Australian Ethical

ASX Announcement

Appendix 4D

For the half-year ended 31 December 2024

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

Results for Announcement to the Market

(All comparisons to half-year ended 31 December 2023)

	$'000	Up/Down	% Movement
Revenues from ordinary activities	**58,803**	**Up**	**21**
Net profit after tax	**9,606**	**Up**	**52**
Less: Net profit after tax attributable to The Foundation	(271)		
Net profit attributable to shareholders	**9,335**	**Up**	**50**
Integration & transformation costs	2,785		
Other income (cost recovery linked to insurance harmonisation)	(629)		
Due diligence & transaction costs	855		
Amortisation of Altius intangibles	36		
Tax on adjustments	(903)		
Underlying net profit after tax	**11,479**	**Up**	**35**
Performance fee (net of bonus, tax and community grant impact)	-		
Underlying net profit after tax (excluding performance fee)	**11,479**	**Up**	**35**

Dividend information	**Cents per share**	**Franked cents per share**	**Franking level**
Final 2024 dividend per share (paid 18 September 2024)	6	6	100%
Interim 2025 dividend per share (to be paid 21 March 2025)	5	5	100%

Interim dividend dates	
Ex-dividend date	5 March 2025
Record date	6 March 2025
Payment date	21 March 2025

	31 December 2024	30 June 2024	31 December 2023
Net tangible assets per security	$0.21	$0.22	$0.20
Net asset value per security	$0.31	$0.27	$0.24

This information should be read in conjunction with the 2024 Annual Financial report of Australian Ethical Investment Limited and any public announcements made in the period by Australian Ethical Investment Limited in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Listing Rules.

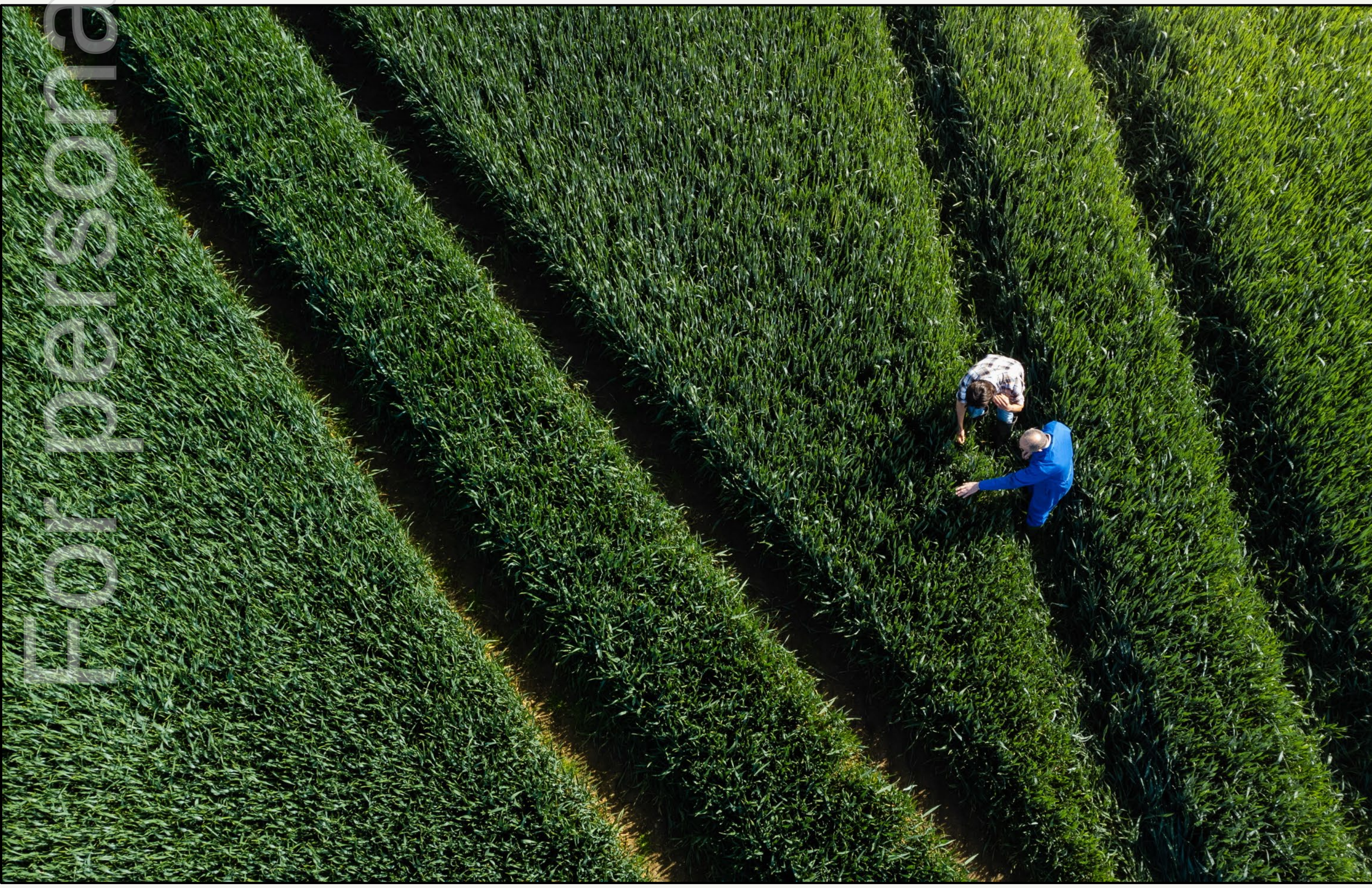
Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the Interim Financial Report for the half-year ended 31 December 2024.

This report is based on the Consolidated Interim Financial Report of Australian Ethical Investment Limited for the period ended 31 December 2024 which have been reviewed by KPMG. The Independent Auditor's Review Report by KPMG is included in the Interim Financial Report.

Australian Ethical

Australian Ethical Investment Limited and its Controlled Entities

Interim Financial Report
31 December 2024



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Directors' Report

Directors' Report

For the half-year ended 31 December 2024

The directors present their report, together with the consolidated interim financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Australian Ethical Investment Limited (referred to hereafter as 'Australian Ethical', the 'Company' or 'Parent Entity'), Australian Ethical Superannuation Pty Limited ('AES') and Australian Ethical Foundation Limited (the 'Foundation'), being the entities it controlled for the half-year ended 31 December 2024 (the interim period).

Directors

The following persons were directors of Australian Ethical Investment Limited during or since the end of the interim period unless otherwise indicated:

Steve Gibbs	Non-Executive Chair
John McMurdo	Managing Director and CEO
Richard Brandweiner	Executive Director (appointed 1 September 2024)
Mara Bun	Non-Executive Director (retired 31 October 2024)
Katherine Greenhill	Non-Executive Director
Julie Orr	Non-Executive Director
Sandra McCullagh	Non-Executive Director

Principal activities

The Group's principal activities during the interim period were Australian Ethical acting as the responsible entity for a range of ethically managed investment schemes and AES acting as the Trustee of the Australian Ethical Retail Superannuation Fund ('Super Fund'). Other than what is described in this report, there were no significant changes in the nature of the Group's activities during the interim period.

Strategic imperatives

For almost 40 years our purpose has been to invest for a better world. We believe investing ethically can deliver both attractive investment returns while also influencing progress towards a better future for the planet and all its inhabitants.

Guided by our Ethical Charter, we employ a comprehensive two-stage ethical investment process to allocate capital to future-focused assets that will do well for our investors without harming our world. For us, the ethics come first. Our team assesses assets and sectors against our ethical criteria, before we apply our rigorous investment process.

