Appendix 4D (Rule 4.2A.3)

Financial statements for the half-year ended 31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2012)

	$	Up / Down	% Movement
Revenues from ordinary activities	9,744,995	up	25.9%
Net profit after tax from ordinary activities (including significant items)	1,215,753	up	149.6%
Underlying net profit after tax (excluding significant items)	1,422,906	up	170.2%

Interim Dividend

Record date	7 March 2014
Payment date	28 March 2014

The Company's Dividend Reinvestment will not operate in relation to the interim dividend.

Dividend information	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final 2013 dividend per share (paid 4 October 2013)	45.0	45.0	30%
Interim 2014 dividend per share (to be paid 28 March 2014)	80.0	80.0	30%

Net tangible assets per security

	31 Dec 2013	31 Dec 2012
	$8.34	$7.00

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2013 half-year financial statements.

This report is based on the consolidated 2013 half-year financial statements of Australian Ethical Investment Limited which have been reviewed by KPMG. The Independent Auditor's Review Report by KPMG is included in the 31 December 2013 half-year financial statements.

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

Interim Condensed Consolidated Financial Report
for the half year ended 31 December 2013

Directors' Report

For the half year ended 31 December 2013

The directors' of Australian Ethical Investment Limited (the "Company") present their report together with the interim condensed consolidated financial statements for the six months ended 31 December 2013 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-Executive Directors	
Stephen Gibbs – Chairperson	Appointed 25 July 2012
Andre Morony	Appointed 1 July 2008, Resigned 20 November 2013
Mara Bun	Appointed 4 February 2013
Tony Cole	Appointed 4 February 2013
Kate Greenhill	Appointed 22 February 2013
Executive Directors	
Phil Vernon – Managing Director	Appointed 27 July 2010
Stephen Newman	Appointed 12 December 2011 Resigned 26 July 2013

Review of operations

For the six months to 31 December 2013, Australian Ethical reported a net profit after tax of $1,215,753 compared to the net profit after tax for the six months to 31 December 2012 of $487,115 and net profit after tax for the six months to 30 June 2013 of $575,922.

In looking at the consolidated entity's performance for the six months to 31 December 2013, the following are the key points:

Funds Under Management and Revenue

- Funds under management increased by $94.1m, $60.6m due to market movements in addition to net inflows of $33.5m. Funds under management as at 31 December 2013 was $801.7m which is the highest for the Company since inception.
- Net inflows of $33.5m are made up of positive inflows of $27.6m (up from $10.6m in the prior 6 months) into our superannuation fund and net inflows of $5.9m into our managed funds ($4.1m net outflow in the prior 6 months). The improvement in flows are a result of increased brand awareness for Australian Ethical and a return of confidence in equity markets that has driven industry flows into managed funds and away from term deposits.
- Revenues increased by $2.01m representing an increase of 26% over the prior comparative 6 month period. The main reason for the revenue increase was the growth in equity markets during the year which increased our funds under management.

- In December we launched our ethical Fixed Interest Fund to the market which is the only fund of its type in the market.
- From 16 September 2013 we received approval to offer a MySuper product from APRA. This authorisation allows us to accept employer super contributions where the employee has not made a choice of funds.

Expenses

- Operating expenses[1] increased by $0.63m, an increase of 9% over the previous year.
- Employment costs increased by 9.2% as a result of redundancies ($0.41m) that occurred in September 2013 as a consequence of a business restructure involving the substantial reduction of its Canberra operations, the outsourcing of parts of the business and the restructuring of certain functions.
- Occupancy costs are higher that the comparative six month period reflecting the restructure of the business away from Canberra to Sydney.
- The effective tax rate of 41% was marginally higher than the prior year, 35%. The Company's effective tax rate is impacted by items that are not deductible for tax purposes which are detailed in Note 5 of the attached financial report.

Community Grants

- $151,290 has been provisioned for payment to charitable and conservation organisations under our community grants program. The Company's constitution requires that 10% of operating profit, after notional tax, be paid to non-profit organisations involved in charitable, benevolent or conservation purposes. Staff and shareholders are actively involved in the selection of the organisations that receive community grants. The Community Grants will be allocated after the release of the Company's annual results.

Underlying Profit

Underlying profit is provided to assist shareholders in understanding the Company's performance. Underlying profit excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on Net Profit After Tax, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of the Group.

