ASX Announcement
ASX Code: AEF
Date: 29/02/2012

Appendix 4D

Half-year report

For the 6 months ended

31 December 2011

Released 29 February 2012

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 2011
- Notes to the condensed consolidated half-year financial statements for the year ended 31 December 2011
- Directors' declaration
- Auditor's independent review report

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

Appendix 4D

For the half-year ended 31 December 2011

Australian Ethical Investment Limited and Controlled Entity
ABN 47 003 188 930

Results for announcement to the market

[All comparisons to half-year ended 31 December 2010]

	up / down	% movement		$ A
Revenues from ordinary activities	down	4%	to	6,834,109
Net profit after tax from ordinary activities (including significant items)	down	31%	to	284,115
Underlying net profit after tax (excluding significant items)	down	13%	to	361,000

Dividend information

	amount per share (cents)	franked amount per share (cents)	tax rate for franking credit
Final 2011 dividend per share (paid 7 Ocotber 2011)	100.0	100.0	30%
Special 2011 dividend per share (paid 7 Ocotber 2011)	25.0	25.0	30%
Interim 2012 dividend per share (to be paid 30 March 2012)	25.0	25.0	30%

Interim dividend dates	
Record date	**16 March 2012**
Payment date	**30 March 2012**

	31 Dec 2011	31 Dec 2010
Net tangible assets per security	**$6.70**	**$7.08**

Brief explanation of revenue, net profit and dividends

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

Directors' Report

Australian Ethical Investment Limited and its Controlled Entity

For the half year ended 31 December 2011

The directors of Australian Ethical Investment Limited are pleased to submit their report for the half-year ended 31 December 2011.

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

Name	Period of Directorship	
Howard Pender	Appointed 19 June 1991	Retired 17 November 2011
Justine Hickey	Appointed 1 March 2007	
Les Coleman	Appointed 1 July 2008	Retired 17 November 2011
André Morony	Appointed 1 July 2008	
Phillip Vernon	Appointed 27 July 2010	
Stephen Newnham	Appointed 20 December 2010	
Louise Herron	Appointed 20 February 2012	

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 2011 of $284,115. This result is a 31% decrease on the adjusted result of $414,479 for the previous corresponding period (refer below). The operating environment for financial services firms over the period has been challenging due to general market uncertainty, shift of funds to cash and term deposits due to lack of confidence in equity markets and looming regulatory changes. The key elements of our result include:

- Average group FUM comparison between the two periods has seen a decrease of 2.6%. This decrease is reflective of the broader markets laboring under the uncertainty of Eurozone financial markets. Since 30 June 2011 group FUM has decreased $41m due to market movement and $3m due to net outflows. This has resulted in less management fee revenue.
- The group has experienced a decrease in inflow of 5% to the previous corresponding period. Superannuation inflows remain strong increasing by 3.6% however managed fund inflows have dropped substantially by 25%, reflecting the experience in the broader managed fund market as investors transition to cash and term deposits. Despite the decrease in inflows, up-front fee revenue improved based on the superannuation performance.
- Operating expense levels have improved slightly by 1.3% compared to the previous corresponding period. This cost control has been achieved in the midst of business model realignment and cost structure reviews.

The adjusted result for the previous corresponding period addresses correct accounting treatment for the expensing of share based payment grants. In finalising the 31 December 2011 interim financial statements it was determined that, since inception of the scheme, the accounting treatment adopted for amortising the expense associated with these share based payments was incorrect. The error relates to the timing of when the expense is recognised and not the quantum of expense and has resulted in a $73,664 negative adjustment to the 31 December 2010 comparative figures. Further details are contained in note 6 to the interim financial statements.

At 31 December 2011, group funds under management were $599M (before distribution). This compares to funds under management at 31 December 2010 of $654M (before distribution).

During the period the company has continued to address improving our client service and assessing our product offering. A key achievement completed following period end was the release of our wholesale class of unit offering aimed at gaining traction in the intermediated market.

Also, in the face of difficult market conditions, a review of cost structures was performed and, subsequent to period end, service areas within the group have been restructured resulting in head-count reductions. Whilst this is a difficult process for the group to embrace, it does provide a platform to remain competitive and viable in what is a difficult market.

Interim Dividend

Reflecting the current state of the market and our dividend policy, the directors report that upon consideration of the half-year trading result the Board has authorised the payment of a fully-franked interim dividend of 25c per share. The interim dividend paid in March 2011 was 45c 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.

Phillip Vernon
Director
29 February 2012

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 half-year ended 31 December 2011 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 audit.

