New Alternatives Fund, Inc.

A SOCIALLY RESPONSIBLE MUTUAL FUND EMPHASIZING ALTERNATE ENERGY AND THE ENVIRONMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2005

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NEW ALTERNATIVES FUND, INC.
FINANCIAL HIGHLIGHTS
STATEMENT OF PER SHARE INCOME AND CAPITAL CHANGES

For each share of capital stock outstanding*

	Year End 12/31 2005	Year End 12/31 2004	Year End 12/31 2003	Year End 12/31 2002	Year End 12/31 2001	Year End 12/31 2000	Year End 12/31 1999	Year End 12/31 1998	Year End 12/31 1997	Year End 12/31 1996
Net Asset Value at Beginning of Period	$ 33.48	$ 29.69	$ 24.21	$ 34.71	$ 41.29	$ 28.85	$ 28.54	$ 32.07	$ 30.87	$ 30.51
Investment income	$ 0.55	$ 0.59	$ 0.58	$ 0.62	$ 0.75	$ 0.79	$ 0.66	$ 0.52	$ 0.64	$ 0.73
Expenses	(0.37)	(0.42)	(0.37)	(0.37)	(0.43)	(0.42)	(0.38)	(0.37)	(0.38)	(0.39)
Net investment income	0.18	0.17	0.21	0.25	0.32	0.37	0.28	0.15	0.26	0.34
Net realized & unrealized gain (loss) on investments	2.81	3.79	5.48	(10.50)	(5.45)	14.56	2.14	(3.22)	3.16	3.72
Total from investment operations	2.99	3.96	5.69	(10.25)	(5.13)	14.93	2.42	(3.07)	3.42	4.06
Distributions from net investment income	(0.18)	(0.17)	(0.21)	(0.25)	(0.32)	(0.37)	(0.28)	(0.15)	(0.26)	(0.34)
Distributions from net realized gain	(1.83)	(0.00)	(0.00)	(0.00)	(1.13)	(2.12)	(1.83)	(0.16)	(1.96)	(3.36)
Total distributions	(2.01)	(0.17)	(0.21)	(0.25)	(1.45)	(2.49)	(2.11)	(0.31)	(2.22)	(3.70)
Net change in net asset value	0.98	3.79	5.48	(10.50)	(6.58)	12.44	0.31	(3.53)	1.20	0.36
Net asset value as of end of the period	$ 34.46	$ 33.48	$ 29.69	$ 24.21	$ 34.71	$ 41.29	$ 28.85	$ 28.54	$ 32.07	$ 30.87
Total return (Sales load not reflected)	8.94%	13.34%	23.50%	-29.50%	-12.40%	51.70%	8.50%	-10.00%	11.10%	13.30%
Net assets, end of period (in thousands)	$ 64,765	$ 52,615	$ 44,901	$ 36,723	$ 49,245	$ 52,773	$ 32,555	$ 33,021	$ 37,941	$ 35,549
Ratio of operating expense to net assets**	1.28%	1.32%	1.39%	1.32%	1.14%	1.11%	1.13%	1.18%	1.15%	1.21%
Ratio of net investment income to average net assets**	0.65%	0.65%	0.82%	0.89%	0.87%	1.01%	0.89%	0.49%	0.79%	1.04%
Portfolio turnover**	52.09%	50.05%	32.70%	32.60%	29.30%	59.70%	87.30%	32.40%	53.90%	51.20%
Number of shares outstanding at end of period***	1,879,695	1,565,049	1,512,199	1,516,709	1,368,171	1,211,783	1,058,230	1,156,952	1,111,377	1,038,561

* All adjusted for two for one share split on July 26, 1985 and January 2, 1990

** Annualized (includes state taxes, does not include foreign currency translations)

***Shares immediately prior to dividend - Fund commenced operation on September 3, 1982

The accompanying notes are an integral part of these financial statements.

Management's Discussion of Financial Performance for the Year 2005

Fund Performance: The Fund was up 8.94% for the year including a Capital Gain distribution of $ 1.83 and a $ 0.18 income dividend.

Factors Affecting the Fund: Factors include energy prices, U.S. and Foreign Energy Environmental policies, and the value of the dollar relative to foreign currencies, and interest rates.

Increasing energy prices were a top business story in 2005. Oil prices peaked at $70 a barrel just after Hurricane Katrina hit Louisiana – with natural gas prices spiking in following days.

Environmental issues were reflected in the implementation of the Kyoto Climate Treaty overseas where compliance with the treaty led to solicitation for bids and contracts for renewable energy projects.

The U.S. Congress finally passed an energy bill late in the fall – providing tax credits for a number of clean energy technologies including fuel cells. On a State level, a number of states adopted laws providing support for renewable energy.

There was international and domestic enthusiasm for alternate energy stocks, with German solar companies leading the charge. There were also a good number of initial public offerings in the Solar and Wind area. In general, the foreign alternate energy companies are profitable and pay dividends, while the domestic companies are in various stages of development.

Unlike the past year, the value of the U.S. dollar increased approximately 14% relative to the Euro and Yen – reportedly on account of the increase in short term US interest rates (from about 2% to 3.75%) – even though the US budget and trade deficit increased. Foreign stock markets performed better (the Nikkei average in Japan was up 41%) than the US stock market, although when the value of the foreign stocks was converted into dollars the appreciation was muted.

