

Directors' Report

For the year ended 30 June 2011

Australian Ethical Investment Limited, the responsible entity of the:

- Australian Ethical Balanced Trust (AEBT);
- Australian Ethical Property Trust (AEPT);
- Australian Ethical Smaller Companies Trust (AEST);
- Australian Ethical Income Trust (AEIT);
- Australian Ethical Larger Companies Trust (AELT);
- Australian Ethical World Trust (AEWT); and
- Australian Ethical International Equities Trust (AEIET);

(collectively "the schemes") presents its directors' report together with the audited financial statements of the schemes 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 AEBT, AEST, AEIT and AELT by election of unitholders on 20 August 1999 and those schemes were registered as managed investment schemes with the Australian Securities and Investments Commission (ASIC) on 2 November 1999.

The AEWT was registered as a managed investment scheme with ASIC on 2 February 2007 with Australian Ethical Investment Limited as its responsible entity.

The AEIET was registered as a managed investment scheme with ASIC on 23 April 2007 with Australian Ethical Investment Limited as its responsible entity.

The AEPT was registered as a managed investment scheme with ASIC on 17 July 2009 with Australian Ethical Investment Limited as its responsible entity.

The Directors of Australian Ethical Investment Limited during or since the end of the financial year are disclosed in note 21 to the financial statements.

Principal activities and state of affairs

The principal activity of each of the schemes is to pool investors' savings to invest in diversified portfolios of securities, in accordance with their respective investment objectives and guidelines as set out in the current Product Disclosure Statement and within the provisions of each scheme's constitution. The constitution of each scheme authorises investments in a range of assets, which may include capital stable interest bearing securities and equity investments, both domestic and international. Investments are sought to pursue the goal of a just and sustainable society and the protection of the natural environment as well as providing unitholders (the scheme investors) with a competitive financial return.

Except as otherwise described in the directors' report or the financial statements, there were no significant changes in the nature of each scheme's principal activities during the year and there were no significant changes in each scheme's state of affairs.

Review of year's operations

Australian Ethical Balanced Trust

The scheme achieved a total return of 4.1% for the financial year. The scheme paid distributions of 2.87 cents per unit over the year.

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$237,134,118.

Australian Ethical Property Trust

The scheme achieved a total return of 15.8% for the financial year. The scheme paid distributions of 1.97 cents per unit over the year.

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$33,765,765.

Australian Ethical Smaller Companies Trust

The scheme achieved a total return of 10.8% for the financial year. The scheme paid distributions of 10.3 cents per unit over the year.

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$225,388,022.

Australian Ethical Income Trust

The scheme achieved a total return of 5.4% for the financial year. The scheme paid distributions of 4.22 cents per unit over the year.

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$34,192,659.

Australian Ethical Larger Companies Trust

The scheme achieved a total return of .2% for the financial year. The scheme paid distributions of 1.903 cents per unit over the year.

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$105,293,744.

Australian Ethical World Trust

During the financial year ended 30 June 2010 the Australian Ethical World Trust was closed to investors and all existing investors either redeemed their investment or switched to one of the other Australian Ethical Managed Funds. The responsible entity is in the process of winding up the operations of the AEWT.

Australian Ethical International Equities Trust

The scheme achieved a total return of -5.4% for the financial year. The scheme did not pay a distribution for the

The value of the scheme's net assets attributable to unitholders as at 30 June 2011 was \$97,532,048.

Developments through the period

During the year the responsible entity configured and implemented a new asset management and unit pricing software platform. This new platform went live in the second half of 2010/11. The costs of this new platform are borne by the schemes as per the scheme constitutions.

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 this report.

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



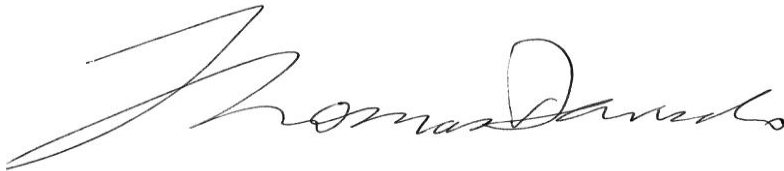
Phillip Vernon
Managing Director
Australian Ethical Investment Limited
ABN 47 003 188 930
30 September 2011

AUSTRALIAN ETHICAL BALANCED TRUST
AUSTRALIAN ETHICAL PROPERTY TRUST
AUSTRALIAN ETHICAL SMALLER COMPANIES TRUST
AUSTRALIAN ETHICAL INCOME TRUST
AUSTRALIAN ETHICAL LARGER COMPANIES TRUST
AUSTRALIAN ETHICAL WORLD TRUST
AUSTRALIAN ETHICAL INTERNATIONAL EQUITIES TRUST

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

Statements of Financial Position as at 30 June 2011

		Balanced Trust ("AEBT")	Property Trust ("AEPT")	Smaller Companies Trust ("AEST")	Income Trust ("AEIT")	Larger Companies Trust ("AELT")	World Trust ("AEWT")	International Equities Trust ("AEIET")	
Notes		2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Assets									
Cash and cash equivalents	4	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755
Trade and other receivables	5	2,483,018	2,710,658	4,004	94,483	1,416,221	1,666,357	405,218	342,966
Financial assets	6	217,863,843	215,104,615	-	2,683,200	222,286,191	204,467,431	31,339,516	26,481,005
Loans	7	5,038,925	5,490,944	-	-	-	-	701,543	1,140,608
Investment properties	8	6,500,000	5,950,000	52,851,341	19,800,000	-	-	-	-
Other assets	9	565,878	42,315	114,081	145,085	679,363	29,901	107,971	12,815
Total assets		241,238,257	239,888,633	54,575,890	23,312,261	238,458,426	213,256,206	35,113,536	30,524,149
Liabilities									
Trade and other payables	10	666,434	879,729	1,118,083	328,913	659,537	726,950	128,270	156,098
Borrowings	11	-	-	19,692,042	7,400,000	-	-	-	-
Distribution payable	12	3,437,705	5,502,431	-	178,701	12,410,867	3,506,218	792,607	665,056
Total liabilities excluding net assets attributable to unitholders		4,104,139	6,382,160	20,810,125	7,907,614	13,070,404	4,233,168	920,877	821,154
Net assets attributable to unitholders		237,134,118	233,506,473	33,765,765	15,404,647	225,388,022	209,023,038	34,192,659	29,702,995
Total liabilities		241,238,257	239,888,633	54,575,890	23,312,261	238,458,426	213,256,206	35,113,536	30,524,149

The accompanying notes form part of these financial statements.

