

Interim Report

31 December 2018

SPDR[®] S&P[®] / ASX Small Ordinaries Fund

(ARSN 149 869 992)

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SPDR S&P/ASX Small Ordinaries Fund (ASX Code: SSO)

ARSN 149 869 992

Interim report

For the half-year ended 31 December 2018

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This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made in respect of SPDR S&P/ASX Small Ordinaries Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim report covers the SPDR S&P/ASX Small Ordinaries Fund as an individual entity.

The Responsible Entity of the SPDR S&P/ASX Small Ordinaries Fund is State Street Global Advisors, Australia Services Limited (ABN 16 108 671 441) (AFSL 274900). The Responsible Entity's registered office is:

State Street Global Advisors, Australia Services Limited
Level 17, 420 George Street
Sydney NSW 2000.

Directors' report

The directors of State Street Global Advisors, Australia Services Limited (ABN 16 108 671 441), the Responsible Entity of the SPDR S&P/ASX Small Ordinaries Fund (the "Fund"), present their report together with the financial statements of the Fund for the half-year ended 31 December 2018.

Principal activities

The Fund invests in a diversified portfolio of Australian listed securities in accordance with the provision of the Fund's Constitution.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year or since the end of the half-year and up to the date of this report.

Directors

The following persons held office as directors of State Street Global Advisors, Australia Services Limited during the half-year and up to the date of this report:

Susan Darroch
 James MacNevin
 Matthew George

Review and results of operations

During the half-year, the Fund continued to invest its funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund generally invests in the securities that are constituents of the S&P/ASX Small Ordinaries Index (the "Index") and aims to achieve investment returns (before fees and other costs), that closely correspond to the performance of the Index.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2018	31 December 2017
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>(3,022,677)</u>	<u>2,544,001</u>
Distribution to unitholders (\$)	<u>235,157</u>	<u>160,645</u>
Distribution (cents per unit - CPU)	<u>15.55</u>	<u>14.47</u>

The table below demonstrates the performance of the Fund as represented by the total return. Total returns reflect combined capital growth and distribution performance assuming all distributions are reinvested; and are shown net of fees. The total return for the half-year is shown for the past five years to 31 December 2018:

	2018 %	2017 %	2016 %	2015 %	2014 %
Total return	<u>(13.11)</u>	<u>18.39</u>	<u>6.08</u>	<u>6.68</u>	<u>(2.40)</u>
Benchmark: S&P/ASX Small Ordinaries Index	<u>(12.75)</u>	<u>18.70</u>	<u>5.84</u>	<u>6.98</u>	<u>(2.45)</u>

Directors' report (continued)

Review and results of operations (continued)

The movement in the assets and liabilities in the Statement of financial position corresponds with the units issued and redeemed during the half-year as reflected in note 5 and the performance of the Fund during the half-year.

Consistent with our statements in the governing documents of the Fund, past performance is not a reliable indicator of future performance.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year under review.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The Fund's investment objective and strategy remains unchanged which is to track the performance of the Index. Accordingly the future returns of the Fund are dependent on the performance of the Index.

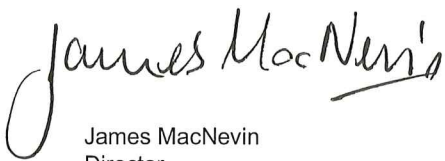
Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



James MacNevin
Director

Sydney
26 February 2019



Auditor's Independence Declaration

As lead auditor for the review of SPDR S&P/ASX Small Ordinaries Fund for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'CJ Cummins', is written over a light blue horizontal line.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
26 February 2019

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Statement of comprehensive income

	Half-year ended	
	31 December 2018	31 December 2017
	\$	\$
Investment income		
Dividend income	361,502	247,330
Interest income	857	662
Net gains/(losses) on financial instruments at fair value through profit or loss	(3,322,646)	2,339,468
Other operating income/(loss)	339	13
Total net investment income/(loss)	<u>(2,959,948)</u>	<u>2,587,473</u>
Expenses		
Responsible Entity's fees	1,139	755
Investment Manager's fees	53,372	35,391
Transaction costs	4,441	3,422
Withholding taxes on dividends	3,777	3,904
Total operating expenses	<u>62,729</u>	<u>43,472</u>
Operating profit/(loss) for the half-year	<u>(3,022,677)</u>	<u>2,544,001</u>
Other comprehensive income for the half-year	-	-
Total comprehensive income for the half-year	<u>(3,022,677)</u>	<u>2,544,001</u>

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
	Notes	31 December 2018 \$	30 June 2018 \$
Assets			
Cash and cash equivalents		138,137	350,453
Margin accounts		20,326	44,603
Receivables		61,732	62,545
Financial assets at fair value through profit or loss	3	<u>19,839,330</u>	<u>21,348,694</u>
Total assets		<u>20,059,525</u>	<u>21,806,295</u>
Liabilities			
Payables	7	20,014	24,274
Financial liabilities at fair value through profit or loss	4	775	-
Distribution payable	6	<u>235,157</u>	<u>264,623</u>
Total liabilities		<u>255,946</u>	<u>288,897</u>
Net assets attributable to unitholders - equity*	5	<u>19,803,579</u>	<u>21,517,398</u>

*Net assets attributable to unitholders are classified as equity at 31 December 2018 and 30 June 2018. Refer to note 1 for further detail.