The reconciliation of net profit after tax to underlying profit after tax for the six months to 31 December 2013 is as follows:

[1] Operating expense comprise expenses that the Company has incurred as a result of performing its normal business operations.

	Six months to 31 December 2013 $'000	Six months to 31 December 2012 $
Net profit after tax	**1,215,753**	**487,115**
Adjustments (gross)		
Add: Employment restructure expenses	295,933	-
Add: Legal costs for shareholder actions	-	56,363
Tax on adjustments	(88,780)	(16,909)
Underlying profit after tax	**1,422,906**	526,569

This table has been prepared in accordance with the Australian Institute of Company Directors (AICD)/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying profit after tax has not been reviewed or audited by our external auditors, however the adjustments to net profit have been extracted from the books and records that have been reviewed.

Statement of Financial Position (as at 31 December 2013)

Assets

- Total assets have increased by $1.90m to $12.17m during the six months to 31 December 2013.
- Cash balances increased by $1.35m to $5.25m primarily as a result of increased revenue from our funds as funds under management have grown. As a condition of the Company's Australian Financial Services (AFS) Licence the Company is required to maintain minimum Net Tangible Asset levels along with a significant cash balance. At all times during the past six months and as at 31 December 2013 the Company has met the conditions of its AFS Licence.
- Trade and other receivables increased by $0.51 million to $2.98 million. These receivables primarily represent the accrual of fees on our products for the previous month.
- The Company owned property in Bruce, ACT continues to be listed for sale or lease. The Canberra market remains weak as a result of the change in government and to date, no firm offers to purchase the property have been received.

Liabilities

Total liabilities increased by $0.58m to $3.56m primarily as a result of an increase in provisions relating to employee benefits. The improved profit result for the period has increased the possibility that key performance indicators in relation to staff bonuses will be met and that rights issues in relation to long term incentive will vest.

Equity

Equity has increased by $1.31 million due to net profit after tax of $1.22 million offset by dividends paid during the year.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $	Franked/ unfranked	Date of payment
Declared and paid during the past 6 months				
Final 2013	45	460,416	Franked	4 October 2013
Declared after 31 December 2013				
After balance sheet date, the directors declared the following dividend:				
Interim 2014	80	818,518	Franked	28 March 2014[2]

Events subsequent to reporting date

No matters or circumstances have arisen since the end of the period which have or may significantly affect the operations of the Company and its controlled entity, the results of those operations or the state of affairs of the Company in financial years subsequent to the period ended 31 December 2013.

Outlook - Likely developments and business strategies

Over the past three years the Company has been positioned to benefit from increasing awareness of ethical investing through improvements in the structure and price of products and a reduction in the ongoing expenses.

Over the coming year it is planned to make further reductions to our product fees in order to make them more competitive.

The largest driver of total revenues is the value of funds under management (FUM) which is in turn influenced by the level of the Australian equity market. We have estimated that a 1% change in the S&P/ASX All Ordinaries index will have a full year impact of $50,000 on net profit after tax. Changes to the markets are monitored constantly and where there are sustained drops action will be taken to reduce variable expenses.

[2] Planned payment date

The Company is continuing in its attempts to sell its Canberra property however this is not expected to be achieved in the short term.

Environmental Regulation

The parent entity owns a direct property asset in the form of Trevor Pearcey House in Canberra. The parent entity also acts as a responsible entity for the Australian Ethical Property Trust and the Australian Ethical Balanced Trust both of which own direct property assets. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by state planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity is responsible for compliance and reporting under the government legislation.

The parent entity is not aware of any material non-compliance in relation to these licences during the financial year.

The parent entity has determined that it is not required to register to report under the National Greenhouse and Energy Reporting Act 2007, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

Trevor Pearcey House has a 6 Green star rating. The properties held in the Australian Ethical Property Trust are required to have a minimum of 5 Green star rated or be in respect to social infrastructure. The properties held in the Australian Ethical Balanced Trust do not have a minimum of Green star rating.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the six months ended 31 December 2013.