Statements of Comprehensive Income for the year ended 30 June 2011

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
Notes	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investment income														
Distributions	1,714,252	1,624,488	85,166	145,600	218,622	673,729	-	-	314,019	893,013	-	-	-	-
Dividends domestic	3,049,223	2,065,636	-	-	7,572,354	5,175,360	-	-	3,242,430	2,376,862	-	-	-	-
Dividends overseas	22,290	-	-	-	68,723	189,949	-	-	18,297	337,509	-	-	1,311,892	1,301,157
Foreign exchange hedging revenue	-	-	-	-	374,505	802,409	-	-	303,116	1,142,271	-	9,188	-	-
Interest	5,956,343	5,182,672	108,241	24,681	706,203	484,468	1,896,432	1,323,584	128,799	177,331	247	8,015	274,827	151,878
Other income	944	25,806	-	5,771	176,538	166,998	69,714	344,510	14,256	74,775	-	-	1,133	47,757
Rent	628,721	629,089	1,691,085	1,473,776	-	-	-	-	-	-	-	-	-	-
Profit (loss) on foreign exchange	-	-	-	-	-	(1,551,906)	-	-	(9)	(986,481)	-	30,939	(2,339,095)	(1,969,059)
Profit (loss) on sale of investments	1,284,557	1,953,215	(500)	-	17,552,714	1,167,308	-	-	(78,272)	6,931,135	-	140,394	1,435,799	1,536,899
Unrealised increment (decrement) on fluctuation in value of investments	176,294	2,084,050	(42,906)	1,367,721	537,684	7,623,766	328,720	303,352	(1,674,048)	(2,777,843)	-	(48,196)	(4,961,438)	(1,932,092)
	12,832,624	13,564,956	1,841,086	3,017,549	27,207,343	14,732,081	2,294,866	1,971,446	2,268,588	8,168,572	247	140,340	(4,276,882)	(863,460)
Less expenditure														
Administration costs	688,551	511,711	55,261	108,305	521,914	456,013	165,522	155,737	328,298	317,084	970	21,192	226,516	208,089
Auditors' remuneration	43,141	44,773	6,025	2,750	34,858	35,930	15,063	15,437	22,162	23,018	2,450	5,575	17,430	17,964
Borrowing costs	-	-	618,039	463,972	-	-	-	-	-	-	-	-	-	-
Foreign exchange hedging costs	-	-	-	-	463,228	503,055	-	-	405,524	661,680	-	71,331	-	-
Investment properties	142,725	104,821	380,506	274,725	-	-	-	-	-	-	-	-	-	-
Responsible entity fees	3,499,595	3,652,625	957,021	138,982	4,116,330	3,938,935	367,436	335,217	1,751,143	2,013,747	-	14,473	1,470,664	1,043,162
	4,374,012	4,313,930	2,016,852	988,734	5,136,330	4,933,933	548,021	506,391	2,507,127	3,015,529	3,420	112,571	1,714,610	1,269,215
Profit (loss) from operating activities	8,458,612	9,251,026	(175,766)	2,028,815	22,071,013	9,798,148	1,746,845	1,465,055	(238,539)	5,153,043	(3,173)	27,769	(5,991,492)	(2,132,675)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	8,458,612	9,251,026	(175,766)	2,028,815	22,071,013	9,798,148	1,746,845	1,465,055	(238,539)	5,153,043	(3,173)	27,769	(5,991,492)	(2,132,675)
Finance costs - distributions to unitholders	(6,502,882)	(7,416,678)	(307,173)	(519,278)	(14,839,047)	(3,506,218)	(1,447,916)	(932,238)	(1,513,780)	(683,481)	-	-	-	-
Change in net assets attributable to unitholders	1,955,730	1,834,348	(482,939)	1,509,537	7,231,966	6,291,930	298,929	532,817	(1,752,319)	4,469,562	(3,173)	27,769	(5,991,492)	(2,132,675)

The accompanying notes form part of these financial statements.

Statements of Cash Flows for the year ended 30 June 2011

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
Notes	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Cash flows from operating activities														
Interest received	6,042,048	5,084,125	90,565	13,398	686,412	496,049	1,798,863	1,219,442	137,072	168,804	-	8,320	279,948	136,215
Dividends received	2,824,040	1,979,536	-	-	7,207,103	5,289,459	-	-	3,169,513	2,717,961	-	-	534,509	1,246,679
Distributions received	1,539,058	1,361,791	121,566	109,200	569,535	875,888	-	-	1,082,226	456,603	-	-	-	-
Other income received	855,934	256,402	1,703,224	1,222,909	744,648	880,257	31,781	102,512	422,927	1,212,228	-	40,034	29,684	64,540
Expenses	(5,058,855)	(4,269,626)	(981,742)	(645,454)	(4,373,404)	(5,786,963)	(654,993)	(450,789)	(2,729,399)	(3,501,303)	(3,304)	(23,143)	(4,133,129)	(3,212,125)
Net cash provided by (used in) operating activities	6,202,225	4,412,228	933,613	700,053	4,834,294	1,754,690	1,175,651	871,165	2,082,339	1,054,293	(3,304)	25,211	(3,288,988)	(1,764,691)
Cash flows from investing activities														
Proceeds from sale of investments	118,553,034	142,292,099	4,704,111	-	113,666,139	184,244,873	17,194,317	35,507,519	27,155,463	161,668,146	-	5,807,601	68,885,945	72,642,029
Customer loans repaid	1,472,997	1,426,254	-	-	-	-	437,072	222,706	-	-	-	-	-	-
Customer loans granted	(2,770,000)	(1,449,647)	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Property, Plant & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment for investments	(118,487,668)	(154,462,512)	(35,141,728)	(2,683,200)	(114,691,750)	(207,064,528)	(21,647,324)	(35,230,935)	(25,464,943)	(162,145,759)	-	(26,857)	(66,699,861)	(136,215,785)
Net cash provided by (used in) investing activities	(1,231,637)	(12,193,806)	(30,437,617)	(2,683,200)	(1,025,611)	(22,819,655)	(4,015,935)	499,290	1,690,520	(477,613)	-	5,780,744	2,186,084	(63,573,756)
Cash flows from financing activities														
Proceeds from issue of units	18,052,606	23,622,186	18,857,492	2,816,680	17,812,062	22,130,385	6,451,233	3,740,239	8,648,082	10,648,728	-	239,361	5,075,929	82,693,107
Payment of redemption of units	(23,378,578)	(12,383,170)	-	-	(13,191,695)	(8,830,466)	(3,489,423)	(4,888,598)	(16,495,748)	(9,950,138)	-	(6,214,220)	(11,381,876)	(8,394,436)
Proceeds from/(repayment of) borrowings	-	-	12,142,795	-	-	-	-	-	-	-	-	-	-	-
Distributions paid	(1,448,124)	(732,605)	(479,312)	(340,119)	(1,444,916)	(200,396)	(108,993)	(65,528)	(269,086)	(1,366)	-	-	-	-
Net cash provided by (used in) financing activities	(6,774,096)	10,506,411	30,520,975	2,476,561	3,175,451	13,099,523	2,852,817	(1,213,887)	(8,116,752)	697,224	-	(5,974,859)	(6,305,947)	74,298,671
Net increase (decrease) in cash held	(1,803,508)	2,724,833	1,016,971	493,414	6,984,134	(7,965,442)	12,533	156,568	(4,343,893)	1,273,904	(3,304)	(168,904)	(7,408,851)	8,960,224
Cash at 1 July 2010	10,590,101	7,865,268	589,493	96,079	7,092,517	15,057,959	2,546,755	2,390,187	5,525,954	4,252,050	20,669	189,573	11,543,470	2,583,246
Cash at 30 June 2011	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755	1,182,061	5,525,954	17,365	20,669	4,134,619	11,543,470

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 Constitutions of each scheme, Australian Accounting Standards, Australian accounting interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The Financial Reports cover each scheme 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 schemes are established and domiciled in Australia.

As the schemes have the same Responsible Entity, the Financial Reports for the schemes are presented in a single document as permitted by ASIC class order 06/441.

The following is a summary of the material accounting policies adopted by the schemes 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 are 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.

AEST, AELT and AEWT hold derivatives which are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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) Investment property

AEBT and the AEPT hold investment properties (principally Crown leasehold office complexes), to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined every 12 months by independent valuers. Changes to fair value are recorded in the statement of comprehensive income.

Note 1 - Statement of significant accounting policies - continued

(d) Payables

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

(e) Distribution

Australian Ethical distributes to the unitholders of each scheme the income (generally net taxable income plus non-taxable income, not including realised capital gains) earned by the schemes 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 schemes.