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

Statement of changes in equity

		Half-year ended	
		31 December 2018	31 December 2017
	Notes	\$	\$
Total equity at the beginning of the half-year	5	21,517,398	-
Reclassification due to AMIT tax regime implementation	5	-	11,457,204
Comprehensive income for the half-year			
Profit/(loss) for the half-year		<u>(3,022,677)</u>	<u>2,544,001</u>
Total comprehensive income for the half-year		<u>(3,022,677)</u>	<u>2,544,001</u>
Transactions with unitholders			
Applications	5	1,521,322	2,554,171
Redemptions	5	-	-
Units issued upon reinvestment of distributions	5	22,693	20,861
Distributions paid and payable	5, 6	<u>(235,157)</u>	<u>(160,645)</u>
Total transactions with unitholders		<u>1,308,858</u>	<u>2,414,387</u>
Total equity at the end of the half-year*		<u>19,803,579</u>	<u>16,415,592</u>

*Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer note 1 and note 5 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the half-year ended 31 December 2018.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Half-year ended	
	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	2,706,165	1,024,179
Purchase of financial instruments at fair value through profit or loss	(2,944,116)	(1,147,839)
Amount received from/(paid to) brokers for margin	24,277	24,998
Dividends received	304,197	207,484
Interest received	1,229	786
Other income received/(paid)	339	13
Responsible Entity's fees paid	(1,137)	(677)
Investment Manager's fees paid	(53,301)	(31,899)
Payment of other operating expenses	(8,039)	(4,139)
Net cash inflow/(outflow) from operating activities	<u>29,614</u>	<u>72,906</u>
Cash flows from financing activities		
Distributions paid	(241,930)	(179,019)
Net cash inflow/(outflow) from financing activities	<u>(241,930)</u>	<u>(179,019)</u>
Net increase/(decrease) in cash and cash equivalents	(212,316)	(106,113)
Cash and cash equivalents at the beginning of the half-year	<u>350,453</u>	<u>111,224</u>
Cash and cash equivalents at the end of the half-year	<u>138,137</u>	<u>5,111</u>

The above Statement of cash flows should be read in conjunction with the accompanying notes.

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1 Basis of preparation of interim report

These interim financial statements for the half-year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim report covers the SPDR S&P/ASX Small Ordinaries Fund (the "Fund") as an individual entity. The Fund was constituted on 18 March 2011 and will terminate on 11 April 2091 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution was amended and the other conditions to adopt the AMIT tax regime were met during the year ended 30 June 2018. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund were re-classified from a financial liability to equity effective from 1 July 2017, see note 5 for further information.

This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as 1 July 2018.

The Fund applies, for the first time, AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. The nature and effect of the restatement of previous financial statements as required by IAS 34, are disclosed below.

(b) AASB 9 Financial Instruments

AASB 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

(i) Classification and measurement

Classification and measurement of debt securities is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI).

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from solely payments of principal and interest (SPPI) and to sell.

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

1 Basis of preparation of interim report (continued)

(b) AASB 9 Financial Instruments (continued)

(i) Classification and measurement (continued)

AASB 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Fund's financial assets and financial liabilities continue to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined please see note 2 to the financial statements.

(ii) Hedge accounting

The Fund does not apply hedge accounting.

(iii) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income and distribution income when the Fund's right to receive payments is established.

1 Basis of preparation of interim report (continued)

(b) AASB 9 Financial Instruments (continued)

(iv) *Due from/to brokers*

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(v) *Receivables*

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

These balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

(vi) *Payables*

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

These balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

(c) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

1 Basis of preparation of interim report (continued)

(c) AASB 15 Revenue from Contracts with Customers (continued)

The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

(d) Segment information

The Fund is organised into one main segment which operates solely in the business of investment management within Australia.

The Fund operates in Australia and holds investments in Australia.

(e) Interim measurement

The nature of the Fund's operations is such that income and expenses are incurred in a manner which is not impacted by any form of seasonality.

This interim report is prepared based upon an accrual concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

The Responsible Entity of the Fund is State Street Global Advisors, Australia Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 17, 420 George Street, Sydney, NSW 2000.

This interim report is presented in Australian currency.

This interim report was authorised for issue by the directors on 26 February 2019. The directors of the Responsible Entity have the power to amend and reissue the interim report.

There have been no changes in the risk management policies and processes of the Fund since year end.

A copy of the 30 June 2018 Annual Report containing detail of the accounting policies and other disclosures can be found at www.spdrs.com.au.

(f) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current half-year.

2 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (see note 3)
- Derivative financial instruments

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

2 Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their last traded prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in notes to the financial statements as at 30 June 2018.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurement

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2018 and 30 June 2018.