Starting with ethics doesn't mean investors are sacrificing long term performance. In September, we celebrated 30 years of our Australian Shares Fund (retail). Over its three decades to 31 December 2024, the fund delivered a 9.7% annualised return net of fees, comfortably beating its mainstream benchmark[1] which delivered 7.4% return net of

[1] Benchmark: The blended index is 65% of the S&P/ASX 100 Accumulation Index and 35% of the S&P/ASX Small Ordinaries Accumulation Index.

fees over the same period.[2] Our Australian Shares super option draws on this performance, and at 31 December 2024 it was the top performing Australian shares option over 10 years in the SuperRatings SR50 Australian Shares Index[3]. We received further recognition in December when research house Rainmaker named the Australian Ethical International Shares super option the best performing ESG super option over three years based on data to the end of November.

As well as intentionally allocating capital to investments which deliver net positive outcomes for the planet, we use our leadership position as ethical investors to call for and catalyse positive change. We advocate on behalf of people, the planet and animals. In particular, we are putting our capital and influence behind a low carbon future as the keystone upon which all living things depend. We believe this transition can be achieved without us compromising investment returns or our ethical standards.

The renewable energy opportunity is perpetual. We are creating a legacy of low-carbon power for ourselves, our children and for generations to come. This is much bigger than the current trend in politics, or the economic power of one country.

We believe our investors will see opportunities as the new economy gathers pace, while policies proposed by the new US administration may in fact lead to greater volatility within the resources sector. The promised increased oil production may negatively impact oil prices, while the tariffs on China may further decrease their demand for resources.

Indeed, at a time when politicians globally are looking to win popular votes by scapegoating renewables — just as we are reaching the tipping point of perpetual low-cost energy — we must remain laser-focused on the science-based climate targets, backed up by impartial, authoritative and respected sources like the CSIRO.

Australian Ethical must be true to itself, but also hold investee companies, stakeholders, and governments to account, especially now. Australia has come so far and the opportunity for it to transform into a 'renewable energy superpower' is so close. Our country has abundant natural advantages: our vast scale, sunlight, wind and coastlines for wave power. We have a highly educated workforce and the demonstrated capacity for technological innovation.

Strategic investment in infrastructure, export capabilities, and policy frameworks is crucial to Australia realising this potential. Policy certainty is critical to attract this investment, and that's why Australian Ethical has been working with the Investor Group on Climate Change (IGCC) to advocate at a Federal level and the Principles of Responsible Investing (PRI) ahead of the West Australian election in March.

This work also benefits our business. By growing our influence and encouraging others to follow our example we aim to attract more capital. Our efforts are designed to further scale up and multiply as markets reward, not only financial return for investors, but also recognise the positive and negative outcomes for other stakeholders. We believe that ultimately, environmental, social and governance costs — and benefits — will be built into investment valuations. This not only helps our own ethically curated portfolios to flourish, but more broadly becomes a means to address long-term systemic risk.

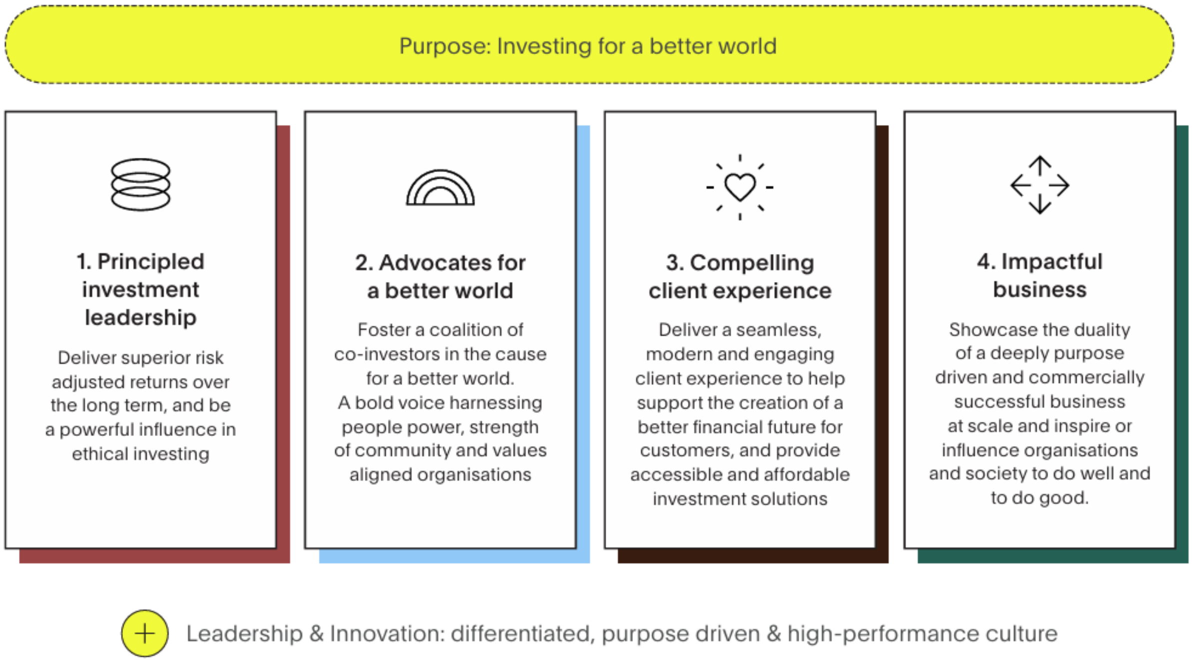
[2] Past performance is not a reliable indicator of future performance. Ratings or investment returns are only one factor you should consider when deciding how to invest. Remember, superannuation is generally a long-term investment. For more information about our superannuation product, visit australianethical.com.au. The information is a general nature only, please read the FSG, PDS and TMD available on our website when considering whether the product is right for you.

[3] Of 43 funds assessed in the SuperRatings SR50 Australian Shares Index. Past performance is not a reliable indicator of future performance. Ratings or investment returns are only one factor you should consider when deciding how to invest. Remember, superannuation is generally a long-term investment. For more information about our superannuation product, visit australianethical.com.au. The information is a general nature only, please read the FSG, PDS and TMD available on our website when considering whether the product is right for you.

Review of operations

Australia Ethical is in the fourth year of delivering to the pillars of our growth strategy. Over the first half of FY25, our team has delivered a number of transformative operational, capability-building and product-related initiatives designed to further enable our growth aspirations.

Key achievements in the period, were the transfer of custodian and investment administration services from National Australia Bank Limited (NAB) to State Street Australia Limited; the first tranche of our superannuation administration transition to GROW Inc; the completion of the acquisition of Altius Asset Management and significant work on a new generation Front/Middle/Back-office platform to integrate and uplift our investment operations capability and ratings.



Impactful business pillar

Australian Ethical's growth momentum continued during the six months to 31 December 2024, with revenue and profit up on the previous six months and on the first half FY24. After achieving the milestone of $10 billion funds under management (FUM) in March 2024, we reached $13.26 billion by 31 December 2024, bolstered by the $1.9 billion delivered through the acquisition of the Altius business. Our superannuation business also enjoyed positive net flows over the six months, despite the disruption of a seven-week limited-service period as part of the administration transition from Mercer to GROW Inc: a period where marketing activity was scaled back. Further, positive investment performance boosted FUM for the period.

We achieved a number of key milestones in the program of enhancements planned for our investment platform. The final outcome will be a scalable solution spanning Front, Middle and Back Office operations to better support our growing and more complex business. As well as enabling our growth aspirations, the platform will deliver increased efficiency over the medium term. It also serves to further enhance our investment operations controls, data capability and facilitate GS007 compliance and operational due diligence, making us an even more attractive prospect for institutional investors.

