Directors' Report
For the year ended 30 June 2011

Australian Ethical Investment Limited, the responsible entity of the Climate Advocacy Fund (CAF), presents its directors' report together with the audited financial statements of the scheme for the year ended 30 June 2011 and the accompanying independent auditor's report.

Responsible entity

Australian Ethical Investment Limited was appointed the responsible entity of the CAF upon commencement on 26 August 2009 and this scheme was registered as a managed investment scheme with the Australian Securities and Investments Commission (ASIC) on 18 November 2009.

The Directors of Australian Ethical Investment Limited during or since the end of the financial year are disclosed in note 13 to the financial statements.

Principal activities and state of affairs

The key aims of the Climate Advocacy Fund are to:

a) Improve corporate behaviour, performance and sustainability through advocacy by actively and constructively engaging with companies on environmental, social and governance issues with a particular focus on climate change. During the year representatives of CAF attended AGMs of Aquila Resources, Paladin Energy and Woodside Petroleum. Although unsuccessful in having their resolutions put to shareholders for a vote, Aquila Resources and Paladin Energy did agree to provide greater disclosure around carbon emissions; and

b) Provide investors with a return similar to the broad share market. The Climate Advocacy Fund invests using an index (or 'passive management') approach with a view to achieve returns at least equal to the broader share market – the S&P/ASX 200 index. Funds are invested with Realindex Investments, a wholly owned subsidiary of Colonial First State, in a portfolio constructed using an 'economic footprint' weighting.

Review of year's operations

The Fund achieved a total return of 6.8% for the financial year. The Fund paid distributions of 5.06 cents per unit over the year.
The value of the Scheme's net assets attributable to unitholders as at 30 June 2011 was $6,431,573.
The Fund was officially launched in early July 2010.

Developments through the year

During the year the responsible entity has configured and implemented a new asset management and unit pricing software platform which went live in the second half of 2010/11.

Auditor's declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 forms part of this report and follows at the end of the report.

Signed in accordance with a resolution of the Board of Directors of Australian Ethical Investment Limited.

Phillip Vernon
Managing Director
Australian Ethical Investment Limited
ABN 47 003 188 930
30 September 2011

CLIMATE ADVOCACY FUND

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

THOMAS DAVIS & CO

P.L. WHITEMAN PARTNER

SYDNEY
30 September 2011

Liability limited by a scheme approved under Professional Standards Legislation

Statement of Financial Position as at 30 June 2011

	Notes	Climate Advocacy Fund ("CAF") 2011 $	2010 $
Assets			
Cash and cash equivalents	4	**277,450**	40,258
Trade and other receivables	5	**1,815**	7,906
Financial assets	6	**6,377,849**	444,199
Total assets		**6,657,114**	492,363
Liabilities			
Trade and other payables	7	**7,937**	196
Distribution payable	8	**217,604**	3,550
Total liabilities excluding net assets attributable to unitholders		**225,541**	3,746
Net assets attributable to unitholders	3	**6,431,573**	488,617
Total liabilities		**6,657,114**	492,363

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	Climate Advocacy Fund ("CAF") 2011 $	2010 $
Investment income			
Distributions/Dividends domestic		**285,985**	3,436
Interest		**7,892**	618
Other income		**1,582**	19
Unrealised increment (decrement) on fluctuation in value of investments		**(254,535)**	(21,485)
		40,924	(17,412)
Less expenditure			
Other expenses		**102**	-
Responsible entity fees	11	**24,131**	523
		24,233	523
Profit (loss) from operating activities		**16,691**	(17,935)
Other comprehensive income		**-**	-
Total comprehensive income attributable to unitholders		**16,691**	(17,935)
Finance costs - distributions to unitholders	8	**(271,226)**	(3,550)
Change in net assets attributable to unitholders	3	**(254,535)**	(21,485)

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2011

	Notes	Climate Advocacy Fund ("CAF") 2011 $	2010 $
Cash flows from operating activities			
Interest received		**7,890**	618
Dividends received		**14**	-
Expenses		**(18,799)**	(359)
Net cash provided by (used in) operating activities	10	**(10,895)**	259
Cash flows from investing activities			
Payment for investments		**(5,897,415)**	(465,001)
Net cash provided by (used in) investing activities		**(5,897,415)**	(465,001)
Cash flows from financing activities			
Proceeds from issue of units		**6,285,096**	505,000
Payment of redemption of units		**(125,147)**	
Distributions paid		**(14,447)**	
Net cash provided by (used in) financing activities		**6,145,502**	505,000
Net increase (decrease) in cash held		**237,192**	40,258
Cash at 1 July 2010		**40,258**	-
Cash at 30 June 2011	4	**277,450**	40,258

The accompanying notes form part of these financial statements.

Note 1 - Statement of significant accounting policies

These financial statements are general purpose financial statements that have been prepared in accordance with the Constitution of the Climate Advocacy Fund, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements covers the Climate Advocacy Fund as an individual entity. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. The Fund is established and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the Financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

Accounting policies

(a) Cash and cash equivalents

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

(b) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

(c) Payables

Liabilities are recognised for all amounts due at balance date. Creditors are normally settled within 30 days.

Note 1 - Statement of significant accounting policies - *continued*

(d) Distribution

The Climate Advocacy Fund distributes to the unitholders the income (generally net taxable income plus non-taxable income, not including realised capital gains) earned by the Fund each six months. In addition, normally taxable capital gains realised over the full financial year will be included with the distribution for the six months ending 30 June. The non-taxable component of income may be retained in the Fund.

'Net taxable income' is all the income earned by the Fund, less expenses incurred in obtaining that income, and is determined in accordance with section 95 of the Income Tax Assessment Act.

(e) Change in net assets attributable to unitholders

Change in net assets attributable to unitholders may consist of realised net capital losses and unrealised increments and decrements arising on fluctuation in value of investments. They are included in the determination of distributable income when assessable for taxation purposes.

(f) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Trust distributions are recognised on an accrual basis.

