

# Annual Report

30 June 2015

## 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

## **Financial report**

### **For the year ended 30 June 2015**

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These financial statements cover 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 year ended 30 June 2015.

### 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 year.

There were no significant changes in the nature of the Fund's activities during the year.

### Directors

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

Jonathan Shead  
Susan Darroch  
James MacNevin

### Review and results of operations

During the 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:

	Year ended	
	30 June 2015	30 June 2014
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>100,965</u>	<u>1,057,631</u>
Distribution to unitholders (\$)	<u>240,553</u>	<u>230,945</u>
Distribution (cents per unit - CPU)	<u>32.24</u>	<u>28.83</u>

The table below demonstrates the performance of the Fund as represented by the total return, which is calculated as the aggregation of the capital return and distribution return. The total return is shown for the past five years to 30 June 2015:

	2015 %	2014 %	2013 %	2012 %	2011 %
Capital growth	<u>(2.71)</u>	<u>9.80</u>	<u>(8.10)</u>	<u>(17.26)</u>	<u>(10.01)</u>
Distribution of income	<u>2.87</u>	<u>2.78</u>	<u>2.40</u>	<u>3.29</u>	<u>0.25</u>
Total return	<u>0.16</u>	<u>12.58</u>	<u>(5.70)</u>	<u>(13.97)</u>	<u>(9.76)</u>
Benchmark S&P/ASX Small Ordinaries Index	<u>0.44</u>	<u>13.11</u>	<u>(5.32)</u>	<u>(14.61)</u>	<u>(10.09)</u>

## Directors' report (continued)

The movement in the assets and liabilities in the Statement of financial position corresponds with the units issued and redeemed during the year as reflected in note 10 and the performance of the Fund during the year.

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

### Unit redemption prices

Unit redemption prices (quoted ex-distribution) are shown as follows:

	2015	2014	2013	2012	2011
	\$	\$	\$	\$	\$
At 30 June	10.94	11.25	10.24	11.15	13.47

It is the opinion of the directors that adopting Australian Accounting Standards does not have unit pricing consequences, as the basis of unit price accounting is as outlined in the Fund's Constitution and the governing documents of the Fund. The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Year ended	
	30 June 2015	30 June 2014
	\$	\$
Net assets for unit pricing purposes	7,692,183	9,012,364
Difference between net market value (for unit pricing) and fair value (for financial reporting) of financial assets held at fair value through profit or loss	-	(6,542)
Effect of classification of net assets attributable to unitholders as liabilities	(7,692,183)	(9,005,822)
Net assets under Australian Accounting Standards	-	-

During the year, the Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs used for the calculation of unit prices for applications and redemptions, thus there is no difference between net market value and fair value for the year ended 30 June 2015. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities respectively.

### 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 year under review.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

### 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.

## Directors' report (continued)

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.

### Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of State Street Global Advisors, Australia Services Limited or the auditors of the Fund. So long as the officers of State Street Global Advisors, Australia Services Limited act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 17 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 17 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Statement of financial position and derived using the basis set out in note 2 to the financial statements.

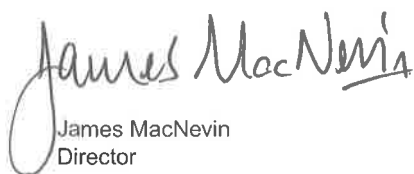
### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### 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 5.

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



James MacNevin  
Director

Sydney  
27 August 2015



## Auditor's Independence Declaration

As lead auditor for the audit of SPDR S&P/ASX Small Ordinaries Fund for the year ended 30 June 2015, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Darren Ross', written over a large, stylized 'D' that serves as a signature line.