The first phase of the program, completed in November 2024, included the transition to our new Custodian and Investment Administrator, State Street, and has already delivered unit cost savings. In parallel, we realigned our investment operating model and built further internal capability by enhancing our Middle Office, Performance Reporting and Analytics functions. Phase two will be delivered in calendar year 2025 when we integrate the Charles River Investment Management System (CRIMS) and the Alpha Data Platform (ADP) to support frictionless processes and enable better support for institutional clients.

In calendar year 2025 we also expect to complete the final phase of the superannuation administration transition to GROW Inc. Expected outcomes include a further uplift in member experience.

Principled investment leadership pillar

In September 2024 we completed the acquisition of the Altius Asset Management business from Australian Unity. The transaction has delivered a combined Australian Ethical and Altius fixed income team of seven, an expanded bond fund portfolio, and Australian Unity becoming our largest institutional client.

During the period, our new Private Markets team led by Adam Roberts completed four private markets deals, covering a range of investment thematics including technology, housing, aged care, and the circular economy: with a US$30 million investment in US-based and sustainably-powered Aligned Data Centres; a $25 million investment in 50 Quay Street; a build to rent development project in Brisbane led by Cedar Pacific; a $20 million loan to For Purpose Aged Care Australia, one of the nation's largest residential aged care providers; and a $25 million investment in RepurposeIT, a Melbourne-based waste recovery business.

Our growing range of Ethical Charter-aligned, professionally managed assets now caters to an even broader range of portfolio requirements and risk appetites. This enables us to better serve our values-aligned managed fund clients, advisers and superannuation members alike.

Compelling client experience pillar

We recognise that client experience is a key pillar of our success. Over the last six months our team have been working hard to deliver the Mercer superannuation member transition to Grow Inc, including management of the extended limited-service period and the disruption for members. Once bedded in, we are confident that the Grow Inc platform will provide us with a solid foundation from which to continue to deliver customer experience improvements.

We continue to win awards and receive recognition from key stakeholders. In the six months to 31 December 2024, we were named 'Financial Services' Growth Company of the Year 2024' in The Australian Growth Companies Award - for the second year in a row and for the third year running we were recognised with the 'ESG Leader Award' by Rainmaker. We were named 'Money Magazine 2025 - Best ESG Pension Fund and Best Fixed Interest Diversified Fund', and 'SuperRatings - Sustainable Fund of the Year 2024'.

Two members of our customer team were recognised in the Customer Service Institute of Australia, Service Excellence Awards. Caroline Maillols won the 'Best of the Best Award' and Avir Alagh was recognised as the 'Service Hero, Customer Service Professional of the Year'.

Our growth has been supported by a range of marketing initiatives including an enhanced digital onboarding experience, which is expected to see an increased conversion rate for our direct members. We continue to build awareness and consideration of our brand by communicating our value proposition through our advertising and building purchase intent through digital acquisition campaigns. We have also been engaging our customers with relevant topical content on our stewardship approach and philanthropic efforts.

Advocates for a better world pillar

In recognition of the critical leadership role the Impact & Ethics team play in the DNA of Australian Ethical, Alison George has been promoted to Chief Impact & Ethics Officer. In this expanded role Alison also takes responsibility for corporate sustainability and the Foundation.

During the period, we continued efforts to turn off financing of the unsustainable expansion of fossil fuels, with further public and private engagement with both Westpac and NAB. Given the economy-wide reach of our major banks, we see the climate expectations they set for their customers as a key to moving forward Australia's transition to a low carbon economy.

The climate proposal we co-filed at the Westpac AGM received 34% of the proxies lodged (up from around 21% in 2023). This result was top 10 in the world for the level of support received by a climate proposal in 2024, according to the UN's Principles for Responsible Investing (PRI) resolution's database. This and the NAB proposal (which received 15% of proxies lodged in 2024), were designed to signal to the banks that their investors expect them to do more when setting climate expectations for their customers.

As part of our strategic engagement area focused on climate policy, we have joined the PRI Sovereign Engagement Working Group, as a lead on the sub-sovereign engagement with the West Australian (WA) government.

This engagement with WA is focused on the state establishing a 2035 target aligned with the Paris Agreement. As a large State and a large emitter, and as the only State not to have set a target for 2030 or 2035 emissions reduction to date, WA is important to achieving an ambitious national 2035 target, and so is closely aligned with our ongoing work through the Investor Group on Climate Change (IGCC) and Climate Action (CA) 100+ on the Federal 2035 target.

As a lead on the sub-sovereign engagement, we also engaged with State governments in QLD, NSW, and VIC on their climate performance, and work to achieve their emissions reduction targets.

Through our work with PRI, members of the Altius team joined our ethics team in meeting with a delegation of the Indonesian Treasury about the country's green bond offering and climate performance, together with PRI, IGCC and another investment manager.

Recognition of our engagement for climate progress came in the form of an IGCC Climate Leaders' Award in the 'Best in Corporate Engagement' category for Persephone Fraser, a senior member of our ethics team and acting stewardship lead. In addition, Natalie Tam CFA, Portfolio Manager, Systemic Equities was recently appointed to the global PRI's Listed Equity Advisory Committee.

We also continued our strategic stewardship focus on deforestation through engagement with Woolworths and Coles. Pleasingly during the period, Woolworths announced a 'no deforestation' commitment for their beef supply chain consistent with our engagement asks.

We voted in support of all the shareholder proposals filed at the Woolworths and Coles AGMs on farmed salmon sourcing. We are one of the few investors to back substantive action, rather than merely increased disclosure, consistent with our longstanding view that fish farming cannot be considered sustainable.

Human rights remain a key focus of our stewardship. Our latest modern slavery report highlights some of our efforts under the people element of our Ethical Charter including:

- 30 of our 140 proactive[4] engagements[5] in FY24 relate to people priorities: addressing concerns regarding human rights abuses in supply chains; and understanding whether a company's products or services were contributing to the inhibition of human rights, for example through the facilitation of militarism.
- In six instances we voted in support of increased reporting of risks to human rights. These included proposals filed by shareholders at Alphabet Inc, Tesla Inc, Microsoft Corporation, Microchip Technology Inc and Meta Platforms.

[4] Our 'proactive' engagement count includes where we engaged directly with a company, government or other entity; we actively contributed to collective engagements (as distinct from simply 'signing on'); or we co-filed a resolution.

[5] We count one engagement where we engaged with a company on a topic or series of topics. There may be multiple activities within that engagement. For example, our engagement with Westpac is counted as one engagement which included meetings, emails and co-filing a shareholder resolution. We may count two engagements with a company if there were separate activities on entirely separate topics. For example, we had one engagement with CBA in relation to its fossil fuel exposure and a separate meeting with CBA to discuss its exposure to deforestation in Australia.

Our Foundation

Kate Saunders joined as Head of the Australian Ethical Foundation in August. With a background in finance and investment banking, Kate has spent more than a decade working in various inhouse and advisory roles for not-for-profits and social enterprises.

The Australian Ethical Foundation gave its largest annual donations in 2024, distributing $1.6 million to address climate change, support vulnerable populations, and protect ecosystems. We were proud to fund this year's grant recipients who are striving to lay the groundwork for sustainable, systemic change. Recipients include the Australian Climate and Biodiversity Foundation, Accounting for Nature, Australian Council of Social Service, Renew Australia For All, Beyond Zero Emissions, Boundless Earth, Climateworks Centre, Environmental Justice Australia, Byron Community Centre, Food Frontier, Groundswell Giving, IGCC, Karrkad Kanjdji Trust, Martuwarra Fitzroy River Council and Original Power.