Signed in accordance with a resolution of the directors:

Phillip Vernon
Director
21 February 2014

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Ethical Investment Limited,

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 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.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

21 February 2014

KPMG

Independent auditor's review report to the members of Australian Ethical Investment Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Australian Ethical Investment Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other 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 1 to12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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 an interim 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 interim 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 Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

T. Gilerman

Tanya Gilerman
Partner

Sydney

21 February 2014

Condensed consolidated statement of financial position
as at 31 December 2013

	Consolidated	
	31 December 2013 $	30 June 2013 $
Current assets		
Cash and cash equivalents	5,248,170	3,894,666
Trade and other receivables	2,982,113	2,474,109
Financial assets	114,782	107,150
Other current assets	468,021	220,039
Assets classified as held for sale	2,519,599	2,519,599
Total current assets	11,332,685	9,215,563
Non-current assets		
Property, plant & equipment	483,588	620,110
Intangible assets	74,662	94,573
Deferred tax assets	283,280	348,165
Total non-current assets	841,530	1,062,848
Total assets	12,174,215	10,278,411
Current liabilities		
Trade and other payables	1,902,721	1,456,011
Current tax liabilities	508,580	409,094
Provisions	788,997	740,092
Total current liabilities	3,200,298	2,605,197
Non-current liabilities		
Trade and other payables	234,872	253,632
Deferred tax liabilities	30,896	30,896
Other long term provisions	97,869	92,061
Total non-current liabilities	363,637	376,589
Total liabilities	3,563,935	2,981,786
Net assets	8,610,280	7,296,625
Equity		
Issued capital	6,432,479	6,278,225
Reserves	753,392	349,328
Retained earnings	1,424,409	669,072
Total equity	8,610,280	7,296,625

The condensed notes on pages 14 to 22 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December

	Consolidated	
	Half-year ended	
	31 December 2013 $	31 December 2012 $
Revenue	9,744,995	7,737,367
External services	(1,500,064)	(1,469,138)
Employee benefits expense	(3,732,016)	(3,417,191)
Depreciation and amortization	(187,460)	(196,537)
Occupancy costs	(259,209)	(164,817)
Communication costs	(320,519)	(317,102)
Other expenses	(1,530,263)	(1,362,646)
Community grants expense	(151,290)	(55,524)
Profit before income tax from continuing operations	2,064,174	754,412
Income tax expense	(848,421)	(267,297)
Profit for the period	1,215,753	487,115
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Net gain/(loss) on revaluation of available-sale-investments	-	570
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	-	40,967
Total items that may be reclassified subsequently to profit or loss:	-	41,537
Other comprehensive income/(loss) for the year, net of income tax	-	41,537
Total comprehensive income for the period, net of income tax	1,215,753	528,652
Profit attributable to members of the parent entity	1,215,753	487,115
Total comprehensive income attributable to members of the parent entity	1,215,753	528,652
Earnings per share		
Basic (cents per share)	118.83	48.10
Diluted (cents per share)	116.57	47.23

The condensed notes on pages 14 to 22 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2012

	Issued Capital Ordinary $	Asset Revaluation Reserve $	Share-based Payment Reserve $	Retained Earnings $	Total $
Balance at 1 July 2012	6,038,301	(117,429)	419,500	367,349	6,707,721
Profit attributable to members of the parent entity	-	-	-	487,115	487,115
Other comprehensive income for the period	-	41,537	-	-	41,537
Total comprehensive income for the period	-	41,537	-	487,115	528,652
Transactions with owners in their capacity as owners:					
Shares Issued during the period	239,924	-	(239,924)	-	-
Dividends paid or provided for	-	-	-	(355,280)	(355,280)
Share-based payment expense	-	-	92,089	-	92,089
Balance at 31 December 2012	6,278,225	(75,892)	271,665	499,184	6,973,182

For the six months ended 31 December 2013

	Issued Capital Ordinary $	Asset Revaluation Reserve $	Share-based Payment Reserve $	Retained Earnings $	Total $
Balance at 1 July 2013	6,278,225	4,047	345,281	669,072	7,296,625
Profit attributable to members of the parent entity	-	-	-	1,215,753	1,215,753
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,215,753	1,215,753
Transactions with owners in their capacity as owners:					
Shares Issued during the period	133,028	-	(133,028)	-	-
Dividends paid or provided for	-	-	-	(460,416)	(460,416)
Share-based payment expense	21,226	-	537,092	-	558,318
Balance at 31 December 2013	6,432,479	4,047	749,345	1,424,409	8,610,280