Darren Ross  
Partner  
PricewaterhouseCoopers

Sydney  
27 August 2015

## Statement of comprehensive income

		Year ended	
		30 June 2015	30 June 2014
	Notes	\$	\$
<b>Investment income</b>			
Dividend income		314,234	309,572
Interest income		3,067	1,741
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	(152,597)	811,288
Other operating income		-	82
<b>Total net investment income/(loss)</b>		<u>164,704</u>	<u>1,122,683</u>
<b>Expenses</b>			
Responsible Entity's fees	17	931	1,050
Investment Manager's fees	17	43,986	44,503
Transaction costs		15,118	16,373
Withholding taxes on dividends		3,704	3,025
Other operating expenses		-	101
<b>Total operating expenses</b>		<u>63,739</u>	<u>65,052</u>
<b>Operating profit/(loss)</b>		<u>100,965</u>	<u>1,057,631</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	11	(240,553)	(230,945)
(Increase)/decrease in net assets attributable to unitholders	10	<u>139,588</u>	<u>(826,686)</u>
<b>Profit/(loss) for the year</b>		-	-
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

## Statement of financial position

		As at	
	Notes	30 June 2015 \$	30 June 2014 \$
<b>Assets</b>			
Cash and cash equivalents	12	81,723	479,315
Margin accounts		8,350	15,216
Receivables	15	27,299	28,986
Financial assets held at fair value through profit or loss	7	<u>7,709,598</u>	<u>8,609,663</u>
<b>Total assets</b>		<u><b>7,826,970</b></u>	<u><b>9,133,180</b></u>
<b>Liabilities</b>			
Payables	16	7,084	7,524
Financial liabilities held at fair value through profit or loss	8	-	350
Distribution payable	11	<u>127,703</u>	<u>119,484</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>134,787</b></u>	<u><b>127,358</b></u>
<b>Net assets attributable to unitholders - liability</b>	10	<u><b>7,692,183</b></u>	<u><b>9,005,822</b></u>

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



## Statement of changes in equity

	Year ended	
	30 June 2015 \$	30 June 2014 \$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the beginning or end of the year.

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

## Statement of cash flows

		Year ended	
		30 June 2015	30 June 2014
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		2,635,919	3,020,958
Purchase of financial instruments held at fair value through profit or loss		(3,076,200)	(2,787,709)
Amount received from/(paid to) brokers for margin		6,866	9,490
Dividends received		310,221	305,988
Interest received		3,662	1,050
Other income received		-	82
Responsible Entity's fees paid		(944)	(971)
Investment Manager's fees paid		(44,546)	(44,169)
Payment of other operating expenses		(18,830)	(23,006)
<b>Net cash inflow/(outflow) from operating activities</b>	13(a)	<u>(183,852)</u>	<u>481,713</u>
<b>Cash flows from financing activities</b>			
Distributions paid		(213,740)	(222,431)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(213,740)</u>	<u>(222,431)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(397,592)</b>	<b>259,282</b>
Cash and cash equivalents at the beginning of the year		<u>479,315</u>	<u>220,033</u>
<b>Cash and cash equivalents at the end of the year</b>	12	<u><b>81,723</b></u>	<u>479,315</u>
Non-cash financing activities	13(b)		

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

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## 1 General information

These financial statements cover 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 17 March 2091 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

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. The financial statements are presented in Australian currency.

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

The financial statements were authorised for issue by the directors on 27 August 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

The Fund invests in financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unitholders, the units are redeemable by unitholders that are Qualifying Australian Residents (as defined in the Product Disclosure Statement ("PDS")), and use a stock broker acting as principal, on demand at the unitholder's option. Other unitholders can sell on the Australian Securities Exchange. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

#### (i) Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### (ii) New and amended standards adopted by the Fund

The Fund has applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014:

- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### *(ii) New and amended standards adopted by the Fund (continued)*

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Fund meets the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured as fair value through profit and loss. The adoption of the amendment does not have any impact as the Fund does not have investments in subsidiaries.

The adoption of AASB 2013-4 did not have any impact on the current period or any prior period and is not likely to affect future periods.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the Fund.

#### *(iii) Changes in accounting policy: Fair value measurement*

The Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs used for the calculation of unit prices for applications and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities respectively. As required under the standard, the change to the fair value of the financial assets and liabilities is applied prospectively, in the same way as a change in an accounting estimate.