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

(f) 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.

(g) Revenue

Revenue from investment properties is recognised on an accrual basis, when the scheme has a right to receive the rent in accordance with the lease agreement.

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.

(h) Applications and redemptions

Applications received for units in each scheme are recorded net of any contribution fees payable prior to the issue of units in each scheme. No exit fees are charged. Unit prices are determined by reference to the net assets of each scheme divided by the number of units on issue at close of business each day, with a buy / sell spread applied to all trusts except for the Income Trust.

All or part of an investment can be switched between the 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 the Australian Ethical Investment Trust's Product Disclosure Statement.

(i) Goods and services tax (GST)

The schemes qualify 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 are 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.

(j) Income tax

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

Note 1 - Statement of significant accounting policies - continued

(k) Foreign currency transactions and balances

AEIET foreign currency transactions are translated into Australian currency at the rate of exchange applicable at the date of the transaction. Amounts payable and receivable in foreign currencies at balance date are translated at the year-end exchange rate. The resulting gains and losses are included in the statement of comprehensive income in the period they arise.

(l) Currency options

AEST and AELT hold options which are purchased to hedge against foreign currency exposure. The cost is amortised over the period of the option. The options are valued using the Black Scholes pricing model, which is common place as a valuation method for these derivatives across the wider market.

(m) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Accounting Standards not previously applied

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).

Note 1 - Statement of significant accounting policies - continued

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 schemes.

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 Units	2010 Units	2011 Units	2010 Units	2011 Units	2010 Units	2011 Units	2010 Units	2011 Units	2010 Units	2011 Units	2010 Units	2011 Units	2010 Units
Note 2 - Number of Issued Units														
On issue at beginning of year	226,458,014	212,916,337	15,504,790	12,550,000	138,535,928	129,866,602	30,917,137	31,478,107	82,865,162	82,358,731	21,831	8,850,123	158,985,531	55,306,917
Issued	23,532,492	25,361,898	19,105,172	2,954,790	13,530,853	14,081,613	6,468,727	4,524,817	6,818,428	7,370,196	-	343,256	7,295,885	115,759,017
Redeemed	(22,192,663)	(11,820,221)	-	-	(7,860,047)	(5,412,287)	(2,167,543)	(5,085,787)	(11,725,348)	(6,863,765)	-	(9,171,548)	(17,167,736)	(12,080,403)
On issue at year end	227,797,843	226,458,014	34,609,962	15,504,790	144,206,734	138,535,928	35,218,321	30,917,137	77,958,242	82,865,162	21,831	21,831	149,113,680	158,985,531

	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 3 - Net assets attributable to unitholders														
Opening balance	233,506,473	217,116,441	15,404,647	11,145,693	209,023,038	188,722,442	29,702,995	29,708,856	113,815,441	108,654,572	11,797	5,957,428	109,829,598	37,666,091
Issued	25,065,772	27,144,178	18,844,057	2,749,417	22,247,570	22,894,859	6,309,946	4,367,597	9,716,655	10,631,780	-	238,402	5,073,016	82,693,108
Redeemed	(23,393,857)	(12,588,494)	-	-	(13,114,552)	(8,886,193)	(2,119,211)	(4,906,275)	(16,486,033)	(9,940,473)	-	(6,211,802)	(11,379,074)	(8,396,926)
Change in net assets attributable to unitholders	1,955,730	1,834,348	(482,939)	1,509,537	7,231,966	6,291,930	298,929	532,817	(1,752,319)	4,469,562	(3,173)	27,769	(5,991,492)	(2,132,675)
Total net assets attributable to unitholders	237,134,118	233,506,473	33,765,765	15,404,647	225,388,022	209,023,038	34,192,659	29,702,995	105,293,744	113,815,441	8,624	11,797	97,532,048	109,829,598

	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 4 - Cash and cash equivalents														
Cash at bank	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755	1,182,061	5,525,954	17,365	20,669	4,134,619	11,543,470
	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755	1,182,061	5,525,954	17,365	20,669	4,134,619	11,543,470

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

For the purposes of the Statement of Cashflows, Cash includes Cash at Bank and Cash on Deposit. Cash at the end of the year as shown in the Statement of Cashflows is reconciled to the related items in the Statement of financial position as follows:

	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Reconciliation of cash														
Cash at bank	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755	1,182,061	5,525,954	17,365	20,669	4,134,619	11,543,470
	8,786,593	10,590,101	1,606,464	589,493	14,076,651	7,092,517	2,559,288	2,546,755	1,182,061	5,525,954	17,365	20,669	4,134,619	11,543,470

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 5 - Trade and other receivables														
Dividend receivable	1,217,857	83,200	-	-	801,586	367,612	-	-	331,395	240,181	-	-	56,492	72,804
Interest receivable	664,851	709,676	-	11,283	48,078	28,288	340,631	270,371	9,911	18,185	380	171	17,944	23,066
Investment sales	3,704	1,541	-	-	-	-	-	1,028	-	-	-	-	2,017,992	862,958
Rent and other income receivable	-	2,949	4,004	2,341	-	-	-	-	-	-	-	-	-	-
Distributions receivable	-	811,319	-	36,400	-	350,913	-	-	-	768,206	-	-	-	-
Debtors	596,606	1,101,973	-	44,459	566,557	919,544	64,587	71,567	258,565	223,761	-	162	376,402	242,185
	2,483,018	2,710,658	4,004	94,483	1,416,221	1,666,357	405,218	342,966	599,871	1,250,333	380	333	2,468,830	1,201,013

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

Equities														
Australian listed	53,188,655	52,093,797	-	-	191,691,634	160,094,046	-	-	68,947,620	61,416,366	-	-	-	-
International listed	-	-	-	-	-	-	-	-	-	-	-	-	90,854,024	98,210,713
Unlisted	-	-	-	-	506,703	408,467	-	-	-	-	-	-	-	-
	53,188,655	52,093,797	-	-	192,198,337	160,502,513	-	-	68,947,620	61,416,366	-	-	90,854,024	98,210,713
Unit trusts														
Listed	2,854,144	5,171,005	-	-	-	-	-	-	4,080,503	8,942,761	-	-	-	-
Unlisted	73,178,382	64,892,930	-	2,083,200	25,467,750	33,644,765	-	-	28,908,177	34,766,644	-	-	-	-
	76,032,526	70,063,935	-	2,083,200	25,467,750	33,644,765	-	-	32,988,680	43,709,405	-	-	-	-
Stapled securities														
Listed	2,287,606	8,308,431	-	-	2,790,282	9,212,895	-	-	2,503,373	3,631,573	-	-	-	-
Unlisted	-	-	-	-	1,369,806	1,073,966	-	-	-	-	-	-	-	-
	2,287,606	8,308,431	-	-	4,160,088	10,286,861	-	-	2,503,373	3,631,573	-	-	-	-
Derivatives														
Currency options	-	-	-	-	187,181	33,292	-	-	4,130	1,061	-	-	-	-
Foreign exchange forwards	-	-	-	-	-	-	-	-	-	17,255,031	-	-	-	-
	-	-	-	-	187,181	33,292	-	-	4,130	17,256,092	-	-	-	-
Interest bearing securities														
Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government Securities	2,053,700	-	-	-	-	-	-	-	-	-	-	-	-	-
Notes/debt instruments secured	17,787,592	15,115,346	-	-	-	-	6,133,262	6,562,537	-	-	-	-	-	-
Notes/debt instruments unsecured	66,513,764	69,523,106	-	600,000	272,835	-	25,206,254	19,918,468	-	-	-	-	-	-
	86,355,056	84,638,452	-	600,000	272,835	-	31,339,516	26,481,005	-	-	-	-	-	-
	217,863,843	215,104,615	-	2,683,200	222,286,191	204,467,431	31,339,516	26,481,005	104,443,803	126,013,436	-	-	90,854,024	98,210,713