Portfolio Holdings and Changes:

A proxy proposal to permit the Fund to invest in foreign companies without a percentage of net assets limitation was approved by shareholders late in the year. At year-end foreign stock holdings were approximately 44% of net assets, which exceeded the percentage invested in domestic stocks. At year end approximately 22% of net assets were held in cash and cash equivalents.

Renewable Energy: Many of the Fund's holdings in the renewable energy, wind, solar, bio-fuels and Geothermal and small hydro area performed very well, although these foreign investments did not do as well when their value is converted into US currency compared to the performance in their respective foreign currencies.

Solar: As of year end, the Fund owned 10 solar related companies, ATS Automation (Canada), Conergy, Phoenix Sonnenstrom, Q-Cells, Solarworld (Germany), Kyocera, and Sharp (Japan), Evergreen Solar and MEMC Electronic Materials (U.S), and Suntech Power (China). All of the solar companies are profitable, except Evergreen which has developed a process which makes use of less silicon in manufacturing cells. Given that solar grade silicon prices increased substantially during the year – due in part to rising solar demand – Evergreen's process is viewed as beneficial. The Fund did not invest in several listed US solar companies which performed well, but were not profitable companies.

The German solar companies were new purchases in 2005, and two of them –Q-Cells and Conergy went public during the year, although they have been operating companies for some time. The German solar industry, aided by generous subsidies in Germany has become one of the world leaders in the industry. Suntech went public late in the year, and MEMC which produces silicon used in solar cells, was a new acquisition for the Fund.

Bio-fuel: The Fund's primary biofuel investment is Abengoa – which is one of the top ethanol producers in the world. The Fund also holds shares of Acciona, whose EHN division produces bio-diesel in Europe. Early in the year a former holding, Genenecor which produces enzymes for processing ethanol was taken over at a reasonable premium to its then share price.

Wind: The Fund hold shares in three Wind companies, Acciona, Gamesa (Spain) and Vestas of Denmark. Gamesa and Vestas manufacture wind turbines. Acciona develops and operates wind farms, as does Gamesa to an extent. Three other investments, Brookfield Asset Management, Canadian Hydro (both of Canada) and Trust Power (New Zealand) produce power from both Hydro and Wind. Shares of each of the wind companies gained during the year, although they ended the year lower than their highs.

The wind turbine manufactures reported late in the year that they were having difficulty obtaining sufficient components to meet all the orders they were receiving. Gamesa and Vestas were tapping the market in China, as well as the US – where a total of 2431 MW were installed in 2005 up 35% from the prior year – largely because the extension of subsidies provided by Congress unleashed pent up demand for wind projects.

Hybrid Automobile Components: We purchased shares of Aisin Seiki, a Japanese company which makes transmissions and other components for automobile manufacturers – particularly Toyota and for Ford's new Escape Hybrid. The shares of Matsushita – the Japanese electronics manufacturer which also provides batteries for the Toyota hybrids performed well. Japanese shares performed particularly well in their own currency during 2005.

Fuel Cells and Hydrogen: The Fund owns shares of four Fuel Cell companies, Distributed Energy, FuelCell Energy, ITM Power (UK) and Medis Technologies (US & Israel). None of these companies are currently profitable, and each has its own niche. FuelCell Energy produces efficient molten carbonate fuel cells commercial applications, Distributed Energy has a PEM fuel cell division for lower power applications, but its promise is more for its Northern Power division which puts together distributed energy installations. ITM Power is a research company working on membrane components for fuel cell electrolizers, and Medis targets the portable device sector. The worst performer among these was FuelCell Energy which continued to spend money on product development (we very much like the product) without sufficient sales to come close to breaking even.

Energy Conservation: Saving energy appears to make economic sense, especially when energy is expensive and there are many ways to do it in numerous industries. The Fund owned 12 companies whose products are geared to energy conservation, ranging from efficient electric motors manufactured by Baldor to LED lighting products provided by Cree and Color Kinetics. The performance of these companies during 2005 was mixed. Most did well, but the semi-conductor based products, partially due to the poor performance in the second half of the year of International Rectifier – partially on account of the bankruptcy of a large customer, Delphi, in the automotive area.

Natural Gas Distribution Utilities: The Fund reduced the percentage of assets invested in the natural gas utilities from approximately 25% of net assets to a bit less than 10% of net assets. The shares of these investments performed adequately and provided dividend income to help defray fund costs, but we became concerned when natural gas prices spiked after Hurricane Katrina that customers would have a hard time paying utility bills which appeared were going to be substantially higher than past years. The natural gas distribution utilities pass on the price of the commodity to customers and the higher price doesn't benefit the utility – but burdens it with financing the costly natural gas while awaiting payment from customers. Regulators are expected to eventually set rates to permit the distribution companies to recover the cost of financing the commodity.

Water: The Fund owned five water related companies at year end, Aqua America, Badger Meter, (both US) Campania Saneamento (Brazil), Kelda (UK) and Zenon Environmental (Canada). Compania Saneamento and Kelda are water utilities added during the year. The market price of the water utilities increased during the year and we believed Aqua America's stock price became fully valued – so we reduced our holdings. The foreign water utilities appeared better values based on price-earnings ratio and dividends. Badger Meter, which manufactures meters that can be read remotely performed well, while Zenon Environmental which manufactures membrane based systems to clean water ran into production problems which resulted in disappointing earnings and share price.

Ocean Energy: The Fund owns relatively small holdings of two Ocean Energy companies, Ocean Power Technology and Renewable Energy Holdings (UK). Both are development state companies traded in London. Neither performed very well.