As the change in accounting policy has been adopted prospectively, adjustments to the fair values of financial instruments have been recognised at the beginning of the current period presented. The change in accounting policy did not have a material impact on the fair value of financial instruments, nor have a material impact on the Fund's financial position or performance.

### (b) Financial instruments

#### *(i) Classification*

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

These include derivative financial instruments including future and foreign currency contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded equity instruments.

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance 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 instruments on a fair value basis together with other related financial information.

#### *(ii) Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) *Measurement*

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets 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 held at fair value through profit or loss in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Prior to 1 July 2014, the quoted market price used for financial assets was the current bid price and the quoted market price for financial liabilities was the current asking price. The Fund changed its fair value inputs to utilise the last traded prices for both financial assets and financial liabilities. This change does not have a material impact on the Fund.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Further details on how the fair values of financial instruments are determined are disclosed in note 5.

#### (iv) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 4 to the financial statements for further information.

### (c) Net assets attributable to unitholders

Units are redeemable and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Fund at any time by unitholders that are Qualifying Australian Residents (as defined in the PDS), and use a stockbroker acting as principal.

### (d) Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are classified as liabilities in the Statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

### (e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

## 2 Summary of significant accounting policies (continued)

### (f) Investment income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions are recognised on entitlement basis.

### (g) Expenses

Fund expenses covering the Responsible Entity's fee and the Investment Manager's fee are recognised in the Statement of comprehensive income on an accruals basis.

### (h) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of tax credits paid are passed on to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

### (i) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable (taxable) income and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are payable in accordance with the constitution and recognised in the Statement of comprehensive income as finance costs attributable to unitholders.

### (j) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of comprehensive income as finance costs attributable to unitholders.

### (k) Foreign currency translation

#### *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

## 2 Summary of significant accounting policies (continued)

### (l) 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. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (m) Receivables

Receivables may include amounts for dividends, trust distributions and interest. 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.

### (n) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately on the Statement of financial position as unitholders are presently entitled to the distributable income under the Fund's Constitution.

### (o) Applications and redemptions

Application amounts must be in the form of a parcel of prescribed securities transferred to the Responsible Entity's custodian and may not be wholly paid in cash. The parcel of securities related to in-specie applications generally reflect the characteristics of the S&P/ASX Small Ordinaries Index. Investors may purchase units by trading on the Australian Securities Exchange ("ASX").

Unitholders can only redeem units if they are a "Qualifying Australian Resident" as defined in the PDS and use a stockbroker acting as principal. Investors may sell units by trading on the ASX.

Unit prices are determined by reference to the net assets of the Fund divided by the number of units on issue. For unit pricing purposes, net assets are determined using the last reported trade price for securities. These prices may differ from the market.

### (p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as Custodial and Administration services, Responsible Entity fees and Investment Management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC"). Hence Responsible Entity fees, Investment Management fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flow on a gross basis.

### (q) Use of estimates

The Fund may make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available.



## 2 Summary of significant accounting policies (continued)

### (q) Use of estimates (continued)

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (r) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

### (s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

#### (i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

The Fund has not yet decided when to adopt AASB 9.

#### (ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard 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.

The Fund's main source of income are interest, dividend, distribution and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

## 3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may use derivative financial instruments to alter certain risk exposures.

### 3 Financial risk management (continued)

Financial risk management is carried out by the Investment Manager under an Investment Mandate approved by the Board of Directors of the Responsible Entity (the "Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

#### (a) Market risk

##### (i) Price Risk

The Fund invests in various investments including securities on the ASX, cash instruments and derivatives. The Fund is exposed to equity securities and derivatives securities price risk. The risk is that the value of a Fund's investment portfolio will fluctuate as a result of changes in market prices. The risk is influenced by economic, technological, political and legal conditions and sentiment, all of which can change. This can mean that assets held by the Fund in these markets may fall in value. Growth assets are generally considered to have a higher risk/return profile than income producing assets such as fixed interest securities and cash.