Unrealised increments and decrements arising on fluctuation in value of investments are included in the net operating income for the year.

(g) Applications and redemptions

Applications received for units in the Fund are recorded net of any contribution fees payable prior to the issue of units in the fund. No exit fees are charged. Unit prices are determined by reference to the net assets of the scheme divided by the number of units on issue at close of business each day.

All or part of an investment in the fund can be switched between any of the other Australian Ethical schemes. The contribution fee charged on a switch is the difference between the contribution fee for the original scheme and the new scheme. Further details can be found in either the Climate Advocacy Fund Product Disclosure Statement or the Australian Ethical Investment Trust's Product Disclosure Statement.

(h) Goods and services tax (GST)

The Fund qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75%.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Financial Position is shown inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position.

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

(i) Income tax

No tax is payable by the Fund as all taxable income is distributed to unitholders.

Note 1 - Statement of significant accounting policies - *continued*

Accounting Standards not previously applied

The AASB has issued new, revised and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The management of the fund has decided against early adoption of these standards. A discussion of those future requirements and their impact on the fund follows:

• AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013). These standards are applicable retrospectively and amend the classification and measurement of financial assets. The fund has not yet determined the potential impact on the financial statements.

• AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011). This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the fund.

• AASB 1053: Application of Tiers of Australian Accounting Standards and AASB2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
− Tier 1: Australian Accounting Standards; and
− Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.
Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.
The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):
− for-profit private sector entities that have public accountability; and
− the Australian Government and state, territory and local governments.
Since the group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

• AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the fund.

• AASB 2010-4: Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).
This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

− clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;

− adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;

− amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;

− adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and

− making sundry editorial amendments to various Standards and Interpretations.
This Standard is not expected to impact the fund.

	Climate Advocacy Fund ("CAF")	
	2011 Units	2010 Units
Note 2 - Number of Issued Units		
On issue at beginning of year	**494,632**	-
Issued	**6,029,302**	494,632
Redeemed	**(120,641)**	-
On issue at year end	**6,403,293**	494,632

	2011 $	2010 $
Note 3 - Net assets attributable to unitholders		
Opening Balance	**488,617**	-
Issued	**6,322,638**	510,102
Redeemed	**(125,147)**	-
Change in net assets attributable to unitholders	**(254,535)**	(21,485)
Total net assets attributable to unitholders	**6,431,573**	488,617

Note 4 - Cash and cash equivalents

Cash at bank	**277,450**	40,258
	277,450	40,258

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Reconciliation of cash

For the purposes of the Statement of Cash flows, cash includes cash at bank and cash on deposit. Cash at the end of the year as shown in the Statement of Cash flows, is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	**277,450**	40,258
	277,450	40,258

Note 5 - Trade and other receivables

Distributions receivable	**-**	2,770
Debtors	**1,815**	5,136
	1,815	7,906

Note 6 - Financial assets at fair value through profit or loss

Equities		
Australian listed	**2,492**	-
	2,492	-
Unit Trusts		
Unlisted	**6,375,357**	444,199
	6,375,357	444,199
	6,377,849	444,199

Note 7 - Trade and other payables

Trade payables and sundry creditors	**7,937**	196
	7,937	196

Note 8 - Distribution payable

Net amount available for distribution	**271,226**	3,550
Distributed		
half-year ended 31 December 2010	**53,622**	-
half-year ended 30 June 2011	**217,604**	3,550
	271,226	3,550

	Climate Advocacy Fund ("CAF")	
	2011	2010
	$	$
Note 9 - Auditors' remuneration		
Amounts received or due and receivable by the Auditors of the Trust for:		
Auditing the financial report	**-**	-
Tax and other accounting advice	**-**	-
	-	-

Auditors' remuneration in respect of auditing the financial report is fully paid by the Responsible Entity.
Other services provided by the auditors are the audit of the compliance plan of the Fund and tax compliance services.
The auditors' non-audit remuneration is not paid by the Fund.

Note 10 - Cash flow information

Reconciliation of net cash provided by operating activities with profit (loss) from operating activities

	2011	2010
Net operating profit (loss) for the periods from ordinary activities	**16,691**	(17,935)
(Increase) Decrease in accrued income	**-**	(2,770)
Unrealised (increment) decrement on fluctuation in value of investments	**254,535**	21,485
Increase (Decrease) in accrued charges & creditors	**7,226**	-
(Increase) Decrease in debtors	**(1,782)**	(33)
(Profit) Loss on sale of investments	**-**	-
Reinvested Distribution	**(287,565)**	(684)
Increase in Payables	**-**	196
Net cash provided by (used in) operating activities	**(10,895)**	259

Note 11 - Related party disclosures

Australian Ethical Investment Limited (AEIL), as Responsible Entity of the Climate Advocacy Fund, provides investment services for the fund in accordance with the Climate Advocacy Fund's constitution.
Transactions with the Responsible Entity are undertaken on commercial terms and conditions.

During the period the following amounts were paid to the Responsible Entity in accordance with the scheme's Constitution:

Australian Ethical Investment Limited

	Climate Advocacy Fund ("CAF") 2011 $	2010 $
Management Fees	**24,131**	523
	24,131	523

The amounts due and payable at 30 June 2011 to the Responsible Entity, inclusive of GST but before input tax credits, in accordance with the scheme's Constitutions were:

	2011 $	2010 $
Management Fees	**7,691**	210
	7,691	**210**

Transactions between Australian Ethical Investment Ltd and The Climate Advocacy Fund during the period were:

	2011 $	2010 $
AEIL purchase of units	**-**	100,000
Management Fee rebate to AEIL	**-**	79
Value of units held by AEIL	**106,386**	99,378
Distribution receivable by AEIL	**3,482**	718

Note 12 - Financial instruments

a) Financial risk management policies

The Climate Advocacy Fund's financial instruments consist of: cash and cash equivalents; trade and other receivables; financial assets; trade and other payables; and distribution payable.