Leadership and innovation

We continue to nurture our purpose-led culture through a range of initiatives including regular townhalls; quarterly awards recognising behaviours aligned to both our values and business excellence criteria; the ongoing rollout of our leadership capability and Objective and Key Results (OKR) frameworks.

In line with our values, our employees were able to participate in a number of awareness activities during the period, including 16 days of activism against gender-based violence; RUOK? Day and the Black Dog Institute's One Foot Forward initiative, where 76 employees walked and ran a total of 6,611 km to raise $9,508 matched up to $5,000 by Australian Ethical. In the period we became signatories to 40:40 Vision, an investor-led initiative dedicated to achieving gender balance in executive leadership within Australia's largest listed companies.

Employee engagement remained consistent with the previous comparison periods; a pleasing result given the scale of projects delivered.

Mara Bûn announced her retirement from the Boards of Australian Ethical Investment, Australian Ethical Superannuation and associated committees in October 2024. Mara has played a significant role in the transformation of Australian Ethical since 2013 and, though standing down from these two Boards, will remain on the Board of the Australian Ethical Foundation.

Richard Brandweiner joined us in September 2024 as Executive Director on the Australian Ethical Board. Richard has spent almost 30 years working across all asset classes in the investment management industry. Most recently he was Chief Executive Officer Australia of Pendal Group and prior to this was Chief Investment Officer of First State Super and Group Executive at Perpetual Limited. Richard is also a past-President of the CFA Society of Sydney and served on Committees of the Boards of the Financial Services Council and ASFA.

Richard currently holds a range of non-executive director roles, including as Chair of Impact Investing Australia, Investment Committee Director of the Northern Territory Aboriginal Investment Corporation and as a member of the NSW Government Social Impact Expert Advisory Group.

Post the completion of the first phase of the superannuation administration transition to GROW, Ross Piper finished his time as Chief Executive Superannuation with Australian Ethical in December. We thank Ross for his substantial contribution to our transformation over the last two years.

Financial performance

Over the last five years we have been investing in our growth strategy — building out our investment team capability, expanding our asset classes, improving our customer experience, boosting our distribution capacity and capability, while investing in our brand to ensure that investors understand our unique difference. Further we have been upgrading our technology platform and business infrastructure to ensure we can support a much larger business.

During the first half of FY25 we are seeing strong signs that our strategy is delivering, with FUM growing 37%, revenue growing 21% and underlying profit growing 35% (all compared to first half FY24) — strong financial metrics that we are very proud of. The first half has also seen us achieve a number of key milestones on our transformational programs to drive efficiency and further improve our operating leverage. Our underlying cost to income ratio improved from 75% in the prior comparative period to 72%, in first half of FY25. Growth in our key metrics is underpinned by both organic and inorganic growth, with the acquisition of the Altius business also completed during the period.

Profit

Underlying profit after tax was $11.5 million, up 35% compared to the prior corresponding period, and up 14% on second half of FY24. This was after excluding costs relating to the integration and transformation costs (focused on consolidating administration platforms) as well as due diligence and transaction costs relating to the acquisition of the Altius business and other inorganic opportunities.

The net profit attributable to shareholders was $9.3 million, up 50% versus the prior corresponding period, and up 66% compared to the second half of FY24. The net profit for the Group amounted to $9.6 million.

This strong profit result reflects our organic and inorganic growth and is a proof point that our growth strategy is delivering results.

Increased FUM, increased scale, the acquisition of the Altius business, along with the timing of expenditure which is weighted towards the second half of FY25, as well as the pause in marketing spending outlined below, have contributed to the continued improvement in operating leverage and underlying profit increase for the first half of FY25 compared to both first and second half of FY24.

Revenue

Revenue of $58.8 million was 21% up on the prior comparative period, driven by average FUM growth which was underpinned by continued positive net flows, positive investment performance and the acquisition of the Altius business. Compared to the second half of FY24, revenue was up 13%. Average FUM grew 29% in the first half compared to first half of FY24.

As foreshadowed at FY24 year end, our overall fee margin has naturally reduced reflecting the impact of the lower margin fixed income funds following the acquisition of the Altius business in late September 2024. The average revenue margin across all products was 0.96% for the first half compared to 1.02% for the full year FY24.

Other revenue included $0.6 million relating to the receipt of insurance premium discounts from the superannuation insurer, Metlife connected to the insurance harmonisation work (a stream of the administration platform consolidation). This revenue has been excluded from underlying profit.

Expenses

As outlined in the FY24 results, while we continue to implement our growth strategy to build a highly capable, scalable and efficient operating platform, we expected a number of operating expense savings to crystallise from FY25 following the completion of key transformational programs including the transition of Mercer administration services to GROW Inc and the transition of custody services to State Street. Pleasingly the positive commercial impacts of these programs are already evident in our first half expenses.

Operating expenses, excluding $3.7 million in UPAT adjustments, primarily integration and transformation costs and due diligence and transaction costs, increased by 14% compared to the first half of FY24, and were up 9% compared to second half of FY24. The expense growth is driven predominantly by employee expenses — as we have further built out capability including the onboarding of the Altius team to enhance our Fixed Income capability. Furthermore, continued FUM growth has driven higher volume-based fund-related expenses (albeit at a lower rate than revenue growth), and enhancements to our Investment Management platform has contributed to expenses growth. These expense increases have been partially offset by the timing of marketing spend which was lower in the first half compared to both first and second half of last financial year. As the business grows, operating leverage is improving. Underlying cost to income ratio for the period was 72%, an improvement from prior comparative period of 75% however this also includes a scaled back marketing spend as we transitioned our superannuation administrator, which involved a seven-week limited-service period.

Key drivers of the first half cost increase include:

Employee expenses

- During the period, we further enhanced our investment team capability through the onboarding of the Altius team. This drove 5% of the 21% increase in employee expenses compared to first half FY24. The increase in employee expense also reflects the run rate of hires in FY24 (10%), inflationary salary increases, superannuation guarantee increases and other employee expense increases (5%) with 1% of the increase relating to net new hires during the period.
- FTE at 31 December 2024 were 140 which excludes fixed term contractors working on strategic projects. Australian Ethical's employee base includes 18 FTE working in our dedicated internal contact centre to ensure high quality customer service interactions.
- Employee expense growth is expected to moderate in the second half of FY25. Only a small number of net new hires are planned for the remainder of the year.

Fund-related expenses

- The benefits of the transition of our superannuation administration and custody services is already becoming evident in the first half expenses. Administration and custody fees increased 6% compared to revenue growth of 21% and average FUM growth of 29%. The increases relating to FUM and transaction volume growth was significantly offset by the new commercial rate cards following the transitions to GROW Inc for superannuation fund administration and State Street for custody & investment administration services in the second quarter of the financial year.
- Regulatory and industry body fees increases were higher following the continued growth of the business.
- The increase in fund-related expenses was also driven by projects relating to enhancement of our investment platform including the transition of custody services to State Street.
- Overall fund-related expenses increased 16%.

Marketing expenses

- Marketing costs decreased 15% compared to prior comparative period, primarily due to the scale back of marketing campaigns during the limited-service period as part of the superannuation administration transition to GROW Inc. Marketing expenses in the second half are expected to increase as we invest in brand and acquisition campaigns to further grow our superannuation member base. Full year FY25 marketing expenses are expected to be slightly higher than FY24.

IT expenses

- IT expenses increased 29% compared to prior comparative period. As we build a strengthened and resilient operating platform and technology infrastructure, and as our business grows, our technology platform licence costs have increased – this includes the acquisition of the Altius business and the licences required to support this business.

Australian Ethical Foundation

- During the first half of FY25, we have provisioned $1.02 million for the Australian Ethical Foundation which will allow the Foundation to continue its philanthropic work delivering positive impact.