The Investment Manager manages the price risk by following a clearly established investment mandate for the Fund's investments. The Fund's equity investments are listed securities that are constituents of the S&P/ASX Small Ordinaries Index while the cash deposits with banks are at a minimum rating of A1 or higher as rated by Standard & Poor's. The use of derivatives is limited to a small level of the total value of the Fund. Compliance with the Fund's PDS and investment mandate is monitored on a daily basis and reports are provided to the Board and Compliance Committee on a regular basis.

The table on page 19 shows the impact on net asset value of the Fund of a reasonably possible shift in the S&P/ASX Small Ordinaries Index, assessed as an increase of 29% (2014: 30%) and decrease of 29% (2014: 30%) in the S&P/ASX Small Ordinaries Index (with all other variables held constant).

##### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund has no significant direct foreign exchange risk exposure as the Fund operates solely in Australia and the majority of the Fund's assets and liabilities are denominated in Australian currency.

##### (iii) Interest rate risk

Interest rate risk is the risk that interest rate movements will have a negative impact on investment value or returns. Interest rate risk is managed in accordance with the underlying investment strategy of the Fund.

The Fund's policy is to maintain derivative adjusted exposure to cash instruments, at any point in time of no more than 5% of the Fund value.

Compliance with the value of cash investments held is monitored daily and reported to the Board and Compliance Committee on a regular basis.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

The table below summarises the Fund's direct exposure to interest rate risks.

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>30 June 2015</b>				
<b>Assets</b>				
Cash and cash equivalents	81,723	-	-	81,723
Margin accounts	8,350	-	-	8,350
Receivables	-	-	27,299	27,299
Financial assets held at fair value through profit or loss	-	-	7,709,598	7,709,598
<b>Liabilities</b>				
Payables	-	-	(7,084)	(7,084)
Distributions payable	-	-	(127,703)	(127,703)
Net exposure	<u>90,073</u>	<u>-</u>	<u>7,602,110</u>	<u>7,692,183</u>
<b>30 June 2014</b>				
<b>Assets</b>				
Cash and cash equivalents	479,315	-	-	479,315
Margin accounts	15,216	-	-	15,216
Receivables	-	-	28,986	28,986
Financial assets held at fair value through profit or loss	-	-	8,609,663	8,609,663
<b>Liabilities</b>				
Payables	-	-	(7,524)	(7,524)
Distributions payable	-	-	(119,484)	(119,484)
Financial liabilities held at fair value through profit or loss	-	-	(350)	(350)
Net exposure	<u>494,531</u>	<u>-</u>	<u>8,511,291</u>	<u>9,005,822</u>

An analysis of financial liabilities by maturities is provided in Note 3 paragraph (d) below.

The table in Note 3 paragraph (b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 200 basis points (2014: +/- 200 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of cash and cash equivalents.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to the various market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-29%	+29%	-200bps	+200bps
	\$	\$	\$	\$
30 June 2015	(2,274,912)	2,274,912	(1,801)	1,801
30 June 2014	(2,663,299)	2,663,299	(9,891)	9,891

The sensitivity factors for 30 June 2014 were +/-30% for price risk and +/-200bps for interest rate risk.

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information in order to determine a reasonably possible shift in assumptions.

#### (c) Credit risk

Credit risk primarily arises from investments in derivative financial instruments. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or part. Credit risk is managed primarily by:

- Ensuring counterparties, together with the respective credit limits, are approved in accordance with the Investment Manager's criteria; and
- Ensuring that transactions are undertaken with a range of counterparties.

For derivative financial instruments, the Investment Manager has established limits such that, at any time, the maximum exposure of the Fund to derivative instruments shall be limited to 15%.

Compliance with the Fund's mandate is monitored on a daily basis and reported to the Board and Compliance Committee on a regular basis.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

The clearing and depositary operations of the Fund's security transactions are mainly concentrated with one counterparty namely State Street Australia Limited. At 30 June 2015, State Street Australia Limited had a credit rating of A (2014: A). As at 30 June 2015, substantially all cash and investments are held in custody by State Street Australia Limited.

#### (d) Liquidity risk

The Fund has no significant liquidity risk exposure as the redemptions of redeemable units by unitholders are made through in specie asset transfers and not payable wholly in the form of cash.