The responsible entity has an Investment Committee and an Audit, Compliance and Risk Committee. These are board committees which are responsible under their Charters' for the oversight of various policies and procedures to manage financial risks.

i) Treasury risk management

The activities of the Climate Advocacy Fund exposes it to a variety of financial risks: liquidity risk, credit risk and market risk (which includes interest rate risk, and represents the risk that a financial instrument's value will fluctuate as a result of changes in the market.)

The Investment Committee's Charter requires it to oversee the processes which govern the investment of monies of the Climate Advocacy Fund for which Australian Ethical Investment Limited is the responsible entity. The Investment Committee bears primary responsibility for the oversight of processes for the management of the above financial risks. It meets on a regular basis to analyse financial risk exposure and to evaluate management strategies in the context of the most recent economic conditions and forecasts.

The Investment Committee monitors and is responsible for maintaining the primary risk management tool for financial risks – a documented set of trust investment parameters. The activities of the Investment Committee aim to minimise the potential adverse affects on the Climate Advocacy Fund performance of the unpredictability of financial markets, while maintaining the individual qualities of the Climate Advocacy Fund as defined in the trust investment parameters.

ii) Financial exposures and management

The other risks the Climate Advocacy Fund is exposed to through its financial instruments are interest rate risk and credit risk. The Climate Advocacy Fund also has an exposure to liquidity risk.

Interest rate risk

Interest rate risk for the Climate Advocacy Fund arises from financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments, the nature of the primary asset investment limits this however.

Liquidity risk

Liquidity risk is the risk that the Climate Advocacy Fund will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. To control liquidity risk, the Climate Advocacy Fund invests significant portion of their funds in financial instruments which under normal market conditions are readily convertible into cash. The responsible entity maintains liquidity guidelines. The Investment Committee and the Audit, Compliance and Risk Committee monitor liquidity and the implementation of the guidelines.
All payables of the Climate Advocacy Fund are classed as normal operating obligations and are to be paid within six months of balance date.

Credit risk

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract. The Climate Advocacy Funds' maximum credit risk exposure at balance date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position. The trust investment parameters established by the responsible entity ensures credit risk is managed within accepted pre-determined guidelines. The Climate Advocacy Trust does have credit risk exposure to a single receivable or group receivables under financial instruments entered into by the Fund, in the form of Colonial First State, who are the managers of the index tracker fund.
The Investment Committee meets regularly to review and if necessary, recommend modifications to the trust investment parameters.

Note 12 - Financial instruments - continued

b) Financial Instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the weighted average interest rates on classes of financial assets and financial liabilities. The Climate Advocacy Fund's exposure to that interest rate risk is as follows:

CAF	Weighted average interest rate		Floating interest rate		Fixed interest rate within 1 year		Fixed interest rate 1 to 5 years		Fixed interest rate over 5 years		Non-interest bearing		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	%	%	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Cash and cash equivalents	**4**	4	**277,450**	40,258	**-**	-	**-**	-	**-**	-	**-**	-	**277,450**	40,258
Trade and other receivables			**-**	-	**-**	-	**-**	-	**-**	-	**1,815**	7,906	**1,815**	7,906
Financial assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**6,377,849**	444,199	**6,377,849**	444,199
Total financial assets			**277,450**	40,258	**-**	-	**-**	-	**-**	-	**6,379,664**	452,105	**6,657,114**	492,363
Trade and other payables			**-**	-	**-**	-	**-**	-	**-**	-	**7,937**	196	**7,937**	196
Distribution payable			**-**	-	**-**	-	**-**	-	**-**	-	**217,604**	3,550	**217,604**	3,550
Total financial liabilities			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**225,541**	3,746	**225,541**	3,746

Note 12 - Financial instruments - continued

c) Net fair values

All financial assets are marked to market and carried at fair value as determined by an independent source where available. The net fair values of listed investments have been valued at the quoted market bid price at balance date. For other liabilities where no independant pricing source exists, the net fair value approximates their carrying value.

Financial assets are valued in accordance with the Compliance Plan to ensure carrying values are recorded at fair value. The Compliance Plan is overseen by the Audit, Compliance and Risk Committee. The Audit, Compliance and Risk Committee meets on a regular basis to ensure adherance to the Compliance Plan and that the correct basis for valuations are followed by the responsible entity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

Net Fair Values
2011

	Climate Advocacy Fund ("CAF")	
	Carrying amount	Net fair value
	$	$
Financial assets		
Financial assets at fair value through profit or loss	6,377,849	6,377,849
Trade and other receivables	1,815	1,815
	6,379,664	6,379,664
Financial liabilities		
Trade and other payables	7,937	7,937
	7,937	7,937

Net Fair Values
2010

Financial assets		
Financial assets at fair value through profit or loss	444,199	444,199
Trade and other receivables	7,906	7,906
	452,105	452,105
Financial liabilities		
Trade and other payables	196	196
	196	196

Note 12 - Financial instruments - continued

d) Sensitivity analysis

Interest rate risk

Management has performed a sensitivity analysis relating to the Climate Advocay Funds' exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and net assets attributable to unitholders which could result from a change in these risks. In the analysis it is assumed that the amount of financial assets exposed to fluctuations in interest rates as at balance date is representative of balances held throughout the financial year. No other flow on effects of fluctuations in interest rates have been taken into account.