THOMAS DAVIS & CO

J.G. RYAN **PARTNER**

Chartered Accountants

29 February 2012

Liability limited by a scheme approved under Professional Standards Legislation

Condensed consolidated statement of financial position
as at 31 December 2011

	Consolidated	
	31 December 2011 $	30 June 2011 $ (1)
Current assets		
Cash and cash equivalents	2,139,771	2,554,689
Trade and other receivables	1,685,038	3,245,297
Financial assets	466,979	496,423
Current tax assets	154,241	-
Other current assets	343,723	232,306
Total current assets	4,789,752	6,528,715
Non-current assets		
Property, plant & equipment	3,962,150	4,040,747
Intangible assets	28,249	45,355
Financial assets	51,375	61,820
Deferred tax assets	352,288	607,503
Total non-current assets	4,394,062	4,755,425
Total assets	9,183,814	11,284,140
Current liabilities		
Trade and other payables	1,881,476	2,587,710
Current tax liabilities	-	443,545
Short-term provisions	454,919	533,024
Total current liabilities	2,336,395	3,564,279
Non-current liabilities		
Deferred tax liabilities	34,926	34,926
Other long-term provisions	66,369	56,123
Total non-current liabilities	101,295	91,049
Total liabilities	2,437,690	3,655,328
Net assets	6,746,124	7,628,812
Equity		
Issued capital	6,038,301	5,915,219
Reserves	207,728	1,131,904
Retained earnings	500,095	581,689
Total equity	6,746,124	7,628,812

The accompanying notes form part of these Financial Statements.
(1) Adjusted comparatives refer Note 6

Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2011

	Consolidated	
	Half-year ended	
	31 December 2011 $	31 December 2010 $ 1
Revenue	6,834,109	7,127,072
Commissions paid to advisers	(67,492)	(89,006)
	-	
External services	(1,582,764)	(1,305,904)
Employee benefits expense	(3,464,130)	(3,574,063)
Depreciation and amortization	(215,816)	(208,193)
Occupancy costs	(138,376)	(130,573)
Communication costs	(279,149)	(503,106)
Other expenses	(537,980)	(579,081)
Profit before community grants and income tax expense	548,402	737,146
Community grants expense	(37,241)	(55,534)
Profit before income tax	511,161	681,612
Income tax expense	(227,046)	(267,133)
Profit for the period	284,115	414,479
Other comprehensive income		
Net gain/(loss) on revaluation of available-for-sale investments	(44,159)	12,302
Other comprehensive income for the period, net of tax	(44,159)	12,302
Total comprehensive income for the period	239,956	426,781
Profit attributable to members of the parent entity	284,115	414,479
Total comprehensive income attributable to members of the parent entity	239,956	426,781
Earnings per share		
Basic (cents per share)	28.39	41.69
Diluted (cents per share)	27.82	41.06

The accompanying notes form part of these Financial Statements.
(1) Adjusted comparatives refer Note 6

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2011

①

Consolidated	Issued Capital Ordinary $	Asset Revaluation Reserve $	Share-based Payment Reserve $	Retained Earnings $	Total $
Balance at 1 July 2010	5,791,147	(40,677)	909,826	1,395,432	8,055,728
Profit attributable to members of the parent entity	-	-	-	414,479	414,479
Other comprehensive income for the period	-	12,302	-	-	12,302
Total comprehensive income for the period	-	12,302	-	414,479	426,781
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	-	-	182,105	-	182,105
Balance at 31 December 2010	5,915,219	(28,375)	967,859	320,199	7,174,902
Balance at 1 July 2011	5,915,219	(67,257)	1,199,161	581,689	7,628,812
Profit attributable to members of the parent entity	-	-	-	284,115	284,115
Other comprehensive income for the period	-	(44,159)	-	-	(44,159)
Total comprehensive income for the period	-	(44,159)	-	284,115	239,956
Transactions with owners in their capacity as owners:					
Shares Issued during the period	123,082	-	(123,082)	-	-
Dividends paid or provided for	-	-	-	(1,253,794)	(1,253,794)
Transfer from share-based payment reserve to retained earnings	-	-	(888,085)	888,085	-
Share-based payment expense	-	-	131,150	-	131,150
Balance at 31 December 2011	6,038,301	(111,416)	319,144	500,095	6,746,124

The accompanying notes form part of these Financial Statements.
(1) Adjusted comparatives refer note 6

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2011

	Consolidated	
	Half-year ended	
	31 December 2011 $	31 December 2010 $
Cash flows from operating activities		
Receipts from operations	8,215,840	7,766,699
Payment to suppliers & employees	(6,377,833)	(6,248,248)
Interest/distributions received	43,586	56,489
Income tax paid	(550,692)	(153,606)
Bonus	(191,533)	(184,026)
Community grants	(152,802)	(125,396)
Net cash provided by (used in) operating activities	986,566	1,111,912
Cash flows from investing activities		
Purchase of property, plant & equipment	(123,237)	(172,015)
Purchase of investments	(32,710)	(189,669)
Proceeds from sale of investments	-	525,898
Proceeds from loan repayments	8,257	38,033
Loans to staff	-	-
Net cash provided by (used in) investing activities	(147,690)	202,247
Cash flows from financing activities		
Proceeds from share issue	-	-
Share buy-back payment	-	-
Dividends paid	(1,253,794)	(1,489,712)
Net cash provided by (used in) financing activities	(1,253,794)	(1,489,712)
Net increase (decrease) in cash held	(414,918)	(175,553)
Cash at 1 July	2,554,689	1,892,734
Cash at 31 December	2,139,771	1,717,181

The accompanying notes form part of these Financial Statements.