The Fund's listed securities are considered readily realisable, as they are listed on the ASX.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No such investments were held at year end.

##### (i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cash flows.

Units are redeemed on demand at the unitholder's option. It is not expected that the contractual maturity disclosed in the table below will be representative of the actual cash outflows.

	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No Stated maturity \$
<b>At 30 June 2015</b>					
Payables	7,084	-	-	-	-
Distributions payable	127,703	-	-	-	-
Net assets attributable to unitholders	7,692,183	-	-	-	-
Contractual cash flows (excluding net settled derivatives)	7,826,970	-	-	-	-
	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No Stated maturity \$
<b>At 30 June 2014</b>					
Payables	7,524	-	-	-	-
Distributions payable	119,484	-	-	-	-
Net assets attributable to unitholders	9,005,822	-	-	-	-
Contractual cash flows (excluding net settled derivatives)	9,132,830	-	-	-	-

##### (ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No Stated maturity \$
<b>At 30 June 2015</b>					
Net settled derivatives					
Australian share price index futures	-	4,549	-	-	-

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No Stated maturity \$
At 30 June 2014					
Net settled derivatives					
Australian share price index futures		(350)	-	-	-

### 4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the Statement of financial position are disclosed in the first three columns of the tables below.

Financial assets	Effects of offsetting on the Statement of financial position			Related amounts not offset		
	Gross amounts of financial assets \$	Gross amounts set off in the Statement of financial position \$	Net amount of financial assets presented in the Statement of financial position \$	Amounts subject to master netting arrangements \$	Collateral received \$	Net amount \$
<b>30 June 2015</b>						
Derivative financial instruments (i)	<u>4,549</u>	<u>-</u>	<u>4,549</u>	<u>-</u>	<u>-</u>	<u>4,549</u>
Total	<u>4,549</u>	<u>-</u>	<u>4,549</u>	<u>-</u>	<u>-</u>	<u>4,549</u>
<b>30 June 2014</b>						
Derivative financial instruments (i)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 4 Offsetting financial assets and financial liabilities (continued)

Financial liabilities	Effects of offsetting on the Statement of financial position			Related amounts not offset		
	Gross amounts of financial liabilities	Gross amounts set off in the Statement of financial position	Net amount of financial liabilities presented in the Statement of financial position	Amounts subject to master netting arrangements	Collateral pledged	Net amount
	\$	\$	\$	\$	\$	\$
<b>30 June 2015</b>						
Derivative financial instruments (i)	-	-	-	-	-	-
Total	-	-	-	-	-	-
<b>30 June 2014</b>						
Derivative financial instruments (i)	350	-	350	-	(350)	-
Total	350	-	350	-	(350)	-

(i) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of financial position, but have been presented separately in the above table.

#### 5 Fair value measurement

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

- Financial assets / liabilities designated at fair value through profit or loss (see note 7 and 8)
- Financial assets / liabilities held for trading (see note 7 and 8)
- Derivative financial instruments (see note 9)

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;

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

## 5 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 note 2 to the financial statements.

Prior to 1 July 2014, the quoted market price used for financial assets was the current bid price and the quoted market price for financial liabilities was the current asking price. The Fund changed its fair value inputs to utilise the last traded prices for both financial assets and financial liabilities. This change does not have a material impact on the Fund.

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.



## 5 Fair value measurement (continued)

### 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 30 June 2015 and 30 June 2014.

As at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	4,549	-	-	4,549
Financial assets designated at fair value through profit or loss:				
Equity securities	7,705,049	-	-	7,705,049
<b>Total</b>	<b>7,709,598</b>	<b>-</b>	<b>-</b>	<b>7,709,598</b>
As at 30 June 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Equity securities	8,609,663	-	-	8,609,663
<b>Total</b>	<b>8,609,663</b>	<b>-</b>	<b>-</b>	<b>8,609,663</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	350	-	-	350
<b>Total</b>	<b>350</b>	<b>-</b>	<b>-</b>	<b>350</b>

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 in the fair value hierarchy in 2015 and 2014.

