iShares®

Annual Financial Report

30 June 2012

BlackRock Investment Management (Australia) Limited
13 006 165 975

Australian Financial Services Licence No 230523

iShares UBS Treasury Index Fund
ARSN 154 626 865

BlackRock

iShares UBS Treasury Index Fund

Annual Financial Report

For the period 2 December 2011 to 30 June 2012

Contents

Directors' Report

The directors of BlackRock Investment Management (Australia) Limited (the "Responsible Entity"), the Responsible Entity of iShares UBS Treasury Index Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 2 December 2011 to 30 June 2012.

Fund Objectives

The Fund aims to provide investors with the performance of the market, before fees and expenses, as represented by the UBS Treasury Index (the “Index”).

Principal Activities

The Fund invested in accordance with the provisions of the Fund's Constitution.

The Fund commenced its operations on 12 March 2012.

The Fund did not have any employees during the period.

The Fund is currently listed on the Australian Securities Exchange (ASX). The admission date was 14 March 2012.

Directors

The following persons held office as directors of the Responsible Entity during the period or since the end of the period and up to the date of this report:

Director	Date appointed	Date resigned
H Capra	Appointed 23 May 2011	
D Frawley	Appointed 18 March 2005	Resigned 25 May 2012
C Tzatzakis	Appointed 11 September 2007	
M S McCorry	Appointed 2 December 2009	
M S McCombe	Appointed 14 March 2012	
J Arter	Appointed 19 September 2012	

Review and Results of Operations

During the period, the Fund continued to invest in accordance with target asset allocations set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

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

	For the period 2 December 2011 to 30 June 2012
	$'000
Operating profit/(loss) before financing costs attributable to unitholders	596
Distributions paid and payable	126

Directors' Report (continued)

Returns

The table below demonstrates the performance of the Fund as represented by the total return.

	Return*
	%
iShares UBS Treasury Index Fund	5.47**

* Returns (after-fees) are calculated on the assumption that all distributions are reinvested in the Fund, and include the effect of compounding.

** Returns are based on the period 12 March 2012 to 30 June 2012 and have not been annualised.

Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes

The key differences between net assets for unit pricing and net assets attributable to unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	For the period 2 December 2011 to 30 June 2012
	$'000
Net assets for unit pricing purposes	11,602
Permanent Differences	
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	(6)
Timing Differences	
Distribution payable	(126)
Net assets attributable to unitholders as at 30 June	11,470

Significant Changes in State of Affairs

The Fund was constituted on 2 December 2011 and commenced operations on 12 March 2012.

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

Matters Subsequent to the End of the Financial Period

Except as disclosed in the financial statements, no matter or circumstance has arisen since 30 June 2012 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.

Directors' Report (continued)

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.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnification and Insurance of Officers and Auditor

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of BlackRock Investment Management (Australia) Limited or the auditor of the Fund. So long as the officers of BlackRock Investment Management (Australia) Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees Paid 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 period are disclosed in Note 10 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period. Pursuant to ASIC Class Order relief, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Fund held by the Responsible Entity and its associates as at the end of the financial period are also disclosed in Note 10 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 6 of the financial statements.

Value of Assets

The value of the Fund's assets and liabilities is disclosed on the Balance Sheet and derived using the basis set out in Note 2 of the financial statements.

Environmental Regulation

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

Rounding of Amounts to the Nearest Thousand Dollars

The Fund is a registered scheme of a kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise stated.

Additional information

The Fund has applied the relief available in Class Order 98/2395 issued by the Australian Securities and Investment Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in Notes 5, 6 and 10 to the financial statements.

Directors' Report (continued)

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.

The financial statements were authorised for issue by the directors on 26 September 2012.

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

Director
H Capra

Sydney
26 September 2012

Auditor’s Independence Declaration

As lead auditor for the audit of iShares UBS Treasury Index Fund (ASX: IGB) for the year ended 30/06/12, 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.

This declaration is in respect of iShares UBS Treasury Index Fund (ASX: IGB) during the period.

A J Loveridge
Partner
PricewaterhouseCoopers

Sydney
26 September 2012

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Statement of Comprehensive Income

	Notes	For the period 2 December 2011 to 30 June 2012 $'000
Investment income		
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	605
Total net investment income/(loss)		605
Expenses		
Responsible Entity's fees	10	9
Total operating expenses		9
Operating profit/(loss)		596
Finance costs attributable to unitholders		
Distributions to unitholders	5	126
Increase/(decrease) in net assets attributable to unitholders	6	470
Profit/(loss) for the period		-
Other comprehensive income for the period		-
Total comprehensive income for the period		-