Geothermal: The Fund owns shares of one geothermal company, Ormat (US & Israel) and it performed well. In addition to owning geothermal properties which produce power Ormat also provides equipment to other geothermal companies.

Natural Food: At year end the Fund owned three natural foods related companies, SunOpta (Canada), United Natural Foods and Wild Oats Markets. Performance of these investments was mediocre.

Cash and Treasury Holdings: We ended the year with 22.3% of assets in cash, socially responsible banks and U.S. Treasury Bills. This was a substantial percentage increase from a year earlier. The Fund had raised cash by selling approximately half of our natural gas distribution utility holding when natural gas prices spiked after Hurricane Katrina, new Fund subscriptions were received during the fourth quarter, and approval of the proxy resolution which would permit additional foreign investment did not occur until November 25th.

Short term interest rates were approximately 3.42% at year end, compared to 1.48 % at the end of the prior year as the Federal Reserve Bank kept raising rates.

Income from Dividends and Interest/Expenses: Interest income from Treasury bills and socially concerned bank accounts was up substantially in 2005 compared to the prior year on account of higher short term interest rates; while dividend income was modestly lower on account of a reduction in Fund holdings of the dividend paying natural gas distribution utilities. Fund expenses increased approximately 18% in 2005 on account of the Fund's larger size which increases asset based fees, and printing and mailing costs. There were also higher custodial fees related to the Fund's increased foreign investment. Late in the year the Fund also retained PFPC at additional cost to provide enhanced accounting services. Net investment income was a penny higher in 2005.

Realized and Unrealized Capital Gain/Loss: The Fund realized almost the same amount of capital gain in 2005 as in the prior year, and portfolio turnover was also similar. However the Fund was able to pay a capital gain distribution of $1.83/shr because prior tax loss carry forwards were exhausted in 2005. The Fund ended the year with net unrealized appreciation of $7,461,411.

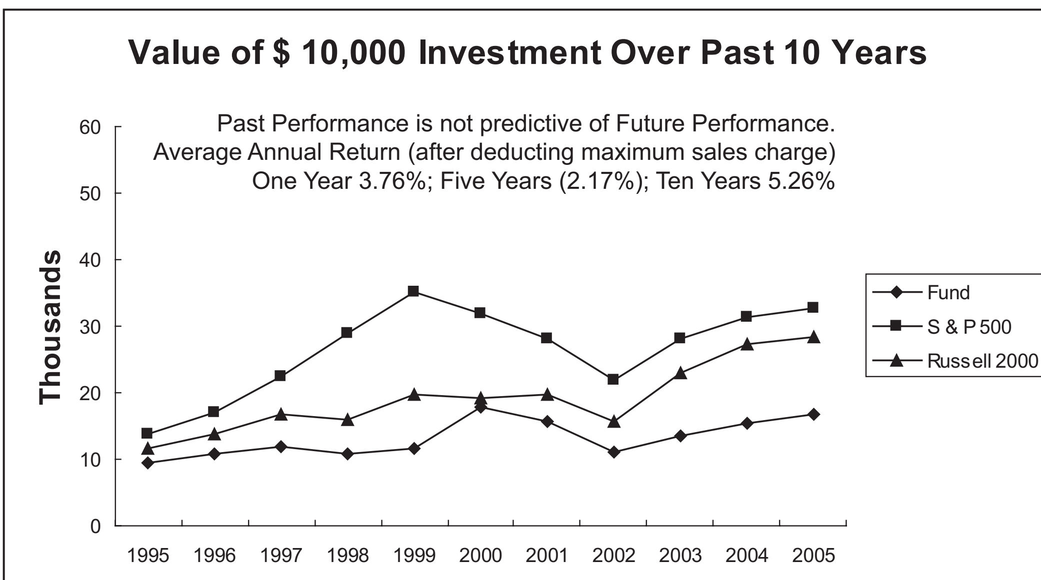
Corporate Governance and Regulatory: The Fund's Directors approved the investment advisory agreement with Accrued Equities Inc. at the annual Directors meeting on September 23, 2005. The factors considered by the board included the advisor's independent and purchased research, familiarity and experience investing in the Fund's area of concentration, the Fund's reasonable expense ratio given its small size. Also considered were the advisors efforts in coordinating relationships with outside service providers in the areas of transfer agency, fund accounting, custodian services and auditing, as well as efforts to obtain reasonable rates for commissions on trading of the Fund's portfolio securities, in addition to the advisors efforts to maintain good relations and communication with Fund shareholders, and its efforts to comply with changing securities regulations.

Dorothy Waynor, one of the Funds earliest subscribers and directors died in July. She always attended Directors meeting and provided vision, insight and support to the Fund throughout its history.

Two new directors, Susan Hickey and Jonathan Beard were elected at the annual shareholder meeting. There are eight directors, six of whom are independent. Directors Preston Pumphrey, Murray Rosenblith and Susan Hickey were selected to serve on the audit committee by the independent directors. Director Sharon Reier was selected to serve as Vice Chairman of the Fund, to serve as Chairman in the event SEC regulation requires the Chairman be independent, as has been proposed.

As discussed earlier, the Fund's shareholders approved a proxy resolution to permit the manager to invest in foreign securities without a limitation of the percentage of assets so invested. Prior to the approval, the Fund was restricted to invest no more than 35% of assets in foreign companies.