The condensed notes on pages 14 to 22 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows
For the six months ended 31 December

	Consolidated	
	Half-year ended	
	31 December 2013 $	31 December 2012 $
Cash flows from operating activities		
Receipts from operations	9,155,884	7,358,688
Payment to suppliers & employees	(6,567,392)	(7,427,398)
Interest/distributions received	57,808	50,253
Income tax paid	(684,050)	(121,504)
Community grants paid	(117,300)	(53,325)
Net cash provided by operating activities (refer Note 8)	1,844,949	(193,286)
Cash flows from investing activities		
Purchase of property, plant & equipment	(31,029)	(8,755)
Sale / (Purchase) of investments	-	230,644
Proceeds from loan repayments	-	13,885
Net cash provided by/(used in) investing activities	(31,029)	235,774
Cash flows from financing activities		
Dividends paid	(460,416)	(355,280)
Net cash used in financing activities	(460,416)	(355,280)
Net increase / (decrease) in cash held	1,353,504	(312,792)
Cash at 1 July	3,894,666	2,309,587
Cash at 31 December	5,248,170	1,996,795

The condensed notes on pages 14 to 22 are an integral part of these condensed consolidated interim financial statements.

1. **Reporting Entity**

   Australian Ethical Investment Limited (the "Company") is a for profit company domiciled in Australia. These condensed consolidated interim financial statements as at and for the six months ended 31 December 2013 comprise the Company and its subsidiary (together referred to as the "Group"). The principal activities of the Group during the six month period was to be the responsible entity for a range of public offer ethically managed investment schemes and as a trustee of the Australian Ethical Retail Superannuation Fund. Included in these activities are funds management, portfolio management, and investment administration. There were no significant changes in the nature of the Group's activities during the year.

2. **Basis of Preparation**

   (a) Statement of compliance

   The condensed consolidated interim financial statements are a general purpose financial statements prepared in accordance with AASB134 Interim Financial Reporting and the Corporations Act 2001.

   Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2013.

   These condensed consolidated interim financial statements were approved by the Board of Directors on 21 February 2014.

   (b) Judgements and estimates

   In preparing these condensed consolidated interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

   The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

3. **Significant accounting policies**

   Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any

consequential amendments to other standards, with a date of initial application of 1 July 2013.
AASB 10 Consolidated Financial Statements (2011) – see (a);
AASB 12 Disclosure of Interests in Other Entities – see (b);
AASB 13 Fair Value Measurement – see (c);
AASB 119 Employee Benefits – see (d); and
Annual Improvements to Australian Accounting Standards 2009-2011 Cycle – see (e).

The nature and effect of the changes are further explained below.

(a) Subsidiaries

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has the power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013. As a result the Group has not changed its control conclusion in respect of any of its investments.

(b) Disclosure of interests in other entities

As a result of changes to AASB 12, the standard requires disclosures that inform the users of the nature and risks associated with interests in other entities and the effect of those interests on the Group. Specifically, to understand the composition of the Group, and the impact that interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entity interests have in the Group's activities and cash flows. Additionally, to evaluate the nature of, and changes in, the risks associated with interests in other entities.

As a result of the application of AASB 12, the Group reassessed the disclosure requirements, however this did not result in any changes to the condensed consolidated interim financial statements, but will require additional disclosure in the annual consolidated financial statements.

(c) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in these condensed consolidated interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(d) Employee benefits
As a result of changes to AASB 119 (as revised in 2011), the Group has assessed the amendments for the first time.

AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for changes in defined benefit obligations and plan assets. The Group has reassessed the relevant transitional provisions and have deemed that this did not result in any changes to the condensed consolidated interim financial statements.

(e) Segment information

The amendment to AASB 134 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The group has regarded this amendment, and it does not require any additional disclosure of segment liabilities.

(f) Comparative figures

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

(g) Summary of quantitative impact

The adoption of all the new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior half-years. The application of any amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income to the Group or its subsidiary.