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

	Notes	As at 30 June 2012 $'000
Assets		
Cash and cash equivalents	11(b)	25
Receivables	7	200
Financial assets held at fair value through profit or loss	8	11,468
Total assets		11,693
Liabilities		
Distribution payable	5	126
Payables	9	97
Total liabilities (excluding net assets attributable to unitholders)		223
Net assets attributable to unitholders - (liability)	6	11,470
Net assets		-

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	For the period 2 December 2011 to 30 June 2012 $'000
Total equity at the beginning of the financial period	-
Profit/(loss) for the period	-
Other comprehensive income for the period	-
Total comprehensive income for the period	-
Transactions with owners in their capacity as owners	-
Total equity at the end of the financial period	-

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

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Notes	For the period 2 December 2011 to 30 June 2012 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		889
Purchase of financial instruments held at fair value through profit or loss		(11,860)
Responsible Entity's fees paid		(4)
Net cash inflow/(outflow) from operating activities	11(a)	(10,975)
Cash flows from financing activities		
Proceeds from creations by unitholders		11,000
Net cash inflow/(outflow) from financing activities		11,000
Net increase/(decrease) in cash and cash equivalents		25
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	11(b)	25
Non-cash financing activities	11(c)	-

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General Information

These financial statements cover iShares UBS Treasury Index Fund (the "Fund") as an individual entity. The Fund was constituted on 2 December 2011 and commenced operations on 12 March 2012.

The Responsible Entity of the Fund is BlackRock Investment Management (Australia) Limited (the "Responsible Entity"). The Responsible Entity's registered office is 120 Collins Street, Melbourne, VIC 3000.

The financial statements were authorised for issue by the directors on 26 September 2012. 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 periods presented, unless otherwise stated in the following text.

(a) Statement of Compliance and Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit unit 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 Balance Sheet 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 amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

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.

(b) Financial Instruments

(i) Classification

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

- Financial instruments held for trading

  Derivative financial instruments such as futures, forward currency contracts, options and swaps are included under this classification. 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 that are not held for trading purposes and which may be sold. These are investments in listed equity, listed unit trusts, unlisted unit trusts and interest bearing securities.

  Financial assets and financial liabilities 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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

- Fair value in an active market

  The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

  The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such differences exist, the Fund recognises the difference in the Statement of Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

  Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the Responsible Entity of such trusts.

(c) Net Assets Attributable to Unitholders

Net assets attributable to unitholders are classified as financial liabilities as authorised participants are entitled to redeem units in the Fund at their option. As per the Fund Constitution, the redemption notification can be made to the Fund at any time for a withdrawal amount equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable at the balance sheet date if unitholders exercise their right to put their units back to the Fund. The Fund's redemption unit price is based on different valuation principles to that applied in financial reporting and as such a valuation difference may exist. Changes in the value of this financial liability are recognised in the Statement of Comprehensive Income as they arise.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less 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 shown as borrowings on the Balance Sheet.

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 for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls. Unrestricted margin account balances and restricted margin accounts balances, where the derivative transactions’ original maturities are within three months, are classified as cash and cash equivalents. Restricted margin accounts where the derivative transactions’ original maturities are not within three months are classified as cash held on collateral

2 Summary of Significant Accounting Policies (continued)

(f) Investment Income and Expenses

Interest income and expenses are recognised in the Statement of Comprehensive Income for all interest bearing securities using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

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 do not consider future credit losses.

The calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date. The Fund may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlements basis.

(g) Expenses

All expenses, including Responsible Entity's fees, 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 provided the taxable income of the Fund is distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded net 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. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

(j) Increase/Decrease in Net Asset Attributable to Unitholders

Non-distributable income is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as financing costs.

2 Summary of Significant Accounting Policies (continued)

(k) Foreign Currency Translation

(i) 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.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(l) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the balance sheet date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by balance sheet date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income.

(m) Payables

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

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Balance Sheet when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(n) Creations and Redemptions

Creations received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Fund, divided by the number of units on issue at or immediately prior to close of business each day. Creations and redemptions of units are processed simultaneously.

2 Summary of Significant Accounting Policies (continued)

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as Responsible Entity fees, audit fees, custody fees and other expenses have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence Responsible Entity fees, audit fees, custody 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 and accrued expenses are inclusive of GST. The net amount of GST recoverable from the ATO is included in other receivables in the Balance Sheet. Cash flows relating to GST are included in the Statement of Cashflow on a gross basis.

(p) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. 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 AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 in the near future.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Fund does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iii) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early.

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

2 Summary of Significant Accounting Policies (continued)

(q) Use of Estimates

The Fund makes 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. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

(r) Rounding of Amounts

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off in accordance with that Class Order, unless otherwise indicated.