Strategy: The Fund's strategy continues to seek long-term gain by investing in clean energy, alternate or renewable energy and environmentally oriented investments – with concern for socially responsible behavior. Investment in foreign companies increased again in 2005 and foreign holdings represented more than half of the Fund's portfolio holdings. The Fund also maintains investments in a number of dividend paying utilities (natural gas and water) which produce reasonable income to more than offset Fund expenses.



FUND EXPENSE EXAMPLE

As a mutual fund shareholder, you may incur two types of costs: (1) transaction costs such as sales loads and (2) ongoing costs, including management fees, and other fund expenses. The following example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the most recent six-month period and held for the entire period.

Actual Expenses: The first line of the following table ("Actual") provides information about the actual account values and actual expenses. You may use the information in this line, together with you account balance, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes: The information on the second line of the table ("Hypothetical") is based on hypothetical account values and expenses derived from the Fund's actual expense ratio and an assumed 5% per year rate of return before expenses (not the Fund's actual return). You may compare the ongoing costs of investing in the Fund with other funds by contrasting this 5% hypothetical example and the 5% hypothetical examples that appear in the shareholder reports of the other funds. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period.

Note: The Fund's Transfer Agent, PFPC, Inc. charges an annual IRA maintenance fee of $12 for IRA accounts. That fee is not reflected in the accompanying tables.

You should also be aware that the expenses shown in the table highlight only your ongoing costs and do no reflect any transaction costs, such as fees or sales loads. Therefore, the second line of the table is useful in comparing ongoing costs only and will not help you determine the relative total costs of owning different funds. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

NEW ALTERNATIVES FUND, INC.

	Beginning Account Value 7/1/05	Ending Account Value 12/31/05	Expenses Paid During Period* 7/1/05 to 12/31/05
Actual	$1,000.00	$1030.30	$6.60
Hypothetical (assumes 5% return before expenses)	$1,000.00	$1018.62	$6.58

* Expenses are equal to the Fund's annualized expense ratio for the six-month period (1.29%), multiplied by the average account value over the period, multiplied by the number of days (184) in the most recent fiscal half year, then divided by the days in the year (365) to reflect the half-year period.

New Alternatives Fund, Inc.
Portfolio Holdings
December 31, 2005 (Unaudited)

Sector Diversification	% of Portfolio	Market Value
Alternate Energy (Biomass)	3.96%	$2,561,691
Alternate Energy (Fuel Cell)	0.87%	562,952
Alternate Energy (Geothermal)	4.04%	2,614,000
Alternate Energy (Solar Cell)	10.73%	6,947,314
Alternate Energy (Wind & Hydro Power Producers & Waves)	8.06%	5,219,144
Alternate Energy (Wind Turbines/Wind Projects)	9.87%	6,391,540
Alternate Energy Related (Batteries for Hybrid Automobiles)	4.69%	3,038,568
Energy Conservation	14.35%	9,292,882
Industrial Catalysts (Fuel Cells & Clean Air)	2.38%	1,540,057
Natural Gas (Distribution)	9.65%	6,247,900
Natural Foods	2.54%	1,642,400
Other (Industrial Gases Including Hydrogen)	0.82%	529,600
Recycling	0.79%	511,350
Water	4.91%	3,179,725
Bank Money Market and U.S. Treasury Bills	22.34%	14,465,749
TOTAL	100.00%	$64,744,872

Top Ten Portfolio Holdings
December 31, 2005 (Unaudited)

Name	
Acciona	4.30%
Ormat Technologies	4.04%
Gamesa Corporation	4.05%
Abengoa	3.96%
Kyocera Corp	3.39%
Brookfield Asset Management	3.11%
Matsushita Electric Ind - ADR	2.99%
Sharp Corporation	2.93%
Schneider Electric	2.75%
Badger Meter,Inc	2.73%
Total of Top Ten	34.25%

NEW ALTERNATIVES FUND, INC.
SCHEDULE OF INVESTMENTS
December 31, 2005

COMMON STOCKS: 77.70%

		Shares	Market Value
Alternate Energy as a Group:	**42.22%**		
Alternate Energy (Wind & Hydro Power Producers & Waves:)	**8.06%**		
Brookfield Asset Management (Canada)		40,000	$ 2,013,200
*Canadian Hydro Development (Canada)		300,000	1,497,239
Idacorp Inc.		35,000	1,025,500
*Ocean Power Tech (United Kingdom)		10,000	13,305
*Renewable Energy Holdings PLC (United Kingdom)		50,000	41,631
Trust Power Ltd. (New Zealand)		150,000	628,269
			5,219,144
Alternate Energy (Fuel Cell):	**0.87%**		
*Distributed Energy Systems Corp.		5,000	37,800
*FuelCell Energy, Inc.		50,000	423,500
*ITM Power PLC (United Kingdom)		30,000	72,232
*Medis Technologies Ltd.		2,000	29,420
			562,952
Alternate Energy (Solar Cell):	**10.73%**		
*ATS Automation (Canada)		10,000	123,272
*Conergy AG (Germany)		15,000	1,431,385
*Evergreen Solar		7,500	79,875
Kyocera Corp. (ADR) (Japan)		30,000	2,195,100
*MEMC Electronic		5,000	110,850
*Phoenix Sonnenstrin AG (Germany)		5,000	95,485
*Q-Cells (Germany)		5,000	290,464
Sharp Corp. Ltd. (ADR) (Japan)		125,000	1,899,937
Solarworld (Germany)		5,000	666,446
*SunTech Power		2,000	54,500
			6,947,314
Alternate Energy (Wind Turbines/Wind Projects):	**9.87%**		
Acciona (Spain)		25,000	2,785,215
Gamesa Corporation Techologica (Spain)		180,000	2,624,266
*Vestas Wind Systems (Denmark)		60,000	982,059
			6,391,540
Alternate Energy (Biomass):	**3.96%**		
Abengoa (Spain)		175,000	2,561,691
Alternate Energy (Geothermal):	**4.04%**		
Ormat Technologie		100,000	2,614,000
Alternate Energy Related (Batteries/Components for Hybrid Automobiles):	**4.69%**		
Aisin Seiki (Japan)		30,000	1,100,568
Matsushita Electric (ADR) (Japan)		100,000	1,938,000
			3,038,568