At 30 June 2011, the effect on profit and net assets attributable to unitholders, as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Interest Rate Sensitivity Analysis
Change in Profit

	Climate Advocacy Fund ("CAF")	
	2011	2010
	$	$
Change in profit		
Increase in interest rate by 1%	**2,775**	403
Decrease in interest rate by 1%	**(2,775)**	(403)

Interest Rate Sensitivity Analysis
Change in net assets attributable to unitholders

Change in net assets attributable to unitholders		
Increase in interest rate by 1%	**2,775**	403
Decrease in interest rate by 1%	**(2,775)**	(403)

Note 13 - Key management personnel compensation

AASB 124 “Related Party Disclosures” requires disclosure of compensation of key management personnel. Key management personnel (KMP) is defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The scheme has no employees, however, the directors and other KMP of the Responsible Entity, as stated below, are deemed to be the KMP of the scheme. These individuals and the Responsible Entity comprise the KMP of the scheme.

a) Key management personnel

Names and positions of key management personnel (directors and named executives) at any time during the financial year

Parent Entity Directors

Name	***Position***	
James Thier	Director, non-executive	Retired 17 November 2010
Howard Pender	Director, executive	
Naomi Edwards	Chairperson, non-executive	Resigned 23 March 2011
Justine Hickey	Director, non-executive	
Les Coleman	Director, non-executive	
André Morony	Director, non-executive	
Phillip Vernon	Director, executive	Appointed 27 July 2010
Stephen Newnham	Director, non-executive	Appointed 20 December 2010

Executives

Name	***Position***	
James Jordan	Chief investment officer	
Philip George	Head of client services and product	
Gary Leckie	Chief financial officer / chief operating officer	
Paul Harding Davis	Head of distribution	Employment ended on 5 January 2011
Tim Xirakis	Head of client relationships	Employment ended on 8 August 2011

The *Corporations Act 2001* requires disclosure of compensation of key management personnel. Key management personnel is defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The *Corporations Act 2001* also requires disclosure of the remuneration of:

1. each of the five named company executives who receive the highest remuneration for that year; and
2. if consolidated financial statements are required – each of the five named relevant group executives who receive the highest remuneration for that year.

The above named directors and executives are key management personnel of the consolidated entity.

Note 13 - Key management personnel compensation- continued

Remuneration Policy

Directors

The aggregate amount of remuneration payable to non-executive directors for the performance of their duties as directors is set by the company in a general meeting.

In proposing any motions on non-executive director remuneration to a general meeting, the Board has regard to market rates for directorships in comparable companies operating in similar industries. It also takes into account recommendations from the Remuneration and Nominations Committee.

Within the approved aggregate amount, fees paid to individual non-executive directors for services as a non-executive director are determined by the Board. During the relevant period, the Chair received a higher amount, with other non-executive directors all receiving equal amounts.

Under the constitution, non-executive directors are also entitled to be paid reasonable expenses, remuneration for additional services and superannuation contributions. In particular, non-executive directors are paid for serving on board committees.

Non executive director remuneration is not linked to company performance.

Executive directors receive remuneration as employees of the company.

There are no arrangements to pay any director a retirement benefit.

Other Key Management Personnel

Board Policy:

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is covered by the same policy that applies to all staff and includes the following:

> "Flexible remuneration strategies will be developed as required to meet specific employee requirements, facilitate retention/maintenance of a high quality work force and to ensure employees are rewarded relative to their input to the organisation.
>
> Important points are:
>
> - Participation in specific remuneration arrangements may be on an individual or team basis.
> - Eligibility to participate in specific remuneration arrangements is dependant on the role, responsibilities, scope and impact of individual employees or teams in the case of a team based scheme.
> - Recommendations for individual employees or teams to participate in such schemes will be made by individual Section Managers.

- Details will be negotiated on an individual basis with relevant employees or teams.

  Flexible remuneration strategies may include cash or share based rewards.

Note 13 - Key management personnel compensation- continued

Assessment of the Managing Director's performance and whether performance conditions are met is completed by the Chair and is overseen by the Board with input from the Remuneration and Nominations Committee. In turn, the Managing Director is responsible for assessing senior management and whether performance conditions are met. In all reviews, both quantitative and qualitative data is used to determine whether performance criteria are achieved.

During the year remuneration arrangements for a number of KMP were reviewed and updated. New key performance indicators (KPI) and related individual STIs were established centred around criterion including achievement of individual performance goals, performance of the company's managed funds, net flows, relationship development, earnings per share growth and achievement of budget.

For these revised arrangements assessment of KMP performance will be based on results for the current year and any STI payments or grant of rights will be made after year end based on these assessments.

Hedging policy

Directors and executives participating in the company's equity-based plans are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the company's securities.

Performance-based Remuneration and Company Performance

The Board policy and remuneration arrangement review is generally aiming to:

- Achieve some level of market parity on remuneration packages;
- Establish performance incentives for KMP which are outcomes focused and aligned with company goals;
- Establish alignment of KMP remuneration with shareholder value and interests; and
- Provide a retention aspect for high performing managers.

More specifically performance criteria were chosen to ensure alignment between the strategic priorities of the organisation, as established by the Board and individual objectives. The aim was to provide senior employees of the Company with an ownership of AEI's strategic direction, greater job clarity, flexibility to plan individual goals and objectives, and an opportunity to develop in their roles.

Individual Bonuses

During the current year two KMP were paid specific "at risk" components in remuneration. The payments are shown in the following tables. The service and performance criteria used

Note 13 - Key management personnel compensation- continued

to determine the amount of the payments were established prior to the current year and are generally as follows:

1. James Thier – seminar, speaking and media penetration targets; engagement with dealer groups and advisors; and promotion of the new Climate Advocacy Fund;
2. Paul Harding-Davis – managing to budget; net inflow targets; engagement with dealer groups and engagement with asset consultants;
3. James Jordan – a performance review and the investment performance of the Australian Ethical Smaller Companies Trust.

Employee Share Incentive Schemes

Under the employee incentive schemes, a pool of performance rights which would, if exercised, amount to 5% of the company's existing ordinary share capital, was made available. This scheme was approved at the 2008 Annual General meeting.

The corporate employee share incentive scheme (ESIS) is split into two categories: general and individual.

All employees, including KMP, participate in the general ESIS. The number of performance rights issued to each employee is based on their relative remuneration.

The individual ESIS is utilised for senior and professional employees. The number of performance rights issued is based more specifically on individual performance and KPIs.