4. Operating segments

Information about reportable segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and the Chief Financial Officer (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)

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

	31 December 2013 Half-year ended			31 December 2012 Half-year ended		
	Trust	**Super**	**Total**	**Trust**	**Super**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External sale	3,636,296	6,050,892	9,687,187	3,008,346	4,685,143	7,693,489
Inter-segment sale	3,504,117	-	3,504,117	3,072,354	-	3,072,354
Investment interest / distribution revenue	33,383	24,424	57,808	39,896	3,982	43,878
Total segment revenue	**7,173,795**	**6,075,316**	**13,249,112**	**6,120,596**	**4,689,125**	**10,809,721**
Inter-segment eliminations			(3,504,117)			(3,072,354)
Total group revenue			**9,744,995**			**7,737,367**
Segment net profit before tax	1,772,169	1,374,878	**3,147,047**	620,030	520,997	1,141,027

	31 December 2013 Half-year ended			31 December 2012 Half-year ended		
	Trust	**Super**	**Total**	**Trust**	**Super**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Reconciliation of Segment result to group net profit/loss after tax	1,772,169	1,374,878	3,147,047	620,030	520,997	1,141,027
Income tax expense	(435,956)	(412,464)	(848,421)	(148,712)	(118,585)	(267,297)
Unallocated items						
- Depreciation and amortisation			(187,460)			(196,537)
- Other corporate overheads *			(895,409)			(190,078)
Group net profit after tax			1,215,757			487,115

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

	31 December 2013			30 June 2013		
	Trust	**Super**	**Total**	**Trust**	**Super**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Assets	9,375,754	3,802,269	13,178,023	7,991,191	2,603,220	10,594,411
Inter-segment eliminations			(1,003,808)			(316,000)
Total group assets			12,174,215			10,278,411

(iii) Segment liabilities

	31 December 2013			30 June 2013		
	Trust	**Super**	**Total**	**Trust**	**Super**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Liabilities	2,182,918	2,068,825	4,251,743	2,105,827	875,959	2,981,786
Inter-segment eliminations			(687,808)			-
Total group liabilities			3,563,935			2,981,786

5. Tax expense

Tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The Groups' consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2013 was 41% (for the six months ended 31 December 2012: 35%). The change in effective tax rate was caused mainly by the following factor:

- The rights granted by the Group to its employees under its share-based payment arrangement. The rights are issued at nil consideration upon vesting, with an accrual for the rights expense being calculated to match the meeting of specified performance criteria over the performance period and probability of an employee remaining in employ at vesting date.

6. Fair Value

Carrying amounts versus fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated statement of financial position, are as follows.

31 December 2013 **Current financial assets**	**Carrying amount**	**Fair value**
Financial assets		
Equity securities - available for sale	114,782	114,782
Trade and other receivables	2,982,113	2,982,113
Cash and cash equivalents	5,248,170	5,248,170
	8,345,065	8,345,065
Non-current financial liabilities		
Trade and other payables	234,872	234,872
	234,872	234,872
Current financial liabilities		
Trade and other payables	1,902,721	1,902,721
	1,902,721	1,902,721

Financial risk management – credit risk of trade and other receivables

Credit risk is the risk of financial loss from a counterparty failing to meet its contractual commitments. The Group is predominantly exposed to credit risk on its deposits with banks and financial institutions, outstanding receivables and committed transactions. The maximum exposure of the Group to credit risk on financial assets which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

The Group manages this risk by settling the receivables from the managed investment schemes and superannuation funds on a monthly basis and holding cash and cash equivalents at financial institutions with a Standard & Poor's rating of "A" or higher.

There is currently no past due receivables as at 31 December 2013.

Assets carried at fair value – Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on inputs to valuation techniques used. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

31 December 2013	Level 1	Level 2	Level 3	Total
Fair Value - assets				
Equity securities - available for sale	114,782	-	-	114,782
Total financial assets carried at fair value	114,782	-	-	114,782

7. Asset classified as held for sale

In June 2013, Management committed to a plan to sell the office premises located in Bruce, Canberra. Accordingly, the property is presented as an asset held for sale. Efforts to sell the property have commenced, and a sale is expected within the financial year.

The property, with a carrying amount of $2,519,599 was transferred to held for sale (30 June 2013: $2,519,599).

8. Capital and reserves

Issues of ordinary shares

A total of 8,061 ordinary shares were issued after rights from the 2012 Individual Employment Share Incentive Scheme (iESIS) rights programme vested (see the 2013 consolidated financial statements of the Company) (2012: 12,051). Rights vested at a price of $18.75 per share (2012: $19.85).