As at 31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	17,641,852	-	-	17,641,852
Unit trusts	2,197,478	-	-	2,197,478
Total financial assets at fair value through profit or loss	19,839,330	-	-	19,839,330

2 Fair value measurement (continued)

Recognised fair value measurement (continued)

As at 31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities at fair value through profit or loss				
Australian share price index futures	<u>775</u>	-	-	<u>775</u>
Total financial liabilities at fair value through profit or loss	<u>775</u>	-	-	<u>775</u>

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	19,321,568	-	521	19,322,089
Unit trusts	<u>2,026,605</u>	-	-	<u>2,026,605</u>
Total financial assets at fair value through profit or loss	<u>21,348,173</u>	-	<u>521</u>	<u>21,348,694</u>

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) *Transfers between levels*

There were no transfers between the levels for the fair value hierarchy for the half-year ended 31 December 2018 and year ended 30 June 2018. There were also no changes made to any of the valuation techniques applied as of 31 December 2018.

(ii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the movement in level 3 instruments for the half-year ended 31 December 2018 by class of financial instrument.

As at 31 December 2018	Equity securities \$
Opening balance	521
Purchases	-
Sales	-
Transfers into/(out of) level 3	-
Gains and losses recognised in profit or loss	<u>(521)</u>
Closing balance	<u>-</u>
Total gains or losses for the year included in the Statement of comprehensive income for financial assets and liabilities at the end of the year	<u>-</u>

2 Fair value measurement (continued)

Recognised fair value measurement (continued)

(ii) Fair value measurements using significant unobservable inputs (level 3) (continued)

The following table presents the movement in level 3 instruments for the year ended 30 June 2018 by class of financial instrument.

	Equity securities \$
As at 30 June 2018	
Opening balance	521
Purchases	-
Sales	-
Transfers into/(out of) level 3	-
Gains and losses recognised in profit or loss	-
Closing balance	<u>521</u>
Total gains or losses for the year included in the Statement of comprehensive income for financial assets and liabilities at the end of the year	<u>-</u>

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iv) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

3 Financial assets at fair value through profit or loss

	As at	
	31 December 2018 \$	30 June 2018 \$
Financial assets at fair value through profit or loss		
Equity securities	17,641,852	19,322,089
Unit trusts	<u>2,197,478</u>	<u>2,026,605</u>
Total financial assets at fair value through profit or loss	<u>19,839,330</u>	<u>21,348,694</u>

4 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2018	30 June 2018
	\$	\$
Financial liabilities at fair value through profit or loss		
Derivatives (note 2(ii))	775	-
Total financial liabilities at fair value through profit or loss	775	-

5 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017, the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. The Fund's Constitution has been amended in order to allow the Fund to elect into the AMIT tax regime during the year ended 30 June 2018 and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the Statement of comprehensive income, but rather as dividends paid in the Statement of changes in equity.

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	Half-year ended			
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	No.	No.	\$	\$
Opening balance	1,411,030	908,329	21,517,398	11,457,204
Applications	100,000	200,000	1,521,322	2,554,171
Units issued upon reinvestment of distributions	1,494	1,666	22,693	20,861
Distributions paid and payable	-	-	(235,157)	(160,645)
Profit/(loss) for the half-year	-	-	(3,022,677)	2,544,001
Closing balance	1,512,524	1,109,995	19,803,579	16,415,592

As stipulated within the Fund's Constitution, a unit confers an equal undivided, vested, and indefeasible interest in the assets as a whole, subject to the liabilities. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

During the half-year applications of \$1,521,322 (2017: \$2,554,171) and redemptions of \$0 (2017: \$0) were satisfied by in specie asset transfer in the form of a parcel of quoted securities and are non-cash in nature.

6 Distributions to unitholders

The distributions for the half-year were as follows:

	Half-year ended			
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
	\$	CPU	\$	CPU
Distributions payable	<u>235,157</u>	<u>15.55</u>	<u>160,645</u>	<u>14.47</u>
Total distributions	<u>235,157</u>	<u>15.55</u>	<u>160,645</u>	<u>14.47</u>

Distributions were included in finance costs while the Fund's units were classified as liabilities. They are now presented in the Statement of changes in equity.

7 Payables

	As at	
	31 December 2018	30 June 2018
	\$	\$
Management fee payable	16,091	16,020
Other payables	<u>3,923</u>	<u>8,254</u>
	<u>20,014</u>	<u>24,274</u>

8 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact the financial position of the Fund disclosed in the Statement of financial position as at 31 December 2018 or the results and cash flows of the Fund for the half-year ended on that date.

9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2018 or 30 June 2018.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



James MacNevin
Director

Sydney
26 February 2019



Independent auditor's review report to the unitholders of SPDR S&P/ASX Small Ordinaries Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SPDR S&P/ASX Small Ordinaries Fund (the Registered Scheme), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SPDR S&P/ASX Small Ordinaries Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SPDR S&P/ASX Small Ordinaries Fund is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins
Partner

Sydney
26 February 2019