#### (ii) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

## 6 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	Year ended	
	30 June 2015 \$	30 June 2014 \$
<b>Financial assets</b>		
Net gain/(loss) on financial assets held for trading	4,549	17,107
Net gain/(loss) on financial assets designated at fair value through profit or loss	(156,936)	802,756
Net gain/(loss) on financial assets held at fair value through profit or loss	(152,387)	819,863
<b>Financial liabilities</b>		
Net gain/(loss) on financial liabilities held for trading	(210)	(8,575)
Net gain/(loss) on financial liabilities held at fair value through profit or loss	(210)	(8,575)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(152,597)	811,288

## 7 Financial assets held at fair value through profit or loss

	As at	
	30 June 2015 \$	30 June 2014 \$
<b>Held for trading</b>		
Derivatives (note 9)	4,549	-
Total held for trading	4,549	-
<b>Designated at fair value through profit or loss</b>		
Equity securities	7,705,049	8,609,663
Total designated at fair value through profit or loss	7,705,049	8,609,663
<b>Total financial assets held at fair value through profit or loss</b>	<b>7,709,598</b>	<b>8,609,663</b>

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

### Material investments

There are no investments which individually constitute 5% or more by value of the net assets of the Fund.

## 8 Financial liabilities held at fair value through profit or loss

	30 June 2015 \$	As at 30 June 2014 \$
<b>Held for trading</b>		
Derivatives (note 9)	-	350
Total held for trading	-	350
<b>Total financial liabilities held at fair value through profit or loss</b>	-	350

## 9 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures, options and swaps. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and may include:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivative instruments:

### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are settled daily with the exchange. Index futures are contractual obligations to receive or pay a net amount based on changes in indices at a future date at a specified price, established in an organised financial market.

## 9 Derivative financial instruments (continued)

The Fund's derivative financial instruments at year end are detailed below:

### 30 June 2015

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
Australian share price index futures	<u>139,474</u>	<u>4,549</u>	<u>-</u>
	<u>139,474</u>	<u>4,549</u>	<u>-</u>

### 30 June 2014

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
Australian share price index futures	<u>268,000</u>	<u>-</u>	<u>350</u>
	<u>268,000</u>	<u>-</u>	<u>350</u>

## Risk exposures and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

## 10 Net assets attributable to unitholders

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

	Year ended			
	30 June 2015 No.	30 June 2014 No.	30 June 2015 \$	30 June 2014 \$
Opening balance	801,304	800,381	9,005,822	8,169,117
Applications	-	-	-	-
Redemptions	(100,000)	-	(1,192,645)	-
Units issued upon reinvestment of distributions	1,675	923	18,594	10,019
Increase/(decrease) in net assets attributable to unitholders	-	-	(139,588)	826,686
Closing balance	<u>702,979</u>	<u>801,304</u>	<u>7,692,183</u>	<u>9,005,822</u>

As stipulated within the Fund's Constitution, a unit confers an equal undivided, vested, and infeasible 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.

## 10 Net assets attributable to unitholders (continued)

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

### Unaudited information on capital gains/losses

#### (a) Unrealised capital losses

At the end of reporting period, the Fund had unrealised capital losses of \$69,632 (2014: \$30,716), which if realised, would be available to offset against any realised capital gains.

#### (b) Realised capital losses

At the end of reporting period, the Fund had realised capital losses of \$2,181,873 (2014: \$2,133,734) available to offset against future assessable capital gains.

#### (c) Realised capital gains distributed in specie

At the end of the reporting period, the Fund had no realised capital gains (2014: \$Nil).

## 11 Distributions to unitholders

The distributions for the year were as follows:

	Year ended			
	30 June 2015 \$	30 June 2015 CPU	30 June 2014 \$	30 June 2014 CPU
Distributions paid	112,850	14.07	111,461	13.92
Distributions payable	<u>127,703</u>	<u>18.17</u>	<u>119,484</u>	<u>14.91</u>
Total distributions	<u>240,553</u>	<u>32.24</u>	<u>230,945</u>	<u>28.83</u>

Distributions as disclosed above are excluding any realised capital gains streamed to unitholders. In accordance with the constitution, such gains are streamed as part of the redemption activity and total proceeds are composed of Withdrawal Unit Capital Gain Entitlements and the Redemption Price.