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 7 - Loans														
Secured	5,038,925	5,490,944	-	-	-	-	701,543	1,140,608	-	-	-	-	-	-
	5,038,925	5,490,944	-	-	-	-	701,543	1,140,608	-	-	-	-	-	-

Note 8 - Investment properties

Commercial	6,500,000	5,950,000	52,851,341	19,800,000	-	-	-	-	-	-	-	-	-	-
Total investment properties	6,500,000	5,950,000	52,851,341	19,800,000	-	-	-	-	-	-	-	-	-	-
At Fair Value														
Opening balance at 1 July	5,950,000	6,600,000	19,800,000	18,500,000	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	33,094,247	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gain (loss) from fair value adjustment	550,000	(650,000)	(42,906)	1,300,000	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June	6,500,000	5,950,000	52,851,341	19,800,000	-	-	-	-	-	-	-	-	-	-

(a) Amounts recognised in profit and loss for investment property

Rental income	628,721	629,089	1,691,085	1,473,776	-	-	-	-	-	-	-	-	-	-
Direct operating expenses from property that generate rental income	(142,725)	(104,821)	(998,545)	(806,479)	-	-	-	-	-	-	-	-	-	-
Direct operating expenses from property that did not generate rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	485,996	524,268	692,540	667,297	-	-	-	-	-	-	-	-	-	-

(b) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The fair value model is applied to all investment properties. Valuations are performed every 12 months by a registered independent valuer.

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 8 - Investment properties - continued														
(c) Leasing arrangements														
Within one year	329,676	352,709	3,086,626	1,880,178	-	-	-	-	-	-	-	-	-	-
Later than one year but not later than 5 years	-	-	14,917,124	3,437,571	-	-	-	-	-	-	-	-	-	-
Later than 5 years	-	-	21,339,019	555,133	-	-	-	-	-	-	-	-	-	-
	329,676	352,709	39,342,769	5,872,882	-	-	-	-	-	-	-	-	-	-

Note 9 - Other assets

Pre-paid interest	-	-	-	145,085	-	-	-	-	-	-	-	-	-	-
Capitalised project costs	565,878	42,315	50,521	-	679,363	29,901	107,971	12,815	263,918	24,261	-	-	334,425	20,824
Real Estate - Leasehold Improvements	-	-	60,333	-	-	-	-	-	-	-	-	-	-	-
Deposits held in Trust	-	-	3,227	-	-	-	-	-	-	-	-	-	-	-
	565,878	42,315	114,081	145,085	679,363	29,901	107,971	12,815	263,918	24,261	-	-	334,425	20,824

Note 10 - Trade and other payables

Trade payables and sundry creditors	666,434	699,085	1,118,083	328,913	659,537	661,157	128,270	137,817	343,785	370,236	9,121	9,205	259,850	283,464
Accrued redemptions	-	180,644	-	-	-	65,793	-	18,281	-	73,384	-	-	-	-
Investment purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	862,958
Foreign exchange forwards	-	-	-	-	-	-	-	-	-	17,871,442	-	-	-	-
	666,434	879,729	1,118,083	328,913	659,537	726,950	128,270	156,098	343,785	18,315,062	9,121	9,205	259,850	1,146,422

The Property Trust has entered into a revolving credit facility with our corporate bankers (National Australia Bank). The credit is provided via a revolving 90 day fixed interest bank bill. This is secured against the property at 64 Allara St, Canberra. The current bill was entered into on 29 June 2010 and matures on 29 September 2010. The current yield rate is 5.00% and the effective rate, inclusive of fees & charges is 8.13%.

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Note 11 - Borrowings														
Bank bill (secured)	-	-	19,692,042	7,400,000	-	-	-	-	-	-	-	-	-	-
	-	-	19,692,042	7,400,000	-	-	-	-	-	-	-	-	-	-

Note 12 - Distribution payable

Net amount available for distribution	6,502,882	7,416,678	307,173	519,278	14,839,047	3,506,218	1,447,916	932,238	1,513,780	683,481	-	-	-	-
Distributed														
half-year ended 31 December 2010	3,065,177	1,914,247	307,173	340,577	2,428,180	-	655,309	267,182	661,656	-	-	-	-	-
half-year ended 30 June 2011	3,437,705	5,502,431	-	178,701	12,410,867	3,506,218	792,607	665,056	852,124	683,481	-	-	-	-
	6,502,882	7,416,678	307,173	519,278	14,839,047	3,506,218	1,447,916	932,238	1,513,780	683,481	-	-	-	-

Note 13 - Auditors' remuneration

Amounts received or due and receivable
by the Auditors of the Trust for:

Auditing the financial report	34,700	36,000	4,800	2,200	25,800	26,600	11,100	11,400	16,000	16,600	1,800	4,100	13,000	13,400
Tax and other accounting advice	8,441	8,773	1,225	550	9,058	9,330	3,963	4,037	6,162	6,418	650	1,475	4,430	4,564
	43,141	44,773	6,025	2,750	34,858	35,930	15,063	15,437	22,162	23,018	2,450	5,575	17,430	17,964

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

Note 14 - Cash flow information

Net operating profit (loss) for the year

from ordinary activities

(Increase) Decrease in accrued income

Unrealised (increment) decrement on

fluctuation in value of investments

Increase (Decrease) in accrued

charges & creditors

(Increase) Decrease in debtors/prepayments

(Profit) Loss on sale of investments

Foreign exchange hedging costs

Project costs

Net cash provided by (used in) operating activities

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net operating profit (loss) for the year from ordinary activities	8,458,612	9,251,026	(175,766)	2,028,815	22,071,013	9,798,148	1,746,845	1,465,055	(238,539)	5,153,043	(3,173)	27,769	(5,991,492)	(2,132,675)
(Increase) Decrease in accrued income	(275,564)	(431,584)	191,104	(50,023)	(102,851)	137,885	(70,260)	(104,142)	685,265	(441,345)	96	305	21,433	(70,142)
Unrealised (increment) decrement on fluctuation in value of investments	(176,294)	(2,084,050)	42,906	(1,367,721)	(537,684)	(7,623,766)	(328,720)	(303,352)	1,674,048	2,777,843	-	48,196	4,961,438	1,932,092
Increase (Decrease) in accrued charges & creditors	(113,797)	299,989	438,799	272,612	(278,422)	257,853	(9,661)	96,563	(118,704)	139,059	1,971	1,505	(43,809)	221,523
(Increase) Decrease in debtors/prepayments	159,703	(627,623)	486,591	(183,630)	1,451,087	(121,276)	(5,502)	(40,679)	(442,566)	22,366	(2,198)	16,499	(466,334)	(157,766)
(Profit) Loss on sale of investments	(1,284,557)	(1,953,215)	500	-	(17,552,714)	(1,167,308)	(49,080)	(229,465)	78,272	(6,931,135)	-	(140,394)	(1,435,799)	(1,536,899)
Foreign exchange hedging costs	-	-	-	-	463,228	503,055	-	(12,815)	708,481	358,723	-	71,331	-	-
Project costs	(565,878)	(42,315)	(50,521)	-	(679,363)	(29,901)	(107,971)	-	(263,918)	(24,261)	-	-	(334,425)	(20,824)
Net cash provided by (used in) operating activities	6,202,225	4,412,228	933,613	700,053	4,834,294	1,754,690	1,175,651	871,165	2,082,339	1,054,293	(3,304)	25,211	(3,288,988)	(1,764,691)

Note 15 - Segment information

The schemes operate in the finance market (within the terms of the Australian Ethical Investment charter) mainly in Australia. During the 2011 financial year the schemes invested in international listed securities at market value as at 30 June 2011 (refer note 6) as follows:

International listed	-	-	-	-	-	-	-	-	-	-	-	-	90,854,024	98,210,713
Dividends earned by the schemes during the year from these investments.	22,290	-	-	-	68,723	189,949	-	-	18,297	337,509	-	-	1,311,892	1,301,157

Note 16 - Related party disclosures

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

The Australian Ethical Balanced Trust (AEBT) holds units in the Australian Ethical Smaller Companies Trust (AEST), the Australian Ethical Property Trust (AEPT) and in the Australian Ethical International Equities Trust (AEIET) for whom Australian Ethical Investment Limited is also the Responsible Entity.