Dividends:

	Half-year ended	
	31 December 2013 $	31 December 2012 $
(a) Dividends paid		
Final fully franked dividend of 45 (2013: 100) cents per share franked at the tax rate of 30% (2013:30%)	460,416	355,280
	460,416	355,280
(b) Dividends declared		
Declared interim fully franked dividend of 80 (2012: 40) cents per share franked at the tax rate of 30% (2012:30%)	818,518	406,034

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

9. Share based payments

At 31 December 2013, the Group had the following share-based payment arrangements.

During the 2011 reporting period, 25,432 performance rights in two classes (identifiers: AEFAY and AEFAZ) were granted.
During the 2012 reporting period 33,837 performance rights in two classes (identifiers: AEFAA and AEFAB) were granted.
During the 2013 reporting period 30,926 performance rights in two classes (identifiers: AEFAC and AEFAD) were granted.
During the 2014 reporting period 40,468 performance rights in two classes (identifiers: AEFAE and AEFAF) 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 Group 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
AEFAE	29,439	i) employment must continue until 30 June 2016 ii) the average return on equity over the performance period ("AROE") must exceed 15%pa or no shares shall be awarded at the end of the performance period; - if the AROE exceeds 15%pa but less than 20%pa, half the maximum number of shares shall be awarded; - if the AROE is equal to or greater than 20%pa the maximum number of shares shall be awarded. AROE is determined as the average of return on equity over six month periods calculated using audited half-year financial statements.
AEFAF	11,029	i) employment must continue until 1 July 2014. ii) 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%, dependant on the absolute performance of one of the Group's managed investment schemes, for which the employee has responsibility or provides significant input; a managed investment scheme has been agreed between the Group and the employee. Performance will be measured over a period of 1 July 2013 to 30 June 2014.

i) Performance rights

Rights Class	Performance Year	Grant date	Vesting date	No. Granted	No. Forfeited	No. Vested	No. Expired	Balance
AEFAW	FY10-FY12	2010	30/06/2013	10,819	(7,413)	-	(3,406)	-
AEFAY	FY11-FY13	2011	30/06/2013	20,582	(12,189)	-	(8,393)	-
AEFAA	FY12-FY14	2012	30/06/2014	19,195	(10,197)	-	-	8,998
AEFAB	FY12	2012	30/06/2012	14,642	(2,591)	(12,051)	-	-
AEFAC	FY13-15	2013	30/06/2015	23,357	(3,746)	-	-	19,611
AEFAD	FY13	2013	30/06/2013	7,569	(474)	(7,095)	-	-
AEFAE	FY14-16	2014	30/06/2016	29,439	(424)	-	-	29,015
AEFAF	FY14	2014	30/06/2014	11,029	(63)	-	-	10,966

All rights were calculated at grant date based on the underlying share prices minus estimated net present value of future dividends that the holders of rights are not entitled for.

10. Commitments and contingencies

There were no commitments or contingencies for the Group as at the reporting date (30 June 2013: Nil).

11. Related parties

Australian Ethical Investment Limited is the ultimate parent entity and owns 100% of Australian Ethical Superannuation Pty Limited.

Australian Ethical Investment Limited acts as the responsible entity for the Australian Ethical Trusts (Australian Ethical Balanced Trust, Australian Ethical Smaller Companies Trust, Australian Ethical Cash Trust, Australian Ethical Larger Companies Trust, Australian Ethical International Equities Trust, Australian Ethical Property Trust, Australian Ethical Fixed Interest Trust and the Australian Ethical Advocacy Fund).

Australian Ethical Superannuation Pty Limited acts as trustee for the Australian Ethical Retail Superannuation Fund.

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Terms and conditions
No provision for doubtful debts has been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Outstanding balances are unsecured and are repayable in cash.

12. Subsequent events

No matters or circumstances have arisen since the end of the half financial year which have or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the half year ended 31 December 2013.

Directors' Declaration

In the opinion of the directors of Australian Ethical Investment Limited (the "Company"):

1. The condensed consolidated financial statements and notes set out on pages 10 to 22, are in accordance with the Corporations Act 2001 including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six month period ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Phillip Vernon
Managing Director

Dated at Sydney this 21st day of February 2014.