Funds under management

During the period we pushed through a new FUM milestone of $13 billion reaching $13.26 billion in December 2024. This was 27% up on 30 June 2024 FUM and 37% up on 31 December 2023. Superannuation flows of $194 million were predictably below the comparative half as the regular marketing program was scaled back during the 7-week limited-service period covering the transition of the Mercer superannuation administration services to GROW Inc. Pleasingly, however we saw record superannuation guarantee contributions during the period which partially offset the impact of the limited-service period. Superannuation flows are expected to stabilise in the second half now that the administrator change for our Mercer members has been completed, and as the marketing schedule resumes.

Investment products' net flows (excluding institutional) contributed $75 million, with positive inflows from the values-aligned channel where sales efforts have increased, and a solid pipeline has been built. This channel focuses on not-for-profit organisations including charities and foundations, as well as values-aligned businesses looking to invest their funds with an aligned fund manager.

The institutional channel saw net outflows for the period of $58 million. As part of the acquisition of the Altius business, Australian Ethical now serves a number of institutional clients, including Australian Unity (AU). AU utilises short-term Altius fixed income funds for working capital management. As such, these funds experience seasonal fluctuations (inflows and outflows) as capital requirements change for AU. The Altius fixed income funds are lower-margin funds, with the volatility of FUM having only a small impact on revenue.

Australian Ethical reported positive investment performance during the period, increasing FUM by $678 million.

Funds under management ($ billion)	1H2025	1H2024	% Change (YoY)#
Opening FUM	10.44	9.20	13%
Superannuation net flows	0.19	0.27	
Investments net flows*	0.08	(0.01)	
Retail & Wholesale net flows	**0.27**	**0.26**	**4%**
Institutional net flows	(0.06)	-	
Total net flows	**0.21**	**0.26**	**(19%)**
Investment performance (net of fees & distributions)	0.68	0.20	
Altius Asset Management acquisition	1.93	-	
Closing FUM	**13.26**	**9.67**	**37%**
Average 1H FUM	**12.00**	**9.28**	**29%**

* Including Managed Funds, SMA, ETF
# Percentage changes reflect movement in non-rounded, precise figures

Material business risks

Australian Ethical's approach to risk management is based on the Risk Appetite Statement set by the Board, which sets out the overall appetite and tolerance levels and defines limits for each material risk category.

The Board holds the ultimate responsibility for setting strategic direction, the Risk Management Framework (RMF) and determining the risk appetite/tolerance for the activities of the business. The Board forms a view of the risk culture of the Group and any desirable changes required and monitors implementation of these changes.

The Board recognises that risk management is an integral part of good management practice and is integrated into the Australian Ethical philosophy, practices and business planning processes. A risk-aware culture and operation within the Board's risk appetite and tolerances is promoted throughout the organisation through regular communications from management and within the provision of training and ongoing support from the Risk team.

The Audit, Risk and Compliance Committee (ARCC) oversees and reviews the RMF, and reviews internal and external audit results. This oversight includes the identification, treatment and monitoring of:

- The use of risk appetite
- Current and emerging material risks, including (but not limited to) investment, data, technology and cyber risks
- Exceptions, incidents and breaches
- Complaints
- The results of control testing

The full ARCC Charter (and other Board Charters) can be found on the Australian Ethical website at: https://www.australianethical.com.au/shareholder/corporate-governance/

The RMF is supported by the Three Lines of Defence model with the first line being the Senior Leadership Team (SLT) who foster and enhance development of risk culture within the Group, monitor risks, report breaches and review the risk register. The SLT have day-to-day responsibility and accountability for risk management in their area and ensuring an appropriate risk culture.

Australian Ethical's second line, the Risk team, facilitates the RMF, including the review and updating of the risk register and RMF and reporting on exceptions and control effectiveness.

The third line of defence is Internal Audit, (which is outsourced to PricewaterhouseCoopers and BDO Australia (for tax) in accordance with the ARCC approved annual audit program): Internal Audit provides assurance over the RMF and independent review of the design and operation of the control environment. External Audit (KPMG) provides assurance that internal controls are designed appropriately and operating effectively through annual audits and reviews as required by SPS 310 and the Corps Act.

The full detail of Australian Ethical's risks and mitigants appear in the FY24 Annual Report.

Outlook

Our growth strategy has delivered strong momentum which is expected to continue in the second half of FY25. We anticipate an uplift in net flows as business-as-usual activities and marketing campaigns recommence following the limited-service period during the first half of FY25. As such, marketing spend is expected to be higher in the second half of FY25 with full year FY25 marketing spend anticipated to be slightly ahead of FY24. We retain a sharp focus on the return-on-investment of our marketing outlay, with the ability to pivot and reprioritise spend to the highest value channels and activities.

Revenue margins are expected to remain at around 0.90% in the second half following the completion of the acquisition of the Altius business in late September 2024.

We are already seeing the financial benefits of the superannuation administration transition for our Mercer members and full custody transition completed in the first half. We expect the second half to benefit from the full run rate of the approximately $4 million in annualised operating cost savings resulting from these transitions, however we will be reinvesting a portion of the savings into enhancing the maturity of our Investment Management platform, which is expected to deliver a scalable solution to better support our growing and more complex business. Whilst FY25 will see higher costs relating to implementation of the enhanced platform, ongoing licensing costs are also expected to increase year on year.

Employee expense growth is expected to moderate for the second half of FY25.

Operationally, the completion of the transition of our members from MUFG[6] to GROW Inc is expected by the end of calendar 2025, while we also progress our technology strategy implementation. This is all done through the lens of focusing on operating leverage as we scale and will see us well positioned to support a much larger business in the medium term.

Whilst uncertain market conditions are expected to continue, our medium-term market opportunity remains compelling, and we believe we are well placed with our recent expansion into private markets and institutional segments. The continued organic growth in FUM is underpinned by the compulsory 12 per cent Superannuation Guarantee contribution, expanded asset classes and new products, and we remain well diversified with our large retail Superannuation membership.

Looking ahead, we are well-positioned — with our high-quality capability, strong balance sheet, enhanced business platform, unique brand, and deep ethical pedigree.

[6] MUFG was formerly Link Group.

Financial performance – management analysis

	31 December 2024 $'000	31 December 2023 $'000	% Change
Net profit after tax (NPAT)	9,606	6,316	
Less: Net profit after tax attributable to The Foundation	(271)	(97)	
Net profit after tax attributable to shareholders	**9,335**	**6,219**	**50%**
Adjustments:			
Integration & transformation costs	2,785	2,943	
Other income (cost recovery linked to insurance harmonisation)	(629)	-	
Due diligence & transaction costs	855	289	
Amortisation of Altius intangibles	36	-	
Tax on adjustments	(903)	(970)	
Underlying profit after tax (UPAT)	**11,479**	**8,481**	**35%**
Basic EPS on NPAT attributable to shareholders (cents per share)	8.36	5.57	
Diluted EPS on NPAT attributable to shareholders (cents per share)	8.22	5.53	
Basic EPS on UPAT attributable to shareholders (cents per share)	10.28	7.59	
Diluted EPS on UPAT attributable to shareholders (cents per share)	10.11	7.54	

Dividends

Dividends paid during the interim period were as follows:

	31 December 2024 $'000	31 December 2023 $'000
Final dividend for year ended 30 June 2024 of 6 cents (2023: 5 cents) per ordinary share (paid 18 September 2024)	6,767	5,639
	6,767	5,639

In addition to the above dividends, since period end the Directors have declared the payment of an interim dividend of 5 cents per fully paid ordinary share (2024: 3 cents), fully franked. This interim dividend, $5,671,000 (2023: $3,383,000), is expected to be paid on the 21 March 2025. It is not recognised as a liability because it was approved by the Directors subsequent to period end on the 26 February 2025.