Subject to the terms and conditions of the scheme rules, the performance rights that have been issued during the current year have the following attributes determining whether shares will be issued in respect of the rights:

a) General Category

- Employment must continue until 30 June 2013
- The arithmetic average return on equity over the performance period (AROE) must exceed 15% per annum or no shares shall be awarded at the end of the performance period
- If the AROE exceeds 15% per annum but is less than 20% per annum, half the maximum number of shares shall be awarded
- If the AROE is equal to or greater than 20% per annum the maximum number of shares shall be awarded
- AROE is determined as the arithmetic average of return on equity over six month periods calculated using audited half-year financial statements
- The performance period is three financial years being 2010-11, 2011-12, 2012-13

b) Individual Category

- Employment must continue until 1 July 2011
- The number of shares that will be issues to each employee in respect of their performance rights under this category will be adjusted up or down by a maximum 20%, dependent of the absolute performance of the company's managed investment

Note 13 - Key management personnel compensation- continued

schemes, for which the employee has responsibility or provides significant input. The nominated managed investment scheme has been agreed between the company and the employee. Performance will be measured over a performance period of 1 July 2010 to 30 June 2011.

Performance rights issued under the general category (above) are performance-based in two ways. Firstly, they are subject to a three year employment condition and secondly, shares will only be issued in respect of the performance rights where return on equity meets the levels described above.

Performance rights issued under the individual category are linked to the performance of the company's managed funds, as described above.

Staff Bonus Plan

All permanent staff are eligible to participate in an annual staff bonus. Under the company's constitution, before the directors recommend or declare a dividend to be paid out of profits of any one year, they must pay a bonus to current employees which is set by reference to the profit of the company for that year and can be up to thirty percent of the company profit. All staff across the organisation, irrespective of position (and including KMP), receives the same set amount (pro-rated for part time staff).

Note 13 - Key management personnel compensation- continued

Remuneration Details for the Year ended 30 June 2011

Parent entity directors’ remuneration

		Short-term benefits			Post-employment benefits	Long-term benefits		Equity-settled share-based payments	
Parent entity director's remuneration		Salary, fees and leave $	Cash bonus $	Other $	Super-annuation $	Long service leave $	Termination benefits $	Rights $	Total $
James Thier	**2011**	**122,525**	**14,440**	**-**	**12,221**	**3,477**	**-**	**11,196**	**163,859**
	2010	122,576	14,150	-	12,874	3,604	-	9,439	162,643
Howard Pender	**2011**	**135,444**	**2,978**	**-**	**12,189**	**11,251**	**-**	**11,960**	**173,822**
	2010	132,334	2,626	-	12,652	3,856	-	9,469	160,937
Naomi Edwards	**2011**	**47,410**	**-**	**-**	**4,273**	**-**	**-**	**-**	**51,683**
	2010	81,000	-	-	7,290	-	-	-	88,290
Justine Hickey	**2011**	**28,593**	**-**	**-**	**2,578**	**-**	**-**	**-**	**31,171**
	2010	31,950	-	-	2,876	-	-	-	34,826
Anne O'Donnell	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	95,938	4,000	-	8,718	2,927	235,000	-	346,583
André Morony	**2011**	**30,259**	**-**	**-**	**2,729**	**-**	**-**	**-**	**32,988**
	2010	25,000	-	-	2,250	-	-	-	27,250
Les Coleman	**2011**	**26,084**	**-**	**-**	**2,352**	**-**	**-**	**-**	**28,436**
	2010	26,000	-	-	2,340	-	-	-	28,340
Stephen Newnham	**2011**	**13,234**	**-**	**-**	**1,193**	**-**	**-**	**-**	**14,427**
	2010	-	-	-	-	-	-	-	-
Phillip Vernon	**2011**	**272,330**	**2,251**	**-**	**23,429**	**5,483**	**-**	**40,316**	**343,809**
	2010	154,135	-	-	12,799	2,981	-	8,204	178,119
Total parent entity director's remuneration	**2011**	**675,879**	**19,669**	**-**	**60,964**	**20,211**	**-**	**63,472**	**840,194**
	2010	668,933	20,776	-	61,799	13,368	-	27,112	1,026,988

Named executives remuneration (including other key management personnel)

		Short-term benefits			Post-employment benefits	Long-term benefits			
Named executives (including other KMP) remuneration		Salary, fees and leave $	Cash bonus $	Other $	Super-annuation $	Long service leave $	Termination benefits $	Rights $	Total $
Philip George	**2011**	**196,182**	**4,000**	**-**	**17,797**	**5,680**	**-**	**16,006**	**239,665**
	2010	179,638	4,000	-	15,836	(8,483)	-	14,825	205,816
Ruth Medd	**2011**	**31,101**	**-**	**-**	**2,804**	**-**	**-**	**-**	**33,905**
	2010	42,350	-	-	3,690	-	-	-	46,040
Gary Leckie	**2011**	**204,509**	**4,000**	**-**	**18,244**	**(8,277)**	**-**	**16,380**	**234,856**
	2010	179,309	4,000	-	16,206	1,510	-	14,973	215,998
Tim Xirakis	**2011**	**181,756**	**4,000**	**-**	**16,191**	**5,129**	**-**	**15,958**	**223,034**
	2010	184,881	4,000	-	15,779	1,510	-	14,588	220,758
Paul Harding Davis	**2011**	**101,316**	**10,250**	**-**	**11,502**	**(9,812)**	**57,459**	**-**	**170,715**
	2010	196,696	21,500	-	19,491	3,989	-	15,712	257,388
Martin Halloran	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	245,064	3,366	-	15,017	4,937	-	48,066	316,450
James Jordan	**2011**	**256,524**	**3,259**	**-**	**23,285**	**6,143**	**-**	**15,327**	**304,538**
	2010	150,951	3,200	-	14,013	4,179	-	40,471	212,814
Named executives (including other KMP) remuneration	**2011**	**971,388**	**25,509**	**-**	**89,823**	**(1,137)**	**57,459**	**63,671**	**1,206,713**
	2010	1,178,889	40,066	-	100,032	7,642	-	148,635	1,475,264

Note 13 - Key management personnel compensation- continued

Cash bonus compensation benefits

Details of cash bonuses paid to key management personal are included in the remuneration tables set out above. The annual staff cash bonuses of $4,000 per full time employee were paid on 15 September 2010*.* The nature of the cash bonuses and the criteria used to determine the amount of the payments are detailed in the remuneration policy and in the discussion on performance based remuneration and company performance.