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

Australian Ethical Investment Limited

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Management fees	3,499,595	3,652,625	957,021	138,982	4,116,330	3,938,935	367,436	335,217	1,751,143	2,013,747	-	14,473	1,470,664	1,043,162
Accounting fees	266,423	301,019	20,468	30,800	213,755	240,949	91,638	102,937	136,018	157,461	-	13,365	108,783	118,843
Reimbursable expenses	27,210	52,908	60	17	32,441	60,578	2,691	5,045	21,049	40,288	-	2,487	4,643	1,826
	3,793,228	4,006,552	977,549	169,799	4,362,526	4,240,462	461,765	443,199	1,908,210	2,211,496	-	30,325	1,584,090	1,163,831

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

Management fees, accounting fees
and reimbursable expenses

481,865	93,859	70,730	70,197	540,212	335,320	103,238	68,634	259,570	165,137	7,151	6,498	185,681	172,279
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Transactions between Australian Ethical Investment Ltd and the schemes during the financial year were:

AEIL purchase of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution payments to AEIL	4,665	2,695	-	-	-	-	-	-	-	-	-	-	-	-
AEIL sale of securities	-	100,000	-	-	-	-	-	-	-	-	-	-	-	-
Value of units held by AEIL	233,479	227,064	-	-	-	-	-	-	-	-	-	-	-	-
Distribution receivable by AEIL	3,316	5,339	-	-	-	-	-	-	-	-	-	-	-	-

Australian Ethical Income Trust / Australian Ethical Smaller Companies Trust / Australian Ethical International Equities Trust / Australian Ethical Property Trust

	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Note 16 - Related party disclosures - continued														
Transactions between the schemes during the financial year were:														
Distributions from AEIT	-	4,448	-	-	-	-	-	-	-	-	-	-	-	-
Distributions from AEPT	149,677	334,460	-	-	-	-	-	-	-	-	-	-	-	-
Distributions from AEST	195,395	-	-	-	-	-	-	-	-	-	-	-	-	-
Units sold in AEIT	-	496,959	-	-	-	-	-	-	-	-	-	-	-	-
Units sold in AEIET	-	-	-	-	6,500,000	-	-	-	4,000,000	2,400,000	-	-	-	-
Units sold in AEPT	7,247,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Units purchased in AEST	3,600,000	3,750,000	-	-	-	-	-	-	-	-	-	-	-	-
Units purchased in AEIT	-	500,000	-	-	-	-	-	-	-	-	-	-	-	-
Units purchased in AEIET	5,800,000	2,900,000	-	-	-	34,881,848	-	-	-	38,572,371	-	-	-	-
Units purchased in AEPT	8,650,000	2,083,200	-	-	-	-	-	-	-	-	-	-	-	-
Value of units held in AEST	18,025,785	13,742,805	-	-	-	-	-	-	-	-	-	-	-	-
Value of units held in AEIET	36,667,138	35,350,052	-	-	25,521,360	33,644,765	-	-	28,969,029	34,766,644	-	-	-	-
Value of units held in AEPT	16,613,738	14,467,483	-	-	-	-	-	-	-	-	-	-	-	-
Distribution receivable from AEST	986,515	230,419	-	-	-	-	-	-	-	-	-	-	-	-
Distribution receivable from AEPT	-	171,249	-	-	-	-	-	-	-	-	-	-	-	-

Note 17 - Financial instruments**a) Financial risk management policies**

Each Investment Trusts' financial instruments consist of: cash and cash equivalents; trade and other receivables; financial assets; trade and other payables; and distribution payable. In addition to these, AEBT's financial instruments include loans and investment properties, AEIT's financial instruments include loans and AEPT financial instruments include investment properties and borrowings.

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 Investment Trusts expose them to a variety of financial risks: liquidity risk, credit risk and market risk (which includes interest rate risk and foreign currency 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 oversight the processes which govern the investment of monies of the Investment Trusts 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 Investment Trust performance of the unpredictability of financial markets, while maintaining the individual qualities of each Investment Trust as defined in the Trust Investment Parameters.

Note 17 - Financial instruments - continued

ii) Financial exposures and management

The most significant risks the Investment Trusts are exposed to through their financial instruments are interest rate risk, foreign currency and credit risk. The Investment Trusts also have an exposure to liquidity risk.

Interest rate risk

The exposure the Investment Trusts have to interest rate changes is investing in interest rate sensitive financial assets such as loans, notes and mortgage backed securities, with other parties. The returns from these investments are exposed to variation in prevailing interest rates and are dependant upon the prevailing interest rate offered and other market conditions. The Property Trust has entered into a facility with our corporate bankers (National Australia Bank), to provide a revolving 3 month Bank Bill, on competitive floating rates.

Interest rate risk represents the risk that the Investment Trusts' financial performance will be adversely affected by fluctuations in interest rates.

Foreign currency risk

Foreign currency risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The Australian Ethical International Equities Trust invests internationally and is exposed to foreign currency risk arising from exposure to a variety of different currencies. The Balance, Smaller & Larger Companies Trusts' all gain foreign investment exposure indirectly via their respective crossholdings in the AEIET.

The responsible entity uses derivative financial instruments in both the Smaller Companies and Larger Companies Trusts, such as foreign currency options and forward contracts, to hedge the foreign currency risk exposures. The foreign currency exposure of the Investment Trusts are reviewed regularly and updated as required. The use of derivative financial instruments is subject to policies and parameters set out in the responsible entities' Derivatives Risk Statement and Trust Investment Parameters. The Investment Committee is responsible for monitoring adherence to the Derivatives Risk Statement and the Trust Investment Parameters.

Liquidity risk

Liquidity risk is the risk that the Investment Trusts will encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with financial instruments. To control liquidity risk, the Investment Trusts invest a significant portion of their funds in financial instruments which under normal market conditions are readily convertible into cash. The Investment Trusts operate within established limits to ensure there is no concentration of risk. 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 Investment Trusts 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. Each Trusts' 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 Investment Committee meets regularly to review and if necessary, recommend modifications to the Trust Investment Parameters.

The Investment Trusts do not have any material credit risk exposure to a single receivable or group receivables under financial instruments entered into by the Trusts.