Significant changes in the state of affairs

The Group acquired the Altius business on 25 September 2024. There were no other significant changes in the state of affairs of the Group during the interim period.

Matters subsequent to the end of the half-year

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report and forms part of the Director's Report for the half-year ended 31 December 2024.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

John McMurdo
Managing Director and Chief Executive Officer

26 February 2025
Sydney

Lead Auditor's Independence Declaration

KPMG

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 of Australian Ethical Investment Limited for the half-year ended 31 December 2024 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

J.Davis

Jessica Davis

Partner

Sydney

26 February 2025

Financial Statements

Financial Statements

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2024

	Note	2024 $'000	2023 $'000
Revenue			
Revenue	5	58,803	48,493
Total revenue		58,803	48,493
Expenses			
Employee benefits	6	(19,911)	(16,486)
Fund related	7	(10,627)	(9,163)
Marketing	8	(3,511)	(4,117)
IT	9	(2,641)	(2,051)
External services	10	(1,535)	(1,657)
Other operating expenses		(1,164)	(1,023)
Grants to non-profit organisations		(1,020)	(872)
Depreciation		(531)	(417)
Amortisation	15	(155)	(120)
Occupancy		(370)	(290)
Finance charges		(75)	(81)
Integration & transformation costs	11	(2,785)	(2,943)
Due diligence & transaction costs	12	(855)	(289)
Total expenses		(45,180)	(39,509)
Change in fair value of investment		-	-
Profit before income tax expenses		13,623	8,984
Income tax expenses	13	(4,017)	(2,668)
Net profit for the half-year		9,606	6,316
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on revaluation or investments		7	(4)
Other comprehensive income, net of tax		7	(4)
Total comprehensive income for the half-year		9,613	6,312
		Cents	Cents
Basic earnings per share	19	8.60	5.65
Diluted earnings per share	19	8.46	5.62

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position

As at 31 December 2024

	Note	31 Dec 2024 $'000	30 June 2024 $'000
Assets			
Current assets			
Cash and cash equivalents		22,574	26,391
Term deposit		10,000	10,000
Trade and other receivables		5,946	3,647
Prepayments		2,372	1,626
Right-of-use assets		-	11
Total current assets		40,892	41,675
Non-current assets			
Deferred tax		4,437	4,409
Property, plant and equipment		867	895
Right-of-use assets		2,514	2,865
Term deposit		749	749
Financial assets through other comprehensive income	**20**	75	67
Intangibles and goodwill	**15**	6,298	574
Total non-current assets		14,940	9,559
Total assets		**55,832**	51,234
Liabilities			
Current liabilities			
Trade and other payables		8,580	9,242
Employee benefits		7,307	7,429
Deferred consideration	**14**	1,000	-
Tax payable		428	760
Lease liabilities		613	590
Total current liabilities		17,928	18,021
Non-current liabilities			
Lease liabilities		1,862	2,180
Employee benefits		444	390
Provisions		500	492
Deferred tax		6	7
Total non-current liabilities		2,812	3,069
Total liabilities		**20,740**	**21,090**
Net assets		**35,092**	**30,144**
Equity			
Issued capital	**16**	12,147	10,236
Reserves		3,657	3,459
Retained profits		19,288	16,449
Total equity		**35,092**	**30,144**

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity

For the half-year ended 31 December 2024

	Issued capital $'000	Employee Share Plan reserve $'000	FVOCI[1] reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2023	10,515	2,293	6	13,940	26,754
Profits after income tax expense for the half-year	-	-	-	6,316	6,316
Other comprehensive income for the half-year, net of tax	-	-	-	(4)	(4)
Total comprehensive income for the half-year	-	-	-	6,312	6,312
Transactions with owners in their capacity as owners:					
Shares vested under employee share plans during the period	1,864	(1,864)	-	-	-
Dividends provided or paid	-	-	-	(5,639)	(5,639)
Employee deferred shares and rights	-	2,609	-	-	2,609
Employee share plan – shares purchased on-market	(2,667)	-	-	-	(2,667)
Revaluation of investments	-	-	(4)	4	-
Balance at 31 December 2023	**9,712**	**3,038**	**2**	**14,617**	**27,369**

	Issued capital $'000	Employee Share Plan reserve $'000	FVOCI[1] reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2024	10,236	3,457	2	16,449	30,144
Profits after income tax expense for the half-year	-	-	-	9,606	9,606
Other comprehensive income for the half-year, net of tax	-	-	-	7	7
Total comprehensive income for the half-year	-	-	-	9,613	9,613
Transactions with owners in their capacity as owners:					
Shares vested under deferred shares plan during the period	1,911	(1,911)	-	-	-
Dividends provided or paid	-	-	-	(6,767)	(6,767)
Employee deferred shares and rights	-	2,102	-	-	2,102
Revaluation of investments	-	-	7	(7)	-
Balance at 31 December 2024	12,147	3,648	9	19,288	35,092

[1] Fair value through other comprehensive income (FVOCI)

The above condensed statement of equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

For the half-year ended 31 December 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		55,577	46,630
Payments to suppliers and employees		(39,275)	(35,899)
		16,302	10,731
Interest received		928	615
Grants to non-profit organisations		(1,595)	(1,175)
Income tax paid		(3,817)	(3,270)
Net cash from operating activities		11,818	6,901
Cash flows from investing activities			
Payments relating to integration & transformation costs		(3,563)	(2,251)
Payments relating to due diligence & transaction costs		(713)	(289)
Acquisition of Altius	**14**	(4,278)	-
Investment in Term Deposit		(10,000)	(5,000)
Maturity of Term Deposit		10,000	-
Payments for property, plant, and equipment		(239)	(829)
Purchase instalment of investment in Sentient Impact Group		-	(429)
Net cash used in investing activities		(8,793)	(8,798)
Cash flows from financing activities			
Purchase of employees deferred shares		-	(2,667)
Interest on lease liabilities		(75)	(81)
Dividend paid	**18**	(6,767)	(5,639)
Net cash used in financing activities		(6,842)	(8,387)
Net increase/(decrease) in cash and cash equivalents		(3,817)	(10,284)
Cash and cash equivalents at the beginning of the half-year		26,391	27,134
Cash and cash equivalents at the end of half-year		22,574	16,850

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

Notes to the Condensed Financial Statements

For the half-year ended 31 December 2024

Note 1 – General information

The consolidated interim financial statements are comprised of Australian Ethical Investment Limited (referred to as 'Australian Ethical', the 'Company' or 'Parent Entity'), and its wholly owned subsidiaries (together referred to as the 'Group'). Australian Ethical Investment Limited is a listed company (ASX: AEF) and both the parent and wholly owned entities are incorporated and domiciled in Australia.

The Group is a for-profit entity for the purposes of preparing financial statements.

The interim financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2025.

The directors have the power to amend and reissue the interim financial statements.

Note 2 – Basis of preparation

Statement of Compliance

The consolidated interim financial statements are general purpose condensed which have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes normally required in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the interim financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Measurement

The consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Rounding of Amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

Note 3. Material accounting policies information

New Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Management reviewed the accounting policies, and no updates were required to the accounting policies disclosed at 30 June 2024 other than the new accounting policies disclosed in note 15.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the interim financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances.

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 described in the last annual financial statements other than the estimation of useful lives for new assets and the measurement of deferred consideration disclosed in note 15. Our valuation and estimate methodologies have not changed since 30 June 2024.