## 12 Cash and cash equivalents

	As at	
	30 June 2015	30 June 2014
	\$	\$
Cash at bank	<u>81,723</u>	<u>479,315</u>

As at 30 June 2015, these accounts were bearing floating interest rate of 1.75% (2014: 2.25%).

## 13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2015	30 June 2014
	\$	\$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	(139,588)	826,686
Distributions to unitholders	240,553	230,945
Proceeds from sale of financial instruments held at fair value through profit or loss	2,635,919	3,020,958
Purchase of financial instruments held at fair value through profit or loss	(3,076,200)	(2,787,709)
Net (gains)/losses on financial instruments held at fair value through profit or loss	152,597	(811,288)
Dividend income reinvested	(5,246)	-
Net change in receivables	1,687	(4,275)
Net change in payables	(440)	(3,094)
Amount received from/(paid to) brokers for margin accounts	<u>6,866</u>	<u>9,490</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(183,852)</u>	<u>481,713</u>
<b>(b) Non-cash financing activities</b>		
During the year, the following redemptions were satisfied by in specie asset transfer	1,192,701	-
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>18,594</u>	<u>10,019</u>

## 14 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2015 \$	30 June 2014 \$
<b>PricewaterhouseCoopers Australian firm</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	20,880	20,880
Audit of compliance plan	1,087	1,087
Total remuneration for audit and other assurance services	<u>21,967</u>	<u>21,967</u>
<i>Taxation services</i>		
Tax compliance services	12,020	12,020
Total remuneration for taxation services	<u>12,020</u>	<u>12,020</u>
Total remuneration of PricewaterhouseCoopers	<u>33,987</u>	<u>33,987</u>

In 2015 and 2014, the Investment Manager has paid the remuneration of auditors on behalf of the Fund.

## 15 Receivables

	As at	
	30 June 2015 \$	30 June 2014 \$
Interest receivable	129	724
Dividend receivable	27,029	28,262
Other receivables	141	-
	<u>27,299</u>	<u>28,986</u>

## 16 Payables

	As at	
	30 June 2015 \$	30 June 2014 \$
Management fee payable	3,111	3,671
Other payables	<u>3,973</u>	<u>3,853</u>
	<u>7,084</u>	<u>7,524</u>

## 17 Related party transactions

### Responsible Entity

The Responsible Entity of SPDR S&P/ASX Small Ordinaries Fund is State Street Global Advisors, Australia Services Limited. The ultimate holding company of the Responsible Entity is State Street Corporation (incorporated in the United States of America).

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive fees of 1.00% (2014: 1.00% per annum) of the Net Asset Value, calculated daily and payable within 7 days of the end of the month. In accordance with the PDS, the Responsible Entity only charged 0.011% of the net asset value during 2015 (2014: 0.011% per annum).

### Key management personnel

Key management personnel includes persons who were directors of State Street Global Advisors, Australia Services Limited at any time during the financial year as follows:

Jonathan Shead  
Susan Darroch  
James MacNevin

### Key management personnel unitholdings

At 30 June 2015 and 30 June 2014 no key management personnel held units in the Fund.

### Key management personnel compensation

Key management personnel are paid by State Street Global Advisors, Australia Limited. Payments made from the Fund to State Street Global Advisors, Australia Services Limited do not include any amounts attributable to the compensation of key management personnel remuneration.

### Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving director's interests existing at year end.

### Investment Manager's fees and other fees for transactions provided by related parties

The Investment Manager of SPDR S&P/ASX Small Ordinaries Fund is State Street Global Advisors, Australia, Limited. The ultimate holding company of the Investment Manager is State Street Corporation (incorporated in the United States of America).

During the year the Investment Manager's fees were capped at 0.489% p.a (2014: 0.489%). The cap takes account of both GST payable on the operating fees and expenses of the Fund and also the benefit of RITC.