The accompanying notes are an integral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
SCHEDULE OF INVESTMENTS
December 31, 2005

		Shares	Market Value
Industrial Catalysts (Fuel Cells & Clean Air):	**2.38%**		
Engelhard Corp.		35,000	$ 1,055,250
Johnson Matthey (United Kingdom)		20,000	484,807
			1,540,057
Water:	**4.91%**		
Aqua America		6,666	181,982
Companhia Saneamemto (ADR) (Brazil)		10,000	168,700
Badger Meter		45,000	1,765,800
Kelda (United Kingdom)		15,000	199,313
*Zenon Environmental Inc. (Canada)		60,000	863,930
			3,179,725
Energy Conservation:	**14.35%**		
Asahi Glass Company (Japan)		7,000	903,245
Baldor Electric		50,000	1,282,500
*Color Kinetics		10,000	143,900
*Cree, Inc.		50,000	1,262,000
*Intermagnetics General Corp.		20,000	638,000
*International Rectifier		30,000	957,000
*Itron Inc.		5,000	200,200
Linear Technology Corp.		35,000	1,262,450
*RailPower Technologies Corp. (Canada)		25,000	138,253
Schneider Electric SA (France)		20,000	1,777,584
*Stantec (Canada)		10,000	341,000
*Telvent Git SA (ADR) (Spain)		35,000	386,750
			9,292,882
Natural Foods:	**2.54%**		
*SunOpta, Inc. (Canada)		100,000	526,000
*United Natural Foods		40,000	1,056,000
*Wild Oats Markets		5,000	60,400
			1,642,400
Recycling:	**0.79%**		
*Caraustar Industries		5,000	43,450
Commercial Metals		10,000	375,400
*Kadant, Inc.		5,000	92,500
			511,350
Natural Gas Distribution:	**9.65%**		
Atmos Energy Corp.		20,000	523,200
Equitable Resources		40,000	1,467,600
KeySpan Corp.		5,000	178,450
New Jersey Resources		15,000	628,350
Northwest Natural Gas		20,000	683,600
Piedmont Natural Gas		30,000	724,800
South Jersey Industries		40,000	1,165,600
The Laclede Group		30,000	876,300
			6,247,900
Other (Industrial Gases Including Hydrogen):	**0.82%**		
Praxair Inc.		10,000	529,600
Total Common Stock (Cost $42,771,147)			**$ 50,279,123**

The accompanying notes are an integral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
SCHEDULE OF INVESTMENTS
December 31, 2005

		Shares	Market Value
Certificates of Deposits and U.S. Treasury Bills:	**22.34%**		
Socially Concerned Banks			
Alternatives Federal Credit Union			
Certificate of Deposit maturity 01/31/06 0.76%			$100,000
Chittenden Bank			
Certificate of Deposit maturity 12/03/06 2.32%			100,000
Community Capital Bank			
Certificate of Deposit maturity 02/01/06 2.25%			100,000
Self-Help Credit Union			
Certificate of Deposit maturity 02/08/06 4.33%			100,000
South Shore Bank			
Certificate of Deposit maturity 01/23/06 3.30%			100,000
U.S. Treasury Bills (at various yields maturing at various dates)			13,965,749
Total Market Deposits and Treasury Bills			**$ 14,465,749**
Total Common Stock (77.66%)			$ 50,279,123
Bank Money Market and U.S. Treasury Bills (22.34%)			14,465,749
TOTAL INVESTMENTS (100%)			
(Total Cost-$57,236,896)			**$ 64,744,872**
*Non-income producing security.			
(a) Aggregate cost for Federal income tax purposes is $57,283,461			
Aggregate unrealized appreciation is			$ 8,534,031
Aggregate unrealized depreciation is			(1,072,620)
Net aggregate unrealized appreciation is			**$ 7,461,411**

The accompanying notes are an integral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2005

ASSETS

Investment securities at fair value (cost-$42,771,147) (Notes 2A and 5)	$	50,279,123
U.S. Treasury Bills at fair value (amortized cost-$13,965,749)		13,965,749
Cash, Savings and Certificates of Deposit (cost-$500,000)		500,000
Cash		526,920
Receivables:		
Capital stock subscribed		240,593
Dividends		43,668
Interest		925
Prepaid Insurance & Filing Fees		14,629
Total Assets		**65,571,607**

LIABILITIES

Payables:		
Investment securities purchased		182,668
Capital stock reacquired		8,178
Accrued Liabilities:		
Advisory fee		36,062
Other accounts payable and accruals		39,103
Dividend distribution payable		540,328
Total Liabilities		**806,339**
Net Assets	**$**	**64,765,268**