Analysis of bonuses included in remuneration

The vesting profile of short term-incentive bonuses are detailed below. No amounts vest in future financial years in respect of the short term-incentive bonuses for the 2011 year.

	Cash bonus (1)	Performance bonus	Share bonus	Vested in year	Forfeited in year (2)
Parent entity directors	$	$	$	%	%
James Thier	3,503	10,937	-	88	12
Howard Pender	2,978	-	-	100	-
Phillip Vernon	2,251	-	-	100	-
Named executives (including other KMP)					
Philip George	4,000	-	-	100	-
Gary Leckie	4,000	-	-	100	-
Tim Xirakis	4,000	-	-	100	-
Paul Harding Davis	4,000	6,250	-	25	75
James Jordan	3,259	-	-	100	-

(1) Details of cash and performance bonus have been provided in the director's report under remuneration policy
(2) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year

As mentioned earlier in this report criteria for cash based bonuses were established for key management personnel. These criteria are assessed against the results for the year and relevant cash bonuses paid subsequent to year end. The maximum and minimum possible total value of the cash bonuses for financial years after the financial year to which the report relates is set out in the table below:

	Minimum	Maximum
Parent Entity Director	$	$
Phillip Vernon	-	100,000
Named executives (including other KMP)		
Timothy Xirakis	-	13,000
Phillip George	-	7,407
Gary Leckie	-	11,334
James Jordan	-	48,069

Equity based remuneration

Equity based remuneration consists of grants of options and rights under the company's employee share ownership plan and employee share incentive scheme.

Set out in the following table are the holdings of equity instruments granted to the KMP that existed during the reporting period and includes details of vesting profiles of options/rights granted as compensation.

Note 13 - Key management personnel compensation- continued

Option holdings:

KMP option holdings	Option class	Grant date	Fair value at grant date	No. granted	No. vested & excercised	% of grant vested	No. expired	% of grant forfeited	Financial year in which grant vests
James Thier	AEFAT	24-Sep-07	$ 8.40	1,517	-	100%	(1,517)	100%	24-Sep-10
	AEFAV	1-Dec-08	$ 3.65	1,364	-	-	-		14-Oct-11
	2011 Total			**-**	**-**		**(1,517)**		
	2010 Total			-	-		(1,432)		
Howard Pender	AEFAT	24-Sep-07	$ 8.40	1,513	-	100%	(1,513)	100%	24-Sep-10
	AEFAV	1-Dec-08	$ 3.65	1,326	-	-	-		14-Oct-11
	2011 Total			**-**	**-**		**(1,513)**		
	2010 Total			-	-		(1,469)		
Philip George	AEFAT	24-Sep-07	$ 8.40	2,469	-	100%	(2,469)	100%	24-Sep-10
	AEFAU	14-Oct-08	$ 3.65	2,169	-	-	-	-	14-Oct-11
	2011 Total			**-**	**-**		**(2,469)**		
	2010 Total			-	(2,356)		-		
Gary Leckie	AEFAT	24-Sep-07	$ 8.40	1,767	-	100%	(1,767)	100%	24-Sep-10
	AEFAU	14-Oct-08	$ 3.65	1,919	-	-	-	-	14-Oct-11
	2011 Total			**-**	**-**		**(1,767)**		
	2010 Total			-	-		(1,443)		
Tim Xirakis	AEFAT	24-Sep-07	$ 8.40	1,776	-	100%	(1,776)	100%	24-Sep-10
	AEFAU	14-Oct-08	$ 3.65	1,895	-	-	-	-	14-Oct-11
	2011 Total			**-**	**-**		**(1,776)**		
	2010 Total			-	-	-	(1,387)		
Paul Harding Davis	AEFAU	14-Oct-08	$ 3.65	1,060	-	-	-	-	14-Oct-11
	2011 Total			**-**	**-**	**-**	**-**	**-**	
	2010 Total			-	-	-	-		
James Jordan	AEFAT	24-Sep-07	$ 8.40	1,146	-	100%	(1,146)	100%	24-Sep-10
	AEFAU	14-Oct-08	$ 3.65	1,243	-	-	-	-	14-Oct-11
	2011 Total			**-**	**-**	**-**	**(1,146)**		
	2010 Total			-	-	-	-	-	

Rights holdings:

KMP rights holdings	Rights class	Grant date	Fair value at grant date	No.granted	Value of rights granted ($)	No. vested and excercised	% of grant vested	No. lapsed	Value of rights lapsed ($)	% of grant lapsed
James Thier	AEFAY	19-Apr-11	$ 16.25	689	$11,196	-	-	-	-	-
			2011 Total	**689**	**$11,196**	**-**	**-**	**-**	**-**	**-**
			2010 Total	319	$9,439	-	-	-	-	-
Howard Pender	AEFAY	19-Apr-11	$ 16.25	736	$11,960	-	-	-	-	-
			2011 Total	**736**	**$11,960**	**-**	**-**	**-**	**-**	**-**
			2010 Total	320	$9,469	-	-	-	-	-
Phillip Vernon	AEFAY	19-Apr-11	$ 16.25	2481	$40,316	-	-	-	-	-
			2011 Total	**2481**	**$40,316**	**-**	**-**	**-**	**-**	**-**
			2010 Total	317	$8,204	-	-	-	-	-
Philip George	AEFAY	19-Apr-11	$ 16.25	985	$16,006	-	-	-	-	-
			2011 Total	**985**	**$16,006**	**-**	**-**	**-**	**-**	**-**
			2010 Total	501	$14,825	-	-	-	-	-
Gary Leckie	AEFAY	19-Apr-11	$ 16.25	1,008	$16,380	-	-	-	-	-
			2011 Total	**1008**	**$16,380**	**-**	**-**	**-**	**-**	**-**
			2010 Total	506	$14,973	-	-	-	-	-
Tim Xirakis	AEFAY	19-Apr-11	$ 16.25	982	$15,958	-	-	-	-	-
			2011 Total	**982**	**$15,958**	**-**	**-**	**-**	**-**	**-**
			2010 Total	493	$14,588	-	-	-	-	-
James Jordan	AEFAY	19-Apr-11	$ 16.25	868	$14,105	-	-	-	-	-
	AEFAX	30-Nov-09	$ 32.91		-	(862)	100%	-	-	-
	AEFAX	23-Nov-10	$ 26.00	47	$1,222	(47)	100%			
			2011 Total	**915**	**$15,327**	**(909)**	**-**	**-**	**-**	**-**
			2010 Total	1271	$40,471	-	-	-	-	-