The Custodian and Administrator of SPDR S&P/ASX Small Ordinaries Fund is State Street Australia Limited. The ultimate holding company of the Custodian is State Street Corporation (incorporated in the United States of America).



## 17 Related party transactions (continued)

### Investment Manager's fees and other fees for transactions provided by related parties (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity and the Investment Manager were as follows:

	30 June 2015 \$	30 June 2014 \$
Responsible Entity's fees for the year	931	1,050
Investment Manager's fees for the year	43,986	44,503
Related party transaction fees for the year	13,892	15,996
Aggregate amounts payable to the Responsible Entity/Investment Manager at the end of the reporting period	3,177	3,751

All administration fees are paid by the Responsible Entity on behalf of the Fund.

The Fund held its bank account with State Street Bank and Trust Company during the year at arm's length commercial rates. As at 30 June 2015, the balance in the account was \$81,723 (2014: \$479,315).

### Related party unitholdings

Parties related to the Fund (including State Street Global Advisors, Australia Services Limited, its related parties and other schemes managed by State Street Global Advisors, Australia Services Limited), held units in the Fund as follows:

#### 30 June 2015

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investments (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
State Street Global Advisors	1	1	11	-	-	-	-

#### 30 June 2014

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/ payable by the Fund (\$)
State Street Global Advisors	1	1	11	-	-	-	-

### Investments

The Fund did not hold any investments in State Street Global Advisors, Australia Services Limited, its related parties or other funds managed by State Street Global Advisors, Australia Services Limited during the year (2014: Nil).

## **18 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.

## **19 Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2015 or on the results and cash flows of the Fund for the year ended on that date.

## **20 Contingent assets and liabilities and commitments**

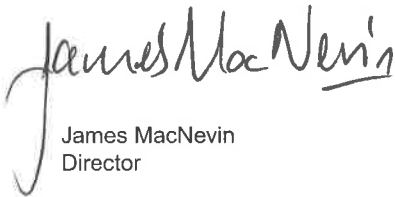
There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015 and 30 June 2014.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the financial year ended on that date,
- (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; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



James MacNevin  
Director

Sydney  
27 August 2015



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

### ***Report on the financial report***

We have audited the accompanying financial report of SPDR S&P/ASX Small Ordinaries Fund (the registered scheme), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of State Street Global Advisors, Australia Services Limited (the responsible entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Auditor's opinion*

In our opinion:

- (a) the financial report of SPDR S&P/ASX Small Ordinaries Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the registered scheme's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

### ***Matters relating to the electronic presentation of the audited financial report***

This auditor's report relates to the financial report of SPDR S&P/ASX Small Ordinaries Fund (the registered scheme) for the year ended 30 June 2015 included on SPDR S&P/ASX Small Ordinaries Fund's web site. The registered scheme's directors are responsible for the integrity of SPDR S&P/ASX Small Ordinaries Fund's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Darren Ross', written in a cursive, flowing style.

Darren Ross  
Partner

Sydney  
27 August 2015

## Corporate Directory

### Responsible Entity

State Street Global Advisors, Australia Services Limited  
ABN 16 108 671 441  
Australian Financial Services Licence 274900

### Registered Office

Level 17  
420 George Street  
Sydney NSW 2000

Phone: (02) 9240 7600

### Directors of the Responsible Entity

Jonathan Shead (appointed on 1 August 2007)  
Susan Darroch (appointed on 29 November 2012)  
James MacNevin (appointed on 4 April 2013)

### Secretary

Phil Maher

### Compliance Committee

James MacNevin (Chair);  
Richard E Stokes (independent); and  
Penni James (independent)

### Auditors of the Fund

PricewaterhouseCoopers Australian firm  
201 Sussex Street  
Sydney NSW 2000

### Principal Registry

Link Market Services Limited  
1a Homebush Bay Dr  
RHODES NSW 2138

Phone: 1300 665 385

### Stock Exchange Quotations

The Fund is quoted on the Australian Securities Exchange Limited. Its code is SSO.