Notes to the consolidated financial statements for the half-year ended 31 December 2011

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 2011 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 conjuction with the annual financial statements of the Group for the year ended 30 June 2011 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	**Half-year ended 31 December 2011 $**	**Half-year ended 31 December 2010 $**
(a) Dividends paid		
Final fully franked dividend of 100 (2010: 50) cents per share franked at the tax rate of 30% (2010:30%)	1,003,035	496,570
Special fully franked dividend of 25 (2010: 100) cents per share franked at the tax rate of 30%	250,759	993,141
	1,253,794	1,489,711
(b) Dividends declared		
Declared interim fully franked dividend of 25 (2010: 45) cents per share franked at the tax rate of 30% (2010:30%)	250,759	449,061

This dividend has not been included as a liability in these financial statements.

Note 3 - Contingent liabilities

Liabilities and assets of trusts and superannuation fund

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:

	31 December 2011 $	**30 June 2011 $**
Current liabilities		
Payables	22,592,939	24,176,927
Provisions	5,242,300	18,472,201
Total liabilities	27,835,239	42,649,128
Rights of indemnities for liabilities incurred by the economic entity not recorded in the financial statements were:	27,835,239	42,649,128

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.

Notes to the consolidated financial statements for the half-year ended 31 December 2011

Note 4 - Share based payments

During the half-year reporting period 33,837 performance rights in two classes (identifiers: AEFAA and AEFAB) 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
AEFAA	19,195	- employment must continue until 30 June 2014; - 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 3 financial years 2011/12, 2012/13 and 2013/14.
AEFAB	14,642	- employment must continue until 1 July 2012; - In some cases the number of shares that may be issued to an employee in respect of their performance rights under this category may be adjusted up or down by a maximum 20% depending on the performance of one of the company's managed investment schemes for which the employee has responsibility or provides significant input; a managed investment scheme has been agreed between the company and the employee. Performance will be measured over a performance period of 1 July 2011 to 30 June 2012. - In some cases the number of shares that may be issued to an employee in respect of their performance rights under this category is fixed.

During the half-year reporting period, Australian Ethical Investment Limited issued 5,122 ordinary shares on vesting of 5,122 performance rights class AEFAZ granted under its employee share incentive scheme in April 2011 . The vesting of these performance rights resulted in an increase of ordinary shares by 5,122.

Note 5 - 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 2011 Half-year ended			31 December 2010 Half-year ended		
	Trust $	Super $	Total $	Trust $	Super $	Total $
Revenue						
External sale	2,516,324	4,281,086	6,797,410	2,923,758	4,152,230	7,075,988
Inter-segment sale	3,037,457	-	3,037,457	2,981,307	-	2,981,307
Investment interest / distribution revenue	32,124	4,575	36,699	39,610	11,474	51,084
Total segment revenue	5,585,905	4,285,661	9,871,566	5,944,675	4,163,704	10,108,379
Inter-segment eliminations			(3,037,457)			(2,981,307)
Total group revenue			6,834,109			7,127,072
Segment net profit before tax	614,351	463,250	1,077,601	819,607	376,260	1,195,867

Notes to the consolidated financial statements for the half-year ended 31 December 2011

Note 5 - Operating Segments - continued

	31 December 2011 Half-year ended			31 December 2010 Half-year ended		
	Trust $	Super $	Total $	Trust $	Super $	Total $
Reconciliation of Segment result to group net profit/loss after tax						
Income tax expense	(153,266)	(73,781)	(227,047)	(196,569)	(70,564)	(267,133)
Unallocated items						
- Depreciation and amortisation			(215,816)			(208,193)
- Other corporate overheads *			(350,623)			(306,062)
Group net profit after tax			284,115			414,479

* Other corporate overheads includes staff bonus, community grant expense, staff options/rights expense.