Note 17 - Financial instruments - continued

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. Each Investment Trusts' exposure to that interest rate risk is as follows:

AEBT														
Fixed interest rate maturing														
b) Financial instrument composition and maturity analysis	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	5	3	8,786,593	10,590,101	-	-	-	-	-	-	-	-	8,786,593	10,590,101
Trade and other receivables			-	-	-	-	-	-	-	-	2,483,018	2,710,658	2,483,018	2,710,658
Financial assets	10	6	77,423,462	70,426,628	7,383,450	14,211,824	-	-	-	-	133,056,931	130,466,163	217,863,843	215,104,615
Loans	8	8	400,000	400,000	-	-	1,046,049	3,426,402	3,592,876	-	-	1,664,542	5,038,925	5,490,944
Investment properties			-	-	-	-	-	-	-	-	6,500,000	5,950,000	6,500,000	5,950,000
Total financial assets			86,610,055	81,416,729	7,383,450	14,211,824	1,046,049	3,426,402	3,592,876	-	142,039,949	140,791,363	240,672,379	239,846,318
Trade and other payables			-	-	-	-	-	-	-	-	666,434	879,729	666,434	879,729
Distribution payable			-	-	-	-	-	-	-	-	3,437,705	5,502,431	3,437,705	5,502,431
Total financial liabilities			-	-	-	-	-	-	-	-	4,104,139	6,382,160	4,104,139	6,382,160

AEPT														
Fixed interest rate maturing														
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	5	4	1,606,464	589,493	-	-	-	-	-	-	-	1,606,464	589,493	
Trade and other receivables			-	-	-	-	-	-	-	4,004	94,483	4,004	94,483	
Financial assets	-	6	-	-	-	600,000	-	-	-	-	2,083,200	-	2,683,200	
Investment properties			-	-	-	-	-	-	-	52,851,341	19,800,000	52,851,341	19,800,000	
Total financial assets			1,606,464	589,493	-	600,000	-	-	-	-	52,855,345	21,977,683	54,461,809	23,167,176
Trade and other payables			-	-	-	-	-	-	-	1,118,083	328,913	1,118,083	328,913	
Distribution payable			-	-	-	-	-	-	-	-	178,701	-	178,701	
Borrowings	-	8	-	-	19,692,042	7,400,000	-	-	-	-	-	19,692,042	7,400,000	
Total financial liabilities			-	-	19,692,042	7,400,000	-	-	-	1,118,083	507,614	20,810,125	7,907,614	

Note 17 - Financial instruments - continued

AEST

	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	5	3	14,076,651	7,092,517	-	-	-	-	-	-	-	-	14,076,651	7,092,517
Trade and other receivables			-	-	-	-	-	-	-	-	1,416,221	1,666,357	1,416,221	1,666,357
Financial assets			-	-	-	-	-	-	-	-	222,286,191	204,467,431	222,286,191	204,467,431
Total financial assets			14,076,651	7,092,517	-	-	-	-	-	-	223,702,412	206,133,788	237,779,063	213,226,305
Trade and other payables			-	-	-	-	-	-	-	-	659,537	726,950	659,537	726,950
Distribution payable			-	-	-	-	-	-	-	-	12,410,867	3,506,218	12,410,867	3,506,218
Total financial liabilities			-	-	-	-	-	-	-	-	13,070,404	4,233,168	13,070,404	4,233,168

AEIT

	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	5	3	2,559,288	2,546,755	-	-	-	-	-	-	-	-	2,559,288	2,546,755
Trade and other receivables			-	-	-	-	-	-	-	-	405,218	342,966	405,218	342,966
Financial assets	5	6	19,097,801	18,082,714	9,859,770	8,398,291	-	-	-	-	2,381,945	-	31,339,516	26,481,005
Loans	9	8	-	-	205,280	-	-	-	496,263	1,140,608	-	-	701,543	1,140,608
Total financial assets			21,657,089	20,629,469	10,065,050	8,398,291	-	-	496,263	1,140,608	2,787,163	342,966	35,005,565	30,511,334
Trade and other payables			-	-	-	-	-	-	-	-	128,270	156,098	128,270	156,098
Distribution payable			-	-	-	-	-	-	-	-	792,607	665,056	792,607	665,056
Total financial liabilities			-	-	-	-	-	-	-	-	920,877	821,154	920,877	821,154

Note 17 - Financial instruments - continued

AELT

Fixed interest rate maturing

	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	5	3	1,182,061	5,525,954	-	-	-	-	-	-	-	-	1,182,061	5,525,954
Trade and other receivables			-	-	-	-	-	-	-	-	599,871	1,250,333	599,871	1,250,333
Financial assets			-	-	-	-	-	-	-	-	104,443,803	126,013,436	104,443,803	126,013,436
Total financial assets			1,182,061	5,525,954	-	-	-	-	-	-	105,043,674	127,263,769	106,225,735	132,789,723
Trade and other payables			-	-	-	-	-	-	-	-	343,785	18,315,062	343,785	18,315,062
Distribution payable			-	-	-	-	-	-	-	-	852,124	683,481	852,124	683,481
Total financial liabilities			-	-	-	-	-	-	-	-	1,195,909	18,998,543	1,195,909	18,998,543

AEWT

Fixed interest rate maturing

	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	5	3	17,365	20,669	-	-	-	-	-	-	-	-	17,365	20,669
Trade and other receivables			-	-	-	-	-	-	-	-	380	333	380	333
Financial assets			-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets			17,365	20,669	-	-	-	-	-	-	380	333	17,745	21,002
Trade and other payables			-	-	-	-	-	-	-	-	9,121	9,205	9,121	9,205
Total financial liabilities			-	-	-	-	-	-	-	-	9,121	9,205	9,121	9,205

Note 17 - Financial instruments - continued

AEIET

	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	5	3	4,134,619	11,543,470	-	-	-	-	-	-	-	-	4,134,619	11,543,470
Trade and other receivables			-	-	-	-	-	-	-	-	2,468,830	1,201,013	2,468,830	1,201,013
Financial assets			-	-	-	-	-	-	-	-	90,854,024	98,210,713	90,854,024	98,210,713
Loans			-	-	-	-	-	-	-	-	-	-	-	-
Total financial assets			4,134,619	11,543,470	-	-	-	-	-	-	93,322,854	99,411,726	97,457,473	110,955,196
Trade and other payables			-	-	-	-	-	-	-	-	259,850	1,146,422	259,850	1,146,422
Distribution payable			-	-	-	-	-	-	-	-	-	-	-	-
Total financial liabilities			-	-	-	-	-	-	-	-	259,850	1,146,422	259,850	1,146,422

Note 17 - 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 independent 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 adherence to the Compliance Plan and that the correct basis for valuations are followed by the responsible entity.