Note 13 - Key management personnel compensation- continued

Explanation of relative proportions of elements of remuneration that are related to performance

Non-executive directors receive their total remuneration as cash or superannuation contributions. No element is dependent on performance.

The remuneration structures and performance conditions for executive directors and other key management personnel are outlined earlier in this report. People in these positions were entitled to participate in the staff bonus and employee share schemes described above. Rights granted during the financial year, when valued at grant date, make up a small proportion of the overall remuneration of people holding these positions.

The following table illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options/ rights during the financial year

	Proportion of elements of remuneration related to performance			Proportion of elements of remuneration not related to performance	
	Non-salary cash-based incentives	**Shares**	**Options / rights**	**Fixed salary/ fees**	**Total**
	%	**%**	**%**	**%**	**%**
Parent entity directors' remuneration					
James Thier	7	-	7	86	100
Howard Pender	-	-	7	93	100
Naomi Edwards	-	-	-	100	100
Justine Hickey	-	-	-	100	100
André Morony	-	-	-	100	100
Les Coleman	-	-	-	100	100
Phillip Vernon	-	-	11	89	100
Named executives (including other KMP)					
Philip George	-	-	7	93	100
Ruth Medd	-	-	-	100	100
Gary Leckie	-	-	7	93	100
Tim Xirakis	-	-	7	93	100
Paul Harding Davis	6	-	-	94	100
James Jordan	-	-	5	95	100

b) Key management personnel compensation

	Economic Entity		Parent Entity	
	2011	2010	**2011**	2010
	$	**$**	**$**	**$**
Short term employment benefits	**1,698,879**	1,866,314	**1,661,759**	1,809,139
Post-employment benefits	**151,363**	158,141	**148,016**	153,731
Other long-term benefits	**19,073**	21,010	**19,073**	21,010
Termination benefits	**57,459**	235,000	**57,459**	235,000
Share-based payments	**127,143**	175,747	**127,143**	175,747
Total compensation	**2,053,917**	2,456,212	**2,013,450**	2,394,627

Note 13 - Key management personnel compensation- continued

c) Equity instrument disclosures relating to key management personnel

Option holdings

Number of options held by key management personnel.

KMP options holdings	Option Class	Balance at beginning of year	No. granted	No. expired	No. vested & excercised	Balance at end of year	Vested at end of year	Vested & excercisable at end of year	Vested & un-excercisable at end of year
Parent entity directors									
James Thier	AEFAT	1,517	-	(1,517)	-	-	1,517	1,517	-
	AEFAV	1,364	-	-	-	1,364	-	-	-
	2011 Total	**2,881**	**-**	**(1,517)**	**-**	**1,364**	**1,517**	**1,517**	**-**
	2010 Total	4,313	-	(1,432)	-	2,881	1,432	1,432	-
Howard Pender	AEFAT	1,513	-	(1,513)	-	-	1,513	1,513	-
	AEFAV	1,326	-	-	-	1,326	-	-	-
	2011 Total	**2,839**	**-**	**(1,513)**	**-**	**1,326**	**1,513**	**1,513**	**-**
	2010 Total	4,308	-	(1,469)	-	2,839	1,469	1,469	-
Named executives (including other key management personnel)									
Philip George	AEFAT	2,469	-	(2,469)	-	-	2,469	2,469	-
	AEFAU	2,169	-	-	-	2,169	-	-	-
	2011 Total	**4,638**	**-**	**(2,469)**		**2,169**	**2,469**	**2,469**	**-**
	2010 Total	6,994	-	-	(2,356)	4,638	2,356	2,356	-
Gary Leckie	AEFAT	1,767	-	(1,767)	-	-	1,767	1,767	-
	AEFAU	1,919	-	-	-	1,919	-	-	-
	2011 Total	**3,686**	**-**	**(1,767)**	-	**1,919**	**1,767**	**1,767**	**-**
	2010 Total	5,129	-	(1,443)	-	3,686	1,443	1,443	-
Tim Xirakis	AEFAT	1,776	-	(1,776)	-	-	1,776	1,776	-
	AEFAU	1,895	-	-	-	1,895	-	-	-
	2011 Total	**3,671**	**-**	**(1,776)**	-	**1,895**	**1,776**	**1,776**	**-**
	2010 Total	5,058	-	(1,387)	-	3,671	1,387	1,387	-
Paul Harding Davis	AEFAU	1,060	-	-	-	1,060	-	-	-
	2011 Total	**1,060**	**-**	-	-	**1,060**	**-**	**-**	**-**
	2010 Total	1,060	-	-	-	1,060	-	-	-
James Jordan	AEFAT	1,146	-	(1,146)	-	-	1,146	1,146	-
	AEFAU	1,243	-	-	-	1,243	-	-	-
	2011 Total	**2,389**	**-**	**(1,146)**	-	**1,243**	1,146	**1,146**	**-**
	2010 Total	2,389	-	-	-	2,389	-	-	-

Rights holdings

Number of Rights held by key management personnel.