(ii) Segment assets

	31 December 2011			30 June 2011		
	Trust $	Super $	Total $	Trust $	Super $	Total $
Assets	8,684,065	967,861	9,651,926	10,752,744	914,998	11,667,742
Inter-segment eliminations			(468,112)			(383,602)
Total group assets			9,183,814			11,284,140
(iii) Segment liabilities						
Liabilities	2,021,413	568,389	2,589,802	3,407,323	315,606	3,722,929
Inter-segment eliminations			(152,112)			(67,601)
Total group liabilities			2,437,690			3,655,328

Note 6 - Restatement of financial statements as a result of change in accounting policy and correction of an error

When finalising the 31 December 2011 interim financial statements it was determined that the timing of recognition of expenses associated with share based payments granted to employees was incorrect.

In general the accounting treatment previously adopted was to recognise the expense related to share based payments from the date of issue of the equity instrument (rights) through to vesting date. However the correct accounting treatment under the Australian Accounting Standards is to recognise the expense from the date at which a constructive obligation to pay the share based payment exists.

Whilst this impacts financial results for periods since the inception of the employee share based payment scheme in 2009, it only materially impacts the 2010-11 prior period.

Specifically, in December 2011 a tranche of performance rights were issued to investment and management employees with a vesting date 1 July 2012. The value of the rights issued/owing was estimated as $311,427. Previously this amount would have been recognised as an expense over the period December 2011 (issue date) to June 2012 (vesting date). However on further investigation it was determined that these rights were in respect to performance of investment and management employees during the year ended 30 June 2011 (year 1) vesting at 1 July 2012 (year 2). Accordingly approximately half of this amount should have been recognised as an expense in the year ended 30 June 2011.

The statement of financial position for 30 June 2011 included this error and hence resulted in the restatement of the following line items for the year ended 30 June 2011.

• Options/Rights reserve increased by $157,502
• Retained earnings decreased by $157,502

In addition the profit for 30 June 2011 was overstated by this error and hence resulted in the restatement of the following line items for the year ended 30 June 2011

• Options/Rights expense increased by $157,502
• Net profit after tax decreased by $157,502

The statement of financial position balance sheet for 31 December 2010 included this error and hence resulted in the restatement of the following line items for the year ended 31 December 2010.

• Options/Rights reserve increased by $73,664
• Retained earnings decreased by $73,664

In addition the profit for 31 December 2010 was overstated by this error and hence resulted in the restatement of the following line items for the year ended 31 December 2010

Notes to the consolidated financial statements for the half-year ended 31 December 2011

Note 6 - Restatement of financial statements as a result of change in accounting policy and correction of an error - continued

• Options/Rights expense increased by $73,664
• Net profit after tax decreased by $73,664

Restatement of Financial Statements as a result of change in accounting Policy and correction of an error

30 June 2011 Comparative year	Actual 30 June 2011 $	Correction of Error Adj $	Restated Actual 30 June 2011 $
Consolidated statement of financial position (extract)			
Equity			
Issued Capital	5,915,219	-	5,915,219
Reserves	974,402	157,502	1,131,904
Retained earnings	739,191	(157,502)	581,689
Total Equity	7,628,812	-	7,628,812

31 December Comparative year	Actual 31 December 2010 $	Correction of Error Adj $	Restated Actual 31 December 2010 $
Consolidated statement of comprehensive income (extract)			
Employee benefits expense	(3,500,399)	(73,664)	(3,574,063)
Profit before community grants and income tax expense	810,810	(73,664)	737,146
Profit before income tax	755,276	(73,664)	681,612
Income tax expense	(267,133)	-	(267,133)
Profit for the period	488,143	(73,664)	414,479
Comprehensive income for the period	500,445	(73,664)	426,781

31 December Comparative year

Earnings per share			
Basic (cents per share)	49.10	(7.41)	41.69
Diluted (cents per share)	48.36	(7.30)	41.06

Consolidated statement of changes in equity (extract)

	Issued Capital Ordinary $	Asset Revaluation Reserve $	Share-based Payment Reserve $	Retained Earnings $	Total $
Balance as at 31 December 2010	**5,915,219**	**(28,375)**	**894,195**	**393,863**	**7,174,902**
Net effect of a correction of an error:					
Share- Based payment expense	-	-	73,664	(73,664)	-
Restated balance as at 31 December 2010	**5,915,219**	**(28,375)**	**967,859**	**320,199**	**7,174,902**

Note 7 - Events after the balance sheet date

In the face of difficult market conditions a review of cost structures was performed and service areas within the group have been restructured resulting in head-count reductions, subsequent to the period end.

Other than the above, 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.

Directors' Declaration

The Directors of Australian Ethical Investment Limited declare that:

1. the financial statements and notes, as set out on pages 4 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 2011 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.

Phillip Vernon
Managing Director
29 February 2012

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 consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 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 mater that makes us believe that the half-year 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 2011 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 2011 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

THOMAS DAVIS & CO

J.G. Ryan

J.G. RYAN **PARTNER**

Chartered Accountants

29 February 2012

SYDNEY,

Liability limited by a scheme approved under Professional Standards Legislation.