Note 5. Revenue

Operating revenue	31 December 2024 $'000	31 December 2023 $'000
Management fees	44,082	36,525
Administration fees (net of Operational Risk Financial Reserve contributions)	10,632	8,273
Member fees (net of rebates)	2,671	3,039
Interest income	789	656
Other income (cost recovery linked to insurance harmonisation)	629	-
	58,803	48,493

Recognition and measurement

The administration fee entitlement in accordance with the Product Disclosure Statement ('PDS') is net of $436k (2023: $1,107k) paid directly to the Operational Risk Financial Reserve ('ORFR') of the superannuation fund.

Note 6. Employee benefits

	31 December 2024 $'000	31 December 2023 $'000
Employee remuneration	18,106	14,855
Directors' fees	453	442
Other committee member fees	55	53
Other employment related costs	1,297	1,136
	19,911	16,486

Employee expenses increased primarily due to new hires during the previous financial year as well as some during the half-year ended 31 December 2024 (including the addition of the Altius team). The increase in employee costs also reflects inflationary salary increases and super guarantee increase. Other employment related costs include payroll tax, employee training and development, workers compensation insurance and other benefits of employment with Australian Ethical.

Note 7. Fund related

	31 December 2024 $'000	31 December 2023 $'000
Administration and custody fees	7,666	7,218
Asset managers, ratings and platform fees	684	674
Regulatory and industry body fees	862	709
Regulatory projects	276	296
Ethical research	144	78
Strategic projects	995	188
	10,627	9,163

Administration and custody fees increased due to growth in funds under management, including the acquisition of Altius, partially offset by improved commercial rate cards following transitions to GROW Inc for Super Fund administration and State Street for custody & investment administration services in the second quarter of the financial year. Regulatory projects costs were incurred to implement regulatory changes in the superannuation industry, including those in respect to operational risk management and the financial accountability regime. Strategic projects costs primarily relates to implementing new front office systems.

Note 8. Marketing

	31 December 2024 $'000	31 December 2023 $'000
Distribution costs	1,681	2,466
Brand awareness	1,204	770
Other	626	881
	3,511	4,117

Distribution costs were deliberately scaled back over the limited-service period during the Grow transition.

Note 9. IT

	31 December 2024 $'000	31 December 2023 $'000
Investment and client-facing systems	1,600	1,146
Support systems, infrastructure, and security	959	742
Strategic IT projects	82	163
	2,641	2,051

Investing in technology, systems and security continues to be a strategic focus. Investment team systems costs also increased due to the acquisition of Altius.

Note 10. External services

	31 December 2024 $'000	31 December 2023 $'000
Internal and external audit and tax services	784	580
Consultants	462	565
Legal services	58	307
Other	231	205
	1,535	1,657

External audit and tax services increased primarily due to new fund audits following the Altius acquisition and non-recurring assurance services in respect to the custody transition to State Street, administrator transition to GROW, and the acquisition of Altius.

Note 11. Integration & transformation costs

	31 December 2024 $'000	31 December 2023 $'000
Project management and Project Team employment costs	1,455	1,442
Fund related transition costs	1,234	1,485
Legal and consulting	81	8
Marketing and member communications	13	8
Other	2	-
	2,785	2,943

Australian Ethical is transitioning its superannuation administration services to a single service provider. The first phase, which included over 80 per cent of superannuation members, was completed on 1 November 2024. This transformational project delivers a modern technology stack, improving growth flexibility with a more compelling commercial rate-card. The integration and transformation costs include external administrator costs to facilitate the configuration and transfer of member data alongside project management and team costs.

Note 12. Due Diligence & Transaction Costs

	31 December 2024 $'000	31 December 2023 $'000
Due diligence team employment costs	516	193
Consulting	339	96
	855	289

Due diligence and transaction costs includes costs to acquire Altius Asset Management business (completed in September 2024) and due diligence on pipeline of other inorganic opportunities.

Note 13. Income tax

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2024 was 29.5% (for the six months ended 31 December 2023: 29.7%). The effective tax rate with respect to profit attributable to shareholders is 30.1% (2023: 30%). The difference between the effective tax rate for the Group and profit attributable to shareholders is due to the tax-exempt status of the Foundation. The current and deferred components of income tax expense vary between the current to the corresponding period primarily due to movements in due diligence and transaction costs that are tax deductible over 5 years.

	31 December 2024 $'000	31 December 2023 $'000
Current tax	3,988	1,452
Deferred tax – origination and reversal of temporary differences	29	1,216
Aggregate income tax expense	4,017	2,668

Note 14. Acquisition of Altius

The group acquired the Altius Asset Management ("Altius") business on 25 September 2024. Altius is a sustainable fixed income asset management business previously owned by Australian Unity Funds Management Limited. The acquisition is consistent with the Group's strategy to serve the growing potential addressable market created by the structural drivers favouring responsible investing, and to offer super fund members and investors increased access to ethical investment capability. The acquisition broadens Australian Ethical's fixed income capability consistent with our strategy, theory of change and Ethical Charter.

Total consideration of $5,278,000 comprised of $4,028,000 payable at the acquisition date, $250,000 deferred consideration paid in December 2024 following the completion of certain transition steps and $1,000,000 deferred consideration that remains wholly contingent on Australian Unity maintaining agreed minimum FUM targets in September 2025.

The fair values of the Altius assets and liabilities acquired on 25 September 2024 were:

	$'000
Assets	
Intangibles – customer contracts and brand	721
Deferred tax assets	203
Total assets	924
Liabilities	
Employee benefits	(677)
Total liabilities	(677)
Identifiable net assets at fair value	247

Goodwill was determined as follows.

Consideration	5,278
Identifiable net assets at fair value	(247)
Goodwill on acquisition	5,031

All of the above amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The goodwill is attributable mainly to the future prospects and expected synergies that will arise from the acquisition, including the broadening of the Group's fixed income capability, strengthened ratings and opportunities for efficiency and future growth prospects. The goodwill has been allocated to the Fund Management segment cash-generating unit. The goodwill recognised on acquisition is not deductible for tax purposes.

Transaction costs of $236,000 (for the six months ended 31 December 2023: $16,000) have been expensed as incurred in the consolidated statement of comprehensive income.

Altius has contributed revenues of $1,199,000 and net profit after tax of $190,000 to the Group for the period since acquisition, being 25 September 2024 to 31 December 2024. If the acquisition had occurred from the beginning of the period, the Group's revenue, net profit after tax and earnings before interest, tax, depreciation and amortisation for the half-year ended 31 December 2024 is estimated to be $2,251,000, $356,000 and $577,000 respectively.

15. Non-current assets – Intangibles and goodwill

	Goodwill $'000	Customer contracts $'000	Brand $'000	Software development $'000	Total $'000
Balance at 1 July 2024	-	-	–	574	574
Additions (note 14)	5,031	597	124	127	5,879
Amortisation expense	-	(30)	(6)	(119)	(155)
Balance at 31 December 2024	5,031	567	118	582	6,298

No impairment indicators were identified in respect to intangible assets or goodwill.

During the reporting period, the Group modified the classification of software development from 'Property, plant and equipment' to 'Intangibles and goodwill' so that it is classified together with other intangibles. Comparative amounts in the statement of financial position were reclassified for consistency. As a result, $574,000 has been reclassified in the 30 June 2024 comparative.

Relevant accounting policies

Business combinations

The Group accounts for business combinations under the acquisition method. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. Contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Intangible assets and goodwill

Goodwill arising on the acquisition of businesses is measured at cost less accumulated impairment losses.