	Net fair values 2011													
	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value	Carrying amount	Net fair value
	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets														
Financial assets at fair value through profit or loss	217,863,843	217,863,843	-	-	222,286,191	222,286,191	31,339,516	31,339,516	104,443,803	104,443,803	-	-	90,854,024	90,854,024
Investment Properties	6,500,000	6,500,000	52,851,341	52,851,341	-	-	-	-	-	-	-	-	-	-
Loans	5,038,925	5,038,925	-	-	-	-	701,543	701,543	-	-	-	-	-	-
Trade and other receivables	2,483,018	2,483,018	4,004	4,004	1,416,221	1,416,221	405,218	405,218	599,871	599,871	380	380	2,468,830	2,468,830
	231,885,786	231,885,786	52,855,345	52,855,345	223,702,412	223,702,412	32,446,277	32,446,277	105,043,674	105,043,674	380	380	93,322,854	93,322,854
Financial liabilities														
Trade and other payables	666,434	666,434	1,118,083	1,118,083	659,537	659,537	128,270	128,270	343,785	343,785	9,121	9,121	259,850	259,850
Borrowings	-	-	19,692,042	19,692,042	-	-	-	-	-	-	-	-	-	-
	666,434	666,434	20,810,125	20,810,125	659,537	659,537	128,270	128,270	343,785	343,785	9,121	9,121	259,850	259,850

Net fair values 2010														
Financial assets														
Financial assets at fair value through profit or loss	215,104,615	215,104,615	2,683,200	2,683,200	204,467,431	204,467,431	26,481,005	26,481,005	126,013,436	126,013,436	-	-	98,210,713	98,210,713
Investment Properties	5,950,000	5,950,000	19,800,000	19,800,000	-	-	-	-	-	-	-	-	-	-
Loans	5,490,944	5,490,944	-	-	-	-	1,140,608	1,140,608	-	-	-	-	-	-
Trade and other receivables	2,710,658	2,710,658	94,483	94,483	1,666,357	1,666,357	342,966	342,966	1,250,333	1,250,333	333	333	1,201,013	1,201,013
	229,256,217	229,256,217	22,577,683	22,577,683	206,133,788	206,133,788	27,964,579	27,964,579	127,263,769	127,263,769	333	333	99,411,726	99,411,726
Financial liabilities														
Trade and other payables	879,729	879,729	328,913	328,913	726,950	726,950	156,098	156,098	18,315,062	18,315,062	9,205	9,205	1,146,422	1,146,422
Borrowings	-	-	7,400,000	7,400,000	-	-	-	-	-	-	-	-	-	-
	879,729	879,729	7,728,913	7,728,913	726,950	726,950	156,098	156,098	18,315,062	18,315,062	9,205	9,205	1,146,422	1,146,422

Note 17 - Financial instruments - continued

d) Sensitivity analysis - foreign currency risk

In assessing foreign currency (FX) risk, management has considered the foreign currencies to which it is exposed and assumed a plus/minus 5% movement in the AUD against the underlying currencies. Management has determined a plus/minus 5% movement in these currencies to be an appropriate sensitivity following analysis of foreign exchange volatility. This sensitivity analysis is conducted at balance date and details the effects on the financial instruments held by the Investment Trusts on balance date. The analysis is based on movements in foreign currency from the spot rates prevailing at balance date.

Currency	FX Exposure	FX sensitivity analysis Change in profit													
		Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
		2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
+5% AUD v's	DKK	(45,697)	(20,723)	-	-	(30,140)	(18,558)	-	-	(34,212)	(19,182)	-	-	(115,346)	(60,588)
-5% AUD v's		45,697	20,723	-	-	30,140	18,558	-	-	34,212	19,182	-	-	115,346	60,588
+5% AUD v's	EUR	(393,251)	(472,793)	-	-	(261,734)	(423,998)	-	-	(294,435)	(437,672)	-	-	(992,625)	(1,382,340)
-5% AUD v's		393,251	472,793	-	-	261,734	423,998	-	-	294,435	437,672	-	-	992,625	1,382,340
+5% AUD v's	GBP	(72,151)	(80,989)	-	-	(48,103)	(72,542)	-	-	(54,027)	(74,969)	-	-	(182,120)	(236,793)
-5% AUD v's		72,151	80,989	-	-	48,103	72,542	-	-	54,027	74,969	-	-	182,120	236,793
+5% AUD v's	HKD	(46,069)	(97,579)	-	-	(30,385)	(87,387)	-	-	(34,490)	(90,325)	-	-	(116,286)	(285,297)
-5% AUD v's		46,069	97,579	-	-	30,385	87,387	-	-	34,490	90,325	-	-	116,286	285,297
+5% AUD v's	JPY	(200,497)	(212,921)	-	-	(133,564)	(190,856)	-	-	(150,125)	(197,101)	-	-	(506,083)	(622,534)
-5% AUD v's		200,497	212,921	-	-	133,564	190,856	-	-	150,125	197,101	-	-	506,083	622,534
+5% AUD v's	NOK	(24,377)	(24,929)	-	-	(16,078)	(22,325)	-	-	(18,250)	(23,076)	-	-	(61,531)	(72,886)
-5% AUD v's		24,377	24,929	-	-	16,078	22,325	-	-	18,250	23,076	-	-	61,531	72,886
+5% AUD v's	NZD	(61,916)	(62,737)	-	-	(40,884)	(56,206)	-	-	(46,354)	(58,073)	-	-	(156,285)	(183,428)
-5% AUD v's		61,916	62,737	-	-	40,884	56,206	-	-	46,354	58,073	-	-	156,285	183,428
+5% AUD v's	SGD	(38,633)	(38,151)	-	-	(25,481)	(34,166)	-	-	(28,923)	(35,315)	-	-	(97,514)	(111,544)
-5% AUD v's		38,633	38,151	-	-	25,481	34,166	-	-	28,923	35,315	-	-	97,514	111,544
+5% AUD v's	USD	(917,898)	(668,699)	-	-	(610,522)	(599,724)	-	-	(687,349)	(619,015)	-	-	(2,316,911)	(1,955,124)
-5% AUD v's		917,898	668,699	-	-	610,522	599,724	-	-	687,349	619,015	-	-	2,316,911	1,955,124
+5% AUD v's	Total change in profit	(1,800,489)	(1,679,521)	-	-	(1,196,891)	(1,505,762)	-	-	(1,348,165)	(1,554,728)	-	-	(4,544,701)	(4,910,534)
-5% AUD v's	Total change in profit	1,800,489	1,679,521	-	-	1,196,891	1,505,762	-	-	1,348,165	1,554,728	-	-	4,544,701	4,910,534

Note 17 - Financial instruments - continued

FX sensitivity analysis															
Change in net assets attributable to unitholders															
Currency	FX Exposure	Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
		2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
+5% AUD v's	DKK	(45,697)	(20,723)	-	-	(30,140)	(18,558)	-	-	(34,212)	(19,182)	-	-	(115,346)	(60,588)
-5% AUD v's		45,697	20,723	-	-	30,140	18,558	-	-	34,212	19,182	-	-	115,346	60,588
+5% AUD v's	EUR	(393,251)	(472,793)	-	-	(261,734)	(423,998)	-	-	(294,435)	(437,672)	-	-	(992,625)	(1,382,340)
-5% AUD v's		393,251	472,793	-	-	261,734	423,998	-	-	294,435	437,672	-	-	992,625	1,382,340
+5% AUD v's	GBP	(72,151)	(80,989)	-	-	(48,103)	(72,542)	-	-	(54,027)	(74,969)	-	-	(182,120)	(236,793)
-5% AUD v's		72,151	80,989	-	-	48,103	72,542	-	-	54,027	74,969	-	-	182,120	236,793
+5% AUD v's	HKD	(46,069)	(97,579)	-	-	(30,385)	(87,387)	-	-	(34,490)	(90,325)	-	-	(116,286)	(285,297)
-5% AUD v's		46,069	97,579	-	-	30,385	87,387	-	-	34,490	90,325	-	-	116,286	285,297
+5% AUD v's	JPY	(200,497)	(212,921)	-	-	(133,564)	(190,856)	-	-	(150,125)	(197,101)	-	-	(506,083)	(622,534)
-5% AUD v's		200,497	212,921	-	-	133,564	190,856	-	-	150,125	197,101	-	-	506,083	622,534
+5% AUD v's	NOK	(24,377)	(24,929)	-	-	(16,078)	(22,325)	-	-	(18,250)	(23,076)	-	-	(61,531)	(72,886)
-5% AUD v's		24,377	24,929	-	-	16,078	22,325	-	-	18,250	23,076	-	-	61,531	72,886
+5% AUD v's	NZD	(61,916)	(62,737)	-	-	(40,884)	(56,206)	-	-	(46,354)	(58,073)	-	-	(156,285)	(183,428)
-5% AUD v's		61,916	62,737	-	-	40,884	56,206	-	-	46,354	58,073	-	-	156,285	183,428
+5% AUD v's	SGD	(38,633)	(38,151)	-	-	(25,481)	(34,166)	-	-	(28,923)	(35,315)	-	-	(97,514)	(111,544)
-5% AUD v's		38,633	38,151	-	-	25,481	34,166	-	-	28,923	35,315	-	-	97,514	111,544
+5% AUD v's	USD	(917,898)	(668,699)	-	-	(610,522)	(599,724)	-	-	(687,349)	(619,015)	-	-	(2,316,911)	(1,955,124)
-5% AUD v's		917,898	668,699	-	-	610,522	599,724	-	-	687,349	619,015	-	-	2,316,911	1,955,124
+5% AUD v's	Total change in equity	(1,800,489)	(1,679,521)	-	-	(1,196,891)	(1,505,762)	-	-	(1,348,165)	(1,554,728)	-	-	(4,544,701)	(4,910,534)
-5% AUD v's	Total change in equity	1,800,489	1,679,521	-	-	1,196,891	1,505,762	-	-	1,348,165	1,554,728	-	-	4,544,701	4,910,534