KMP Rights Holdings	Rights Class	Balance at beginning of year	No. granted	No.forfeited	No. vested & excercised	Balance at end of year	Vested at end of year	Vested & excercisable at end of year	Vested & un-excercisable at end of year
Parent entity directors									
James Thier	AEFAY	-	689	-	-	689	-	-	-
	AEFAW	319	-	-	-	319	-	-	-
	2011 Total	**319**	**689**	**-**	**-**	**1,008**	**-**	**-**	**-**
	2010 Total	-	319	-	-	319	-	-	-
Howard Pender	AEFAY	-	736	-	-	736	-	-	-
	AEFAW	320	-	-	-	320	-	-	-
	2011 Total	**320**	**736**	**-**	**-**	**1,056**	**-**	**-**	**-**
	2010 Total	-	320	-	-	320	-	-	-
Phillip Vernon	AEFAY	-	2,481	-	-	2,481	-	-	-
	AEFAW	317	-	-	-	317	-	-	-
	2011 Total	**317**	**2,481**	**-**	**-**	**2,798**	**-**	**-**	**-**
	2010 Total	-	317	-	-	317	-	-	-

Note 13 - Key management personnel compensation- continued

Named executives (including other key management personnel)									
Philip George	AEFAY	-	985	-	-	985	-	-	-
	AEFAW	501	-	-	-	501	-	-	-
	2011 Total	**501**	**985**	**-**	**-**	**1,486**	**-**	**-**	**-**
	2010 Total	-	501	-	-	501	-	-	-
Gary Leckie	AEFAY	-	1,008	-	-	**1,008**	-	-	-
	AEFAW	506	-	-	-	506	-	-	-
	2011 Total	**506**	**1,008**	**-**	**-**	**1,514**	**-**	**-**	**-**
	2010 Total	-	506	-	-	506	-	-	-
Tim Xirakis	AEFAY		**982**	-	-	**982**	-	-	-
	AEFAW	493	-	-	-	493	-	-	-
	2011 Total	**493**	**982**	**-**	**-**	**1,475**	**-**	**-**	**-**
	2010 Total	-	493	-	-	493	-	-	-
Paul Harding Davis	AEFAY	-	-	-	-	-	-	-	-
	AEFAW	531	-	(531)	-	-	-	-	-
	2011 Total	**531**	**-**	**(531)**	**-**	**-**	**-**	**-**	**-**
	2010 Total	-	531	-	-	531	-	-	-
James Jordan	AEFAY	-	868	-	-	868	-	-	-
	AEFAW	409	-	-	-	409	-	-	-
	AEFAX	862	47	-	(909)	-	909	909	909
	2011 Total	**1,271**	915	**-**	**(909)**	**1,277**	**909**	**909**	**909**
	2010 Total	-	1,271	-	-	1,271	-	-	-

Share holdings

Number of shares held by key management personnel.

Parent entity directors		**Balance at beginning of year**	**Acquired / Granted as Remuneration**	**On exercise of options/ rights**	**Net Change other (1)**	**Balance at end of year (2) & (3)**
James Thier	**2011**	**65,846**	**-**	**-**	**730**	**66,576**
	2010	65,846	-	-	-	65,846
Howard Pender	**2011**	**51,883**	**-**	**-**	**(1,200)**	**50,683**
	2010	52,283	-	-	(400)	51,883
Justine Hickey	**2011**	**700**	**-**	**-**	**500**	**1,200**
	2010	700	-	-	-	700
Named executives (including other key management personnel)						
Philip George	**2011**	**1,104**	**-**	**-**	**-**	**1,104**
	2010	489	-	-	615	1,104
Gary Leckie	**2010**	**-**	**-**	**-**	**-**	**-**
	2009	-	-	1,387	(1,387)	-
Paul Harding Davis	**2011**	**1,598**	**-**	**-**	**(838)**	**760**
	2010	78	-	-	1,520	1,598
James Jordan	**2011**	**-**	**-**	**909**	**-**	**909**
	2010	-	-	-	-	-

(1) "Net change other" incorporates changes resulting from purchases, sales, forfeitures during the year.
(2) Shares issued are fully paid
(3) Balance represents shareholdings by key management personnel including their related parties as required by AASB 124 Related Party Disclosures

Key management personnel loans

	Balance at beginning of year	**Interest charged**	**Interest not charged**	**Write-off**	**Balance at end of year**	**No. of Individuals at end of year**
Key management personnel	**$**	**$**	**$**	**$**	**$**	
2011	**43,358.14**	**1,860.30**	**-**	**-**	**12,250.11**	**1**
2010	**-**	**1,697.65**	**-**	**-**	**43,358.14**	**2**

(a) The Loan is repayable on 30 November 2013 and currently bears interest at 7.8 % per annum that is the FBT interest rate set by the ATO.
(b) In the 2010 -11 reporting period, there w ere no loans to individuals that exceeded $100,000 at any time.

Directors' Declaration

The Directors of Australian Ethical Investment Limited (the responsible entity) declare that:

1. The financial statements of the Climate Advocacy Fund and notes as set out on pages 3 to 27 are in accordance with the Corporations Act 2001:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30 June 2011 and of the performace for the financial year ended on that date for the scheme.

2. In the Directors' opinion there are reasonable grounds to believe that the scheme will be able to pay its debts as and when they become due and payable.

3. The scheme has operated during the financial year ended 30 June 2011 in accordance with the provisions of the scheme's constitution.

This declaration is made in accordance with a resolution of the Board of Directors of Australian Ethical Investment Limited.

Phillip Vernon
Managing Director
Australian Ethical Investment Limited
ABN 47 003 188 930
30 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF

CLIMATE ADVOCACY FUND

We have audited the accompanying financial report of Climate Advocacy Fund which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration.

The Directors of the Responsible Entity's Responsibility for the Financial Report

The directors of the responsible Entity, Australian Ethical Investment Limited are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the schemes preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the schemes internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations *Act 2001*

Opinion

In our opinion:

(a) the financial report of Climate Advocacy Fund is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the scheme's financial position as at 30 June, 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the financial report is in accordance with the provisions of the scheme's constitution.

THOMAS DAVIS & CO.

P.L. WHITEMAN PARTNER

Chartered Accountants

SYDNEY,

30 September ,2011

Liability limited by a scheme approved under Professional Standards Legislation