ANALYSIS OF NET ASSETS

Net capital paid in shares of capital stock		$57,249,735
Undistributed net investment income		(1,702)
Accumulated net realized gain on investments		8,923
Net unrealized gain on investments		7,508,312
Distributable earnings		7,515,533
Net Assets (equivalent to $34.46 per share based on 1,879,694.967 shares of capital stock outstanding)	**$**	**64,765,268**

The accompanying notes are an integral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
STATEMENT OF OPERATIONS
For the Period Ending December 31, 2005

Investment Income:		
Dividends (net of foreign withholding taxes of $32,881)	$	809,088
Interest		302,919
Other net income		132
Total Income		1,112,139
Expenses:		
Management fee (Note 4)		388,558
Shareholder service costs		91,304
Transfer agent-PFPC, Inc		61,893
Accounting/Pricing-PFPC, Inc		65,426
Custodian fees: PFPC Trust		39,280
Postage and printing		29,949
Audit fee		29,801
Registration fees		14,194
Bond and insurance		10,791
Directors fee		5,709
Miscellaneous fee		571
Total Expenses		737,476
Net Investment Income		**374,663**
Net Realized and Unrealized Gain on Investments		
Realized Gain on Investments (Notes 2B & 5)		
Proceeds from sales		25,083,590
Cost of securities sold		(20,176,926)
Foreign currency transactions gains (loss)		(54,526)
Net Realized Gain/Loss		4,852,138
Unrealized Appreciation (Depreciation) of Investments		
Beginning of period		7,866,325
End of period		7,507,976
Foreign currency translations		364
Total Unrealized Appreciation (Depreciation) For The Period		(357,985)
Net Realized and Unrealized Gain (Loss) On Investments		4,494,153
Net Increase (Decrease) in Net Assets Resulting from Operations	**$**	**4,868,816**

The accompanying notes are an intergral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ending December 31, 2005

	2005	2004
From Investment Activities:		
Net investment income	$ 374,663	$ 306,344
Net realized gain (loss) from security transactions and foreign currency transactions	4,852,138	4,849,702
Unrealized appreciation of investments	(357,985)	975,714
Increase in net assets derived from investment activities	4,868,816	6,131,760
Distributions to Shareholders:		
From net investment income dividends to shareholders	(321,926)	(258,444)
Distributions (capital gain) to shareholders	(3,272,042)	0
Total distributions to shareholders	(3,594,968)	(258,444)
From Capital Share Transactions:		
Net increase from capital transactions (note 3)	10,875,186	1,840,778
Increase in Net Assets:	12,150,034	7,714,094
Net Assets at:		
Beginning of the period	52,615,234	44,901,140
End of the Period	**$ 64,765,268**	**$ 52,615,234**

The accompanying notes are an integral part of these financial statements.

NEW ALTERNATIVES FUND, INC.
NOTES TO FINANCIAL STATEMENTS
For the Period Ending December 31, 2005

1) ORGANIZATION – The New Alternatives Fund, Inc. is registered as an open-end investment company under the Investment Company Act of 1940, as amended. The Fund commenced operations September 3, 1982. The investment objective of the Fund is to seek long-term capital gains by investing in common stocks that provide a contribution to a clean and sustainable environment.

2) ACCOUNTING POLICIES – The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of these financial statements. The policies are in conformity with generally accepted accounting principles:

A. SECURITY VALUATION – Listed U.S. investments are stated at the last reported sale price at the closing of a national securities stock exchange and the NASD National Market System on December 31, 2005 and at the mean between the bid and asked price on the over the counter market if not traded on the day of valuation.

Company shares traded on foreign markets are stated at their foreign reported value at 4:00 PM EST-as trading in some foreign markets does not coincide with trading on U.S. markets. Foreign exchange rates used to convert to U.S. dollars are valued at 12:00 PM EST.

Portfolio securities for which there are no such quotations or valuations are determined in good faith by or at the direction of the Fund's Board of Directors.

B. FOREIGN CURRENCY – Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. If foreign currency translations are not available, the foreign exchange rate(s) will be valued at fair market value using procedures approved by the Fund's Board of Directors.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid.

C. SECURITY TRANSACTIONS AND RELATED INVESTMENT INCOME – Realized gains and losses from security transactions are reported on a first in, first out basis. Short-term notes are stated at amortized cost which approximates fair value.

D. INVESTMENT INCOME AND EXPENSE RECOGNITION – Dividend income is recorded as of the ex-dividend date. Interest income is recorded on the accrual basis. Expenses are accrued on a daily basis.

E. FEDERAL INCOME TAXES – No provision for federal income tax is believed necessary since the Fund distributes all of its taxable income to comply with the provisions of the Internal Revenue Code applicable to investment companies. The aggregate cost of the securities (common stocks) owned by the Fund on December 31, 2005 for federal tax purposes is $42,817,711.

The difference between book-basis and tax-basis is attributable to the tax deferral of losses on wash sales.

During the year ended December 31, 2005, the Fund fully utilized prior year's capital loss carry forwards.

