,100
Premises rental licence commitments	-	49,934
Payable:		
- not later than 12 months	-	995,034

Note 6 - Contingent liabilities

	31 December 2007	30 June 2007
	\$	\$
Liabilities and assets of trusts and superannuation fund		
Liabilities of the trusts and superannuation fund for which the consolidated entity is Responsible Entity and Trustee but not shown in the financial statements of the consolidated entity were:		
Current liabilities		
Payables	5,984,518	4,556,376
Provisions	10,510,543	64,692,694
Total liabilities	<u>16,495,061</u>	<u>69,249,070</u>
Rights of indemnities for liabilities incurred by the consolidated entity not recorded in the financial statements were:	<u>16,495,061</u>	<u>69,249,070</u>

The contingent liability includes a provision for trust distribution. The trusts 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 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 consolidated entity acting in its own right.

Notes to the consolidated financial statements for the half-year ended 31 December 2007

Note 7 - Shared based payments

On 24 September 2007, 47,255 (2006:45,825) share options were granted to non-probationary employees under the Australian Ethical Investment Limited employee share ownership plan. The options were issued for nil consideration, are not exercisable for three years from the date of issue, have an exercise price of \$57.57 (2006:\$32.50) each and a three month window in which to be exercised, and in most circumstances will lapse if the holder is no longer an employee of Australian Ethical Investment Limited. The options hold no voting or dividend rights. These share options had a fair value at grant date of \$8.40 per share option (2006:\$4.14).

On 24 September 2007, 302 ordinary shares were issued to staff who have elected to receive their annual cash bonus in the form of shares under the employee share ownership plan . The shares carry full dividend and voting rights and are not transferable for a period of three years, or until an employee leaves the company's employment whichever first occurs (In the comparative year 703 ordinary shares, with the same terms, were granted on 22 September 2006).

During the half-year reporting period, Australian Ethical Investment Limited issued 34,506 ordinary shares for \$561,757 on exercise of 34,506 share options issued under its employee share ownership plan. The company announced an employee share buyback scheme to buy back up to a maximum of 10,745 shares issued to employees upon the exercise of the options during the half-year reporting period. Under the terms of that scheme, the company has bought back from employees 3,423 shares at \$52.28 per share. The company has cancelled the shares that have been bought back. The exercise of share options and subsequent buyback has resulted in a net increase in ordinary shares of 31,083.

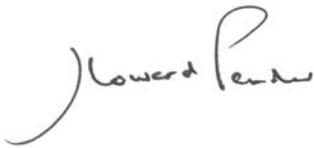
During October 2007 Australian Ethical Investment Limited issued 7,509 new shares at an issue price of \$52.28, under the company's Dividend Reinvestment Plan in respect of the final dividend payable for the year ended 30 June 2007.

Directors' Declaration

The Directors of Australian Ethical Investment Limited declare that:

1. the financial statements and notes, as set out on pages 4 to 10:
 - (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 consolidated entity's financial position as at 31 December 2007 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.



Howard Pender
Director
21 February 2008

**AUSTRALIAN ETHICAL INVESTMENT LIMITED AND CONSOLIDATED
ENTITY**

A.B.N. 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, which comprises the condensed consolidated Balance Sheet as at 31 December, 2007, and the condensed consolidated Income Statement, condensed consolidated Statement of Changes in equity and condensed consolidated Cash Flow Statement 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 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 designing, implementing and maintaining internal control 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 consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an 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 Australian Ethical Investment Limited consolidated financial position as at 31 December, 2007 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, 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.

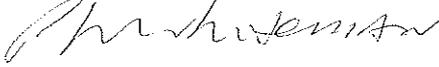
Independence

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 consolidated half-year financial report of Australian Ethical Investment Limited 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, 2007 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,

21 February 2008

Liability limited by a scheme approved under Professional Standards Legislation