(s) Cash Held on Collateral

Cash held on collateral includes restricted margin accounts where the derivative transactions' original maturities are not within three months as well as restricted cash for short sales. Short positions are taken on securities which have relatively poor return expectations. To facilitate settlement, securities are borrowed with collateral requirements. These requirements are satisfied with cash and/or other securities. Cash used to satisfy collateral requirements are disclosed in cash held on collateral.

3 Financial Risk Management

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk, currency risk and interest rate risk). The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statements 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 moderate and create certain risk exposures. Financial risk management is carried out by the Investment Risk Management Committee (IRMC) under policies 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 include Value at Risk ("VaR") analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. VaR analysis is explained in Note 3(b).

(a) Market Risk

(i) Price Risk

The Fund is exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Balance Sheet at fair value through profit or loss. Where non monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 3(a)(ii) below sets out how this component of price and risk is managed and measured. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities short sold can be unlimited.

3 Financial Risk Management (continued)

(a) Market Risk (continued)

(i) Price Risk (continued)

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Fund's investment model which is reviewed and updated regularly.

The Responsible Entity continuously monitors the Fund's holdings relative to the recommended portfolio, and the exposure of the Fund is monitored to ensure that it remains within designated ranges or asset allocation constraints, taking into account any derivative position being used to manage risks.

In addition, the IRMC regularly reviews the Fund to ensure the Fund is following the appropriate investment model, its portfolio is in accordance with its stated guidelines and restrictions, and the performance of the Fund remains in expected bounds.

The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

(ii) Foreign Exchange Risk

The Fund's investments are all denominated in Australian dollars and as such the Fund has no exposure to foreign exchange risk. This disclosure has not been made on a look through basis for investments held indirectly through underlying investments.

(iii) Interest Rate Risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits. The summarised VaR analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

The disclosure for the Fund has not been made on a look through basis for investments held indirectly through the underlying funds. The disclosure of interest rate risk may not present the true interest rate risk profile of the Fund where the underlying fund has significant exposure to interest rate risk.

3 Financial Risk Management (continued)

(a) Market Risk (continued)

(iii) Interest Rate Risk (continued)

The table following summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values.

30 June 2012	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and cash equivalents	25	-	-	25
Receivables	-	-	200	200
Financial assets designated at fair value through profit or loss				
Interest Bearing Investments	-	11,351	117	11,468
Total assets	25	11,351	317	11,693
Financial liabilities				
Distribution payable	-	-	126	126
Payables	-	-	97	97
Total liabilities (excluding net assets attributable to unitholders)	-	-	223	223
Net assets attributable to unitholders - liability	25	11,351	94	11,470

(b) Summarised VaR Analysis

Value at Risk (VaR) is a risk model used to estimate the potential losses that could occur on the Fund's net asset value position due to movements in interest rates, currency and market prices over a given period and for a specified degree of confidence.

BlackRock uses VaR analysis and/or tracking error estimates to measure and manage risk as these are commonly used and understood models, are easily interpreted and are consistent across different types, asset classes and types of funds. For the purpose of these accounts VaR analysis has been presented, in some classes derived from tracking estimates. The objective in all cases is to estimate potential losses and manage the downside risk.

The table below summarises the outputs of the VaR model in relation to interest rate, currency and price risk exposures. The total VaR figures are not the sum of individual risk components as this does not include correlations between different risk factors.

BlackRock calculate the VaR relative to the Fund's benchmark. The analysis implies that the Manager can be 95% confident that the value of the portfolio will not decrease by any more than the figures in the table below relative to a portfolio of the same value as the Fund's portfolios which replicates the composition of the benchmark over the 5 day period from 30 June.

	2012	
	$'000^	%
Total Portfolio Risk	1	0.01

^ VaR has been calculated on Net Assets Attributable to Unitholders before rounding.

3 Financial Risk Management (continued)

(b) Summarised VaR Analysis (continued)

Detailed information about the models

There are a number of different VaR models used within the Funds Management industry. BlackRock uses one or more of ex-ante and ex-post estimates of portfolio risk relevant to benchmark and the Monte Carlo simulation model depending on the fund type. Models are calculated using historical data and a covariance matrix where applicable.

The models used by BlackRock have the following features:

- VaR is calculated to a 95 per cent confidence level. VaR at a confidence level identifies the maximum expected loss under that confidence level;
- VaR is calculated for a 5 day holding period. The time horizon of five days is selected to coincide with the period used to analyse the portfolio positions. The risk data is examined in various daily, weekly and monthly forums; and
- The portfolio VaR is not the simple sum of individual asset stand alone VaRs; the correlations among assets in the portfolio are considered.