F. USE OF ESTIMATES – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

3) CAPITAL STOCK – There are 8,000,000 shares of $1.00 par value capital stock authorized. On December 31, 2005, there were 1,879,694.967 shares outstanding. Aggregate paid in capital including reinvestment of dividends was $57,249,735. Transactions in capital stock were as follows:

	Year End 12/31/05		**Year End 12/31/04**	
	Shares	Amount	Shares	Amount
Capital stock sold	292,902.649	$10,380,779	128,552.699	$3,961,831
Capital stock issued				
Reinvestment of dividends	88,609.613	3,053,491	6,524.850	218,451
Redemptions	(73,471.956)	(2,559,084)	(75,622.199)	(2,339,504)
Net Increase (Decrease)	308,040.306	$10,875,186	59,455.350	$ 1,840,778

4) MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES – Pursuant to agreements, Accrued Equities, Inc. serves as investment advisor to the Fund. The Fund pays to Accrued Equities, Inc. an annual management fee of 1.00% of the first $10 million of average net assets; 0.75% of the next $20 million; 0.50% of net assets over $30 million and 0.45% of assets over $100 million. If the net annual expenses of the Fund (other than interest, taxes, brokerage commissions, extraordinary expenses) exceed the most restrictive limitation imposed by any state in which the Fund has registered its securities for sale, Accrued Equities, Inc. reduces its management fee by the amount of such excess expenses. The annualized expense ratio for the year ended December 31, 2005 was 1.28%. The Fund pays no remuneration to its officers, David Schoenwald and Maurice Schoenwald, who are also Directors. They are also officers of Accrued Equities, Inc. Accrued Equities, Inc. is the principal underwriter for the Fund. There is a commission of 4.75% on most new sales. The commission is shared with other brokers who actually sell new shares. Their share of the commission may vary. The Fund paid Accrued Equities, Inc. a total of $66,287 in underwriting fees for the year ended December 31, 2005. The Fund also paid Accrued Equities, Inc. $124,106 in commissions for the year ended December 31, 2005.

5) PURCHASES AND SALES OF SECURITIES – For the year ended December 31, 2005, the aggregate cost of securities purchased totaled $24,219,362. Net realized gains (loss) were computed on a first in, first out basis. The amount realized on sales of securities for the year ending December 31, 2005 was $25,009,481.

6) DIRECTORS FEES – The compensation paid to Directors for the year ended December 31, 2005 was $4,500. Only non-interested Directors are compensated. A non-interested Director is not part of the management of the Fund. Each non-interested Director receives $1,000 of compensation, or $1,500 for members of the Audit Committee, and may also receive payment for travel costs and for physical attendance to additional Directors meetings. There was no additional compensation paid to any Director for board service other than that stated. See note 4 for compensation regarding interested Directors.

Other Information
(unaudited)

1) PROXY VOTING – The Fund has proxy voting policies which are available, without charge, upon request by calling the Fund at 800-423-8383. Proxy votes of the Fund are available by calling the Fund.

2) QUARTERLY PORTFOLIO SCHEDULES – The Company will file a complete schedule of portfolio holdings with the Securities and Exchange Commission for the first and third quarters of each fiscal year (quarters ended March 31 and September 30) on form N-Q. The Company's Form N-Q will be available on the Securities and Exchange Commission's website at http://www.sec.gov and may be reviewed and copied at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. Information on the operation of the Securities and Exchange Commission's Public Reference Room may be obtained by calling 1-800-SEC-0330.

3) APPROVALS OF INVESTMENT MANAGEMENT AGREEMENTS – As required by the 1940 Act, the Board of Directors (the "Board") of the Company, including all of the Directors who are not "interested persons" of the Company, as that term is defined in the 1940 Act (the Independent Directors"), considered the renewal of the investment advisory agreement between Accrued Equities, Inc. and the Company on behalf of the New Alternatives Fund, Inc. at a meeting of the Board held on September 23, 2005. At this meeting, the Board approved the Advisory Agreement for an additional one-year term. The Board's decision to approve the Agreement reflects the exercise of its business judgment to continue the existing arrangement. In approving the Agreement, the Board considered information provided by the Adviser with the assistance and advice of counsel to the Independent Directors and the Company.

In considering the renewal of and approval of the Advisory Agreement, the Directors took into account all the materials provided prior to and during the meeting, the presentations made during the meeting, and the discussions during the meeting. The Directors discussed the materials from Accrued Equities, Inc. mailed in advance of the meeting that addressed most, if not all, of the factors listed below. Accrued Equities, Inc. also made a presentation during the meeting and responded to questions from the Directors. Among other things, the Directors considered (i) the size of the Fund and the contributions of the Fund advisors to operating costs and needs; (ii) the quality, extent, and value of services provided to the Fund by Accrued Equities, Inc.; (iii) comparative data with respect to the advisory and management fees paid by other funds of comparable type and size; (iv) the operating expenses and expense ratio of the Fund as compared to other such funds; (v) the special knowledge of alternative energy of Accrued Equities, Inc.; (vi) data relating to the costs incurred by Accrued Equities, Inc. in providing advisory, administrative, processing and other services to the Fund and its shareholders. The Directors have noted that small funds have higher expenses, specialized funds have higher expenses, funds investing in foreign securities have higher expenses and that the Fund has lower than average related fund expenses considering size and area of investment.

The Directors then met in executive session with counsel to discuss and consider information presented in connection with the continuation of the Advisory Agreement as well as the Directors' responsibilities and duties in approving the Agreement.

During the course of its deliberations, the Board reached the following conclusions, among others, regarding Accrued Equities, Inc. and the Advisory Agreement with respect to the Fund. The Directors considered the Funds' gross and net advisory fees and gross and net expense ratios in comparison to that of the Fund's peer group average as well as the Fund's performance in comparison to the performance of the Fund's peer group average and benchmark.