Other intangible assets, including customer contracts and brands, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets under the straight-line method over their estimated useful lives and is recognised in profit or loss. The estimated useful lives are 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Goodwill is not amortised.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Note 16. Equity - issued capital

Movements in share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2024	112,782,052		10,236
Vesting of deferred shares in the Employee Share Plan (117,886 shares)	2 September 2024	-	$9.80	1,157
Vesting of deferred STI shares (107,061 shares)	2 September 2024	-	$7.03	754
Issue of deferred shares to the Employee Share Plan (treasury shares)	5 December 2024	637,723	$4.25	-
		113,419,775		12,147

Note 17. Share-based payments

During the interim period, 637,723 new shares were issued to the employee share plan (2023: $2,667,262 was paid to purchase shares on-market), to be granted to employees under both the Deferred Shares – ESP and Deferred Shares – STI share grants (certain employees only). The Board has discretion to decide whether to issue new shares or purchase shares.

The following share-based payment arrangements existed at 31 December 2024.

Deferred shares – ESP

Included under employee benefits expense in the Condensed Statement of Profit or Loss and Other Comprehensive Income is $1,432,000 (2023: $771,000) relating to all outstanding ESP deferred shares granted under the long-term employee share plan.

Deferred Shares – STI

Included under employee benefits expense in the Condensed Statement of Profit or Loss and Other Comprehensive Income is $1,050,000 (2023: $503,000) relating to all outstanding STI deferred shares granted under the short-term incentive plans.

Executive long-term incentives (ELTI)

The ELTI was introduced to retain key senior talent and provide reward for future outstanding performance for the 4 year periods ending 30 June 2025, 2026, 2027 and 2028. Under the plan, the CEO and select senior executives invited to participate are issued with Hurdled Performance Share Rights that represent the number of AEI shares that will vest, subject to the achievement of certain performance hurdles. If all minimum company performance hurdles are met at vesting date, then the base level award will vest.

The hurdles are measured in the years ending and as at 30 June 2025, 2026, 2027 and 2028 with vesting after the release of the FY25, FY26, FY27 and FY28 annual results respectively. The FUM target for the tranche vesting at the end of FY25 includes a multiplier mechanism that provides a stretch target for AEI's leadership team in connection with execution of Australia Ethical's growth strategy. The multiplier mechanism does not apply to the tranches vesting at the end of FY26, FY27 or FY28. For the FY25 grant, the probability continues to be assessed as being less likely than more likely to be achieved and as such there is no expense in this 6-month period. Refer to the 2024 Annual Report for further details of the tranches vesting at the end of FY25, FY26 and FY27.

The FY28 tranche comprises 445,054 hurdled performance share rights issued on 12 November 2024 for the CEO or 6 December 2024 for all other participants. Each component of the share right in the table below was fair valued within the range of $2.74 to $5.13, which is derived from the share price at grant date with adjustments including the forecast dividend yield forgone and the likelihood that the total shareholder return target is met. These share rights will be equity settled at the end of the vesting period.

The FY28 performance hurdles require the following performance conditions to be achieved:

	Objective	Target	Achievement scale
50% of share rights	Net-flows	$6bn over the 4-year period (including no more than 50% from Merger & Acquisition (M&A) activity)	Rights that vest: - Less than 70% of target = 0% - 70% to 100% of target = Straight-line vesting from 50% to 100% - 100% or above = 100% Noting that the organic and inorganic flows proportion rule must apply at any level of the achievement scale for rights to vest.
25% of share rights	Diluted Earnings Per Share (EPS) growth (adjusted NPAT pre-performance fees)	15% p.a. Compound Annual Growth Rate (CAGR) of diluted EPS	Rights that vest: - Less than 10% CAGR = 0% - 10% to 15% CAGR = Straight-line vesting from 50% to 100% - 15% or above CAGR = 100%
25% of share rights	TSR (absolute)	10% p.a. CAGR	Rights that vest: - Less than 7% CAGR = 0% - 7% to 10% CAGR = Straight-line vesting from 50% to 100% - 10% or above CAGR = 100%
Moderator	Non-financial measures. i.e - Median NPS (net promoter score) for Financial Services companies in Australia - Median employee engagement score for Financial Services companies in Australia - Continued compliance with the aims of our Ethical Charter.		Used as a downward moderator (only), applied by Board for non-compliance with any of the non-financial measures. The Board cannot use non-financial measures to increase ELTI where some or all financial measures are not met.

During the vesting period, employees are not entitled to receive dividends nor hold voting rights. Vesting is subject to meeting specified performance criteria over the performance period, service hurdles and Board approval. Included under employee benefits expense in the Condensed Statement of Profit or Loss and Other Comprehensive Income is $460,000 (2023: $300,000) relating to all outstanding executive long-term incentives plan rights.

Employee unvested shares

As at 31 December 2024, the Employee Share Trust holds 1,663,815 treasury shares (30 June 2024: 1,251,039 shares) on behalf of employees until vesting conditions are met. The participants receive dividends on these shares.

Note 18. Equity - dividends

Dividends paid during the half-year were as follows:

	31 December 2024 $'000	31 December 2023 $'000
Final dividend for the year ended 30 June 2024 of 6 cents (2023: 5 cents) per ordinary share (paid 18 September 2024)	6,767	5,639
	6,767	5,639

In addition to the above dividends, since period end the Directors have declared the payment of an interim dividend of 5 cents per fully paid ordinary share (2023: 3 cents), fully franked. This interim dividend, $5,671,000 (2023: $3,383,000), is expected to be paid on the 21 March 2025. It is not recognised as a liability because it was approved by the Directors subsequent to period end on the 26 February 2025.

Note 19. Earnings per share

	31 December 2024 $'000	31 December 2023 $'000
Net Profit after income tax for the half-year	9,606	6,316

	Cents	Cents
Basic earnings per share	8.60	5.65
Diluted earnings per share	8.46	5.62

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	111,678,940	111,759,052
Adjustments for calculation of diluted earnings per share:		
Deferred shares and rights	1,873,752	713,557
Weighted average number of ordinary shares used in calculating diluted earnings per share	113,552,692	112,472,609

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Australian Ethical Investment Limited and its Controlled Entities, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration, which relate to deferred shares and rights issued as part of the Company's long term employee incentive schemes.

Note 20. Fair value measurement

Fair value hierarchy

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

The following table provides an analysis of financial instruments that are measured after initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: Using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Derived from valuation techniques that include inputs for the asset or liability that is not based on observable market data (unobservable inputs). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques.

Consolidated – 31 December 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value				
Investments	2	73	-	75
Total assets	2	73	-	75

Consolidated – 30 June 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value				
Investments	1	66	-	67
Total assets	1	66	-	67

Reconciliation	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Reconciliation of the fair values at the beginning and end of the interim period:				
Opening fair value at 30 June 2024	1	66	-	67
Revaluation movements	1	7	-	8
Closing fair value at 31 December 2024	2	73	-	75

Assets and liabilities held for sale are measured at fair value on a recurring basis.

There were no transfers between levels during the interim period.

Note 21. Events after the reporting period

Apart from the dividend declared as disclosed in Note 18, no other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

Directors' Declaration

In the directors' opinion:

a) The interim financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

c) There are reasonable grounds to believe that the Company will be able to pay its debts when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

John McMurdo
Managing Director and Chief Executive Officer
Australian Ethical Investment Limited
26 February 2025

Independent Auditor's Report

Independent Auditor's Review Report

To the shareholders of Australian Ethical Investment Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Australian Ethical Investment Limited.

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2024 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed statement of financial position as at 31 December 2024;
- Condensed statement of profit or loss and other comprehensive income, Condensed statement of comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the Interim Period ended on that date;
- Notes 1 to 21 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises Australian Ethical Investment Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ended on 31 December 2024.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

Responsibilities of the Directors 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
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period 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.

KPMG

KPMG

J.Davis

Jessica Davis

Partner

Sydney

26 February 2025