Note 17 - Financial instruments - continued

Interest rate risk

Management has performed a sensitivity analysis relating to the Investment Trusts' 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													
Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Change in profit													
Increase in interest rate by 1%		866,101	814,167	(180,856)	(68,105)	140,767	70,925	216,571	206,295	11,821	55,260	174	207
Decrease in interest rate by 1%		(866,101)	(814,167)	180,856	68,105	(140,767)	(70,925)	(216,571)	(206,295)	(11,821)	(55,260)	(174)	(207)
				(41,346)	(57,717)	(41,346)	(57,717)						

Interest rate sensitivity analysis Change in net assets attributable to unitholders													
Balanced Trust ("AEBT")		Property Trust ("AEPT")		Smaller Companies Trust ("AEST")		Income Trust ("AEIT")		Larger Companies Trust ("AELT")		World Trust ("AEWT")		International Equities Trust ("AEIET")	
2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Change in net assets attributable to unitholders													
Increase in interest rate by 1%		866,101	814,167	(180,856)	(68,105)	140,767	70,925	216,571	206,295	11,821	55,260	174	207
Decrease in interest rate by 1%		(866,101)	(814,167)	180,856	68,105	(140,767)	(70,925)	(216,571)	(206,295)	(11,821)	(55,260)	(174)	(207)
				(41,346)	(57,717)	(41,346)	(57,717)						

Note 18 - Controlled entities

Controlled entities consolidated parent entity	Country of establishment	Percentage owned	
		2011	2010
Subsidiaries of Australian Ethical Balanced Trust:			
Australian Ethical Property Trust	Australia	49	96

Acquisitions - disposals of controlled entities

There were no Acquisitions during the year.

Australian Ethical Balanced Trusts' majority holding in the AEPT was diluted to 49% of the Trust, thus there is no longer a requirement for the AEPT to consolidate the entries of the AEPT.

Note 19 - Events after the balance sheet date

Except as otherwise noted, during the period between the end of the financial year and the date of this report, there were no items, transactions or events of a material and unusual nature likely in the opinion of the responsible entity, to affect significantly the operations of the schemes, the results of those operations, or the state of affairs of the schemes in future financial years.

Note 20 - Scheme details

The registered office and principal place of business of the schemes is Trevor Pearcey House, Traeger Court, 34 Thynne St, Bruce ACT. The principal activity of the schemes is to pool investors' savings to invest in securities, including both domestic and international. Investments are sought to pursue the goal of a just and sustainable society and the protection of the natural environment as well as providing unitholders (the scheme investors) with a competitive financial return.

Note 21 - 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 schemes have no employees, however, the directors and other KMP of the Responsible Entity, as stated below, are deemed to be the KMP of the schemes. These individuals and the Responsible Entity comprise the KMP of the schemes.

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 21 - 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 21 - 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 21 - 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 issued 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 21 - 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 21 - Key management personnel compensation- continued

Remuneration Details for the Year ended 30 June 2011

Parent entity directors' remuneration

Parent entity director's remuneration		Short-term benefits			Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments	Total
		Salary, fees and leave	Cash bonus	Other	Super-annuation	Long service leave		Rights	
		\$	\$	\$	\$	\$	\$	\$	\$
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)

Named executives (including other KMP) remuneration		Short-term benefits			Post-employment benefits	Long-term benefits	Termination benefits	Rights	Total
		Salary, fees and leave	Cash bonus	Other	Super-annuation	Long service leave			
		\$	\$	\$	\$	\$	\$	\$	\$
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 21 - 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 21 - Key management personnel compensation- continued

Option holdings:

KMP option holdings	Option class	Grant date	Fair value at grant date	No. granted	No. vested & exercised	% 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 exercised	% 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 21 - 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 21 - 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 & exercised	Balance at end of year	Vested at end of year	Vested & exercisable at end of year	Vested & un-exercisable 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 & exercised	Balance at end of year	Vested at end of year	Vested & exercisable at end of year	Vested & un-exercisable 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 21 - 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	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.

		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)
Parent entity directors						
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 were 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 Australian Ethical Balanced Trust, Australian Ethical Property Trust, Australian Ethical Smaller Companies Trust, Australian Ethical Income Trust, Australian Ethical Larger Companies Trust, Australian Ethical World Trust and Australian Ethical International Equities Trust and notes as set out on pages 5 to 40 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 performance for the financial year ended on that date for each scheme.
2. In the Directors' opinion there are reasonable grounds to believe that each scheme will be able to pay its debts as and when they become due and payable.
3. The schemes have 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 UNIT HOLDERS OF
Australian Ethical Balanced Trust
Australian Ethical Property Trust
Australian Ethical Smaller Companies Trust
Australian Ethical Income Trust
Australian Ethical Larger Companies Trust
Australian Ethical World Trust
Australian Ethical International Equities Trust

We have audited the accompanying financial reports of Australian Ethical Balanced Trust, Australian Ethical Property Trust, Australian Ethical Smaller Companies Trust, Australian Ethical Income Trust, Australian Ethical Larger Companies Trust, Australian Ethical World Trust, and Australian Ethical International Equities Trust ("the schemes") which comprises the statements of financial position as at 30 June 2011, and the statements of comprehensive income, and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration of the schemes.

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 reports that give 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 reports that are 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 reports 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 reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial reports. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the schemes preparation of the financial reports that give 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 each 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 reports.

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:

The financial reports of Australian Ethical Balanced Trust, Australian Ethical Property Trust, Australian Ethical Smaller Companies Trust, Australian Ethical Income Trust, Australian Ethical Larger Companies Trust, Australian Ethical World Trust and Australian Ethical International Equities Trust are in accordance with the Corporations Act 2001; including:

giving a true and fair view each scheme's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

complying with Australian Accounting Standards and the Corporations Regulations 2001.

the financial reports also comply with International Financial Reporting Standards as disclosed in Note 1; and

the financial reports are in accordance with the provisions of each of the schemes constitutions.



THOMAS DAVIS & CO.



P. L. WHITEMAN PARTNER

Chartered Accountants

SYDNEY,
Date: 30 September, 2011

Liability limited by a scheme approved under Professional Standards Legislation.