The Directors then determined that the nature, extent and quality of services provided by Accrued Equities, Inc. in advising the Funds was satisfactory; the profits earned by Accrued Equities, Inc. seemed reasonable; and the benefits derived by Accrued Equities, Inc. from managing the Fund, seemed reasonable. The Directors discussed and considered any economies-of-scale realized by the Fund as a result of asset growth.

Based on all of the information presented to the Board and its consideration of relevant factors, the Board concluded that the fee paid to the Adviser by the Fund was reasonable, and in the exercise of its business judgment, determined that Accrued Equities, Inc. Advisory Agreement, on behalf of the Fund, be continued for another one-year period ending December 31, 2006.

Joseph A. Don Angelo
Certified Public Accountant
22 Jericho Turnpike
Mineola, New York 11501

Report of Independent Registered Public Accounting Firm

To the Shareholders and
Board of Directors of
New Alternatives Fund, Inc.

We have audited the accompanying statement of assets and liabilities of New Alternatives Fund, Inc., including the schedule of investments, as of December 31, 2005, and the related statement of operations for the year then ended and statements of changes in net assets for each of the last two years and the financial highlights for each of the last six years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The 1999 and the prior years financial highlights were audited by other auditors whose report, dated February 8, 2000, expressed an unqualified opinion on them.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2005 by correspondence with the custodian and brokers. As to securities purchased or sold but not delivered, we performed other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis of our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of New Alternatives Fund, Inc. as of December 31, 2005, the results of its operations for the year then ended, the changes in net assets for each of the last two years in the period then ended, and the financial highlights for each of the last six years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Joseph A. Don Angelo

Joseph A. Don Angelo, CPA
Mineola, New York
February 16, 2006

The Fund's Directors and Officers

As is true of most mutual funds, daily management is delegated by the Board of Directors to the Fund Manager, Accrued Equities, Inc.

Controlling Persons
Interested Directors And Officers

1 Name Address and Age	2 Position(s) Held with Fund	3 Term of Office and Length of Time Served	4 Principal Occupations During Past 5 Years	5* Number Portfolios In Fund Complex	6 Other Directorships Held by Director
Maurice L. Schoenwald Longboat Key, FL Age 85	Founder Director Chairperson	All since 1982 To the present	Serving New Alternatives Fund	No complex One Portfolio	None
David Schoenwald Huntington Bay, NY Age 55	Founder Director President	All Since 1982 To the present	Serving New Alternatives Fund	No Complex One Portfolio	None

*There is only one portfolio. There is no complex. No director, except the two insider directors, oversees the single and only portfolio.

The inside officers and directors have no present enterprise, employment, position or commercial investment activity excepting to provide service to the Fund. Maurice on occasion does pro bono legal work. This is becoming less frequent because of increasing age and decreasing general legal knowledge.

Independent Directors

1 Name Address and Age	2 Position(s) Held with Fund	3 Term of Office and Length of Time Served	4 Principal Occupations During Past 5 Years	5* Number Portfolios In Fund Complex	6 Other Directorships Held by Director
Sharon Reier Coconut Creek, FL & Paris, France Age 58	Director Vice-chairman	Since 1982 Since 2005	Financial Journalist contributing to Business Week & International Herald Tribune. Former Regional Editor Financial World Magazine: Former Editor with Board Room; Former Contributing Editor Institutional Investor; formerly staff of Forbes & American Banker.	No complex One Portfolio	None

John C. Breitenbach Silver Bay, NY Age 49	Director	Since 2000	History Teacher, Town Planning Administrator, Village Volunteer Fireman, Clerk Warren County Family Court, Drafted storm water and water quality preservation Regulations for county and city and Lake George Basin Admitted to NY Bar, 1999.	No complex One Portfolio	None
Preston Pumphrey Syosset, NY Age 70	Director Audit Committee	Since 2002 Since 2003	Retired CEO and former owner of Pumphrey Securities, Inc. a registered securities broker/ dealer. Responsibilities included preparation of broker/dealer filings and audited annual reports. Former adjunct Professor of Finance, C.W. Post College. NASD Dispute Resolution Board of Arbitrators. A Director of American Red Cross of Nassau County, NY.	No complex One Portfolio	None
Murray E. Rosenblith Brooklyn, NY Age 54	Director Audit Committee	Since 2003 Since 2005	Executive Director of the A.J. Mustie Memorial Institute, an organization concerned with exploration of the link between nonviolence and social change. Responsible for executive management and administration of non-endowing operating foundation, making grants to projects in the peace and social justice movement. Responsibilities included fund raising, management of investments, maintaining financial records.	No complex One Portfolio	None
Susan Hickey East Northport, NY Age 53	Director Audit Committee	Since 2005 Since 2005	Accounting software developer for Accountants World (formerly Micro Vision Software, Inc.) Former IRS tax return auditor, group manger and instructor. BA International Affairs, Stonehill College, North Easton, MA.	No complex One Portfolio	None

Jonathan D. Beard New York, NY Age 57	Director	Since 2005	Self employed Freelance Journalist, working mostly for American and European Science Magazines. Graduate Columbia University 1970. Lifetime Member Sierra Club and New York-New Jersey Trails Conference.	No complex One Portfolio	None

*There is only one portfolio. There is no complex
No director, except the two insider directors, oversees Portfolios.