Although VaR is a valuable risk management tool it should be interpreted, as with all predictive models, with consideration to its assumptions and limitations. The main assumptions and limitations are listed below:

- Models assume certain financial variables are normally distributed: The normality assumption allows BlackRock to scale portfolio risk estimates to the appropriate confidence levels. The normality assumption is derived from statistical analysis for examining sample populations of observations and the implications of not assuming normality would preclude the use of most statistical tools including mainstream commercial models for risk measurement.
- The use of historical returns and correlations between assets would not take into account future potential events: It is a commonly stated and well-recognised limitation that past performance is not a reliable indicator of future performance.
- Model risk, in general terms, is a known limitation that includes: the quality or accuracy of the underlying data, where significant events occur within the data, the changing sensitivity of the Fund's assets to external market factors over time, and appreciating that using only one model may be limiting in itself to obtaining the best understanding of a Fund's risk position.

BlackRock acknowledges these limitations and thus compares ex-ante and ex-post risk estimates to review expectations versus actual outcomes. Should ex-post values differ significantly from ex-ante returns, an assessment of the reasons for this will be made.

The Fund's risk is managed with constant review of both performance and risk numbers by the investment professionals within the business. These reviews consist of:

- Weekly meetings between the global members of Risk & Quantitative Analysis (RQA). These meetings include RQA Australia.
- Monthly meetings between RQA and the Fund Managers.
- Monthly meetings between RQA and the Chief Investment Officer.
- Ad hoc presentations to the Investment Risk Management Committee (IRMC) to keep IRMC abreast of RQA processes and latest updates.
- Daily report of performance figures along with a comparison of ex-ante versus ex-post returns sent to RQA London.
- RQA professionals sitting and working closely with the Fund Managers every day.

3 Financial Risk Management (continued)

(c) Credit Risk Exposure

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, when they fall due.

Credit risk primarily arises from investments in debt instruments and from trading derivative products. 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.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

(i) Interest Bearing Securities

An analysis of debt securities by rating is set out in the table below.

Rating	30 June 2012 % Portfolio
AAA	100.00
Total	100.00

(ii) Derivatives

All exchange traded derivatives are executed through brokers, and cleared through a clearing broker and approved by the IRMC. Over the counter derivative transactions are conducted only with approved counterparties, who meet the applicable specific Fund requirements and where trading documentation is in place.

To minimise credit risk, the Fund only transacts with counterparties of investment grade quality (BBB- or above as rated by Standard & Poor's). BlackRock has a process in place to assess the creditworthiness of counterparties and assess that the risk is evenly distributed. Matters arising in relation to counterparties are reviewed regularly by the IRMC.

(iii) Settlement of Securities Transactions

All transactions are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(iv) Other Credit Risk

Exposure to credit risk on cash and cash equivalents and margin accounts is considered to be minimal due to the high credit rating of the relevant financial institution. VaR analysis is also used to manage and measure the credit risk of the Fund.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely JP Morgan Chase Bank NA ("J.P. Morgan"). J.P. Morgan is a member of a major securities exchange, and at 30 June 2012 had a credit rating of A-1+. At 30 June 2012, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by J.P. Morgan.

(d) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

3 Financial Risk Management (continued)

(d) Liquidity and Cash Flow Risk (continued)

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Fund to securities that are actively traded and highly liquid. The Fund also maintains continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Responsible Entity staff considers and maintains the liquidity of the Fund, in the context of the investment objectives and liquidity requirements of the Fund. Operational procedures are in place to review margin requirements on futures contracts. IRMC reviews liquidity reports to ensure the Fund has sufficient liquidity to pay client redemptions and meet margin calls as required.

The table below analyses the Fund's financial liabilities and derivative asset balances (as appropriate) into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date as at balance date. The amounts in the table are contractual undiscounted cash flows.

	Less than 12 months	1- 3 years	3 - 5 years	>5 years	On call
At 30 June 2012	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Distribution payable	126	-	-	-	-
Payables	97	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	11,470
Total	223	-	-	-	11,470

(e) Fair Values of Financial Assets and Liabilities

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market 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(b). For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open positions, as appropriate.

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 regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not 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.

3 Financial Risk Management (continued)

(e) Fair Values of Financial Assets and Liabilities (continued)

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 balance sheet date. 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 balance sheet date 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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the Responsible Entity of such funds.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

(f) Fair Value Hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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 2012.

At 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Interest bearing securities	-	11,468	-	11,468
Total	-	11,468	-	11,468

3 Financial Risk Management (continued)

(f) Fair Value Hierarchy (continued)

The Fund did not hold any level 3 instruments during the period ended 30 June 2012.

4 Net Gains/(Losses) on Financial Instruments Held at Fair Value Through Profit or Loss

The net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	For the period 2 December 2011 to 30 June 2012
	$'000
Financial assets and liabilities	
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss	605
Total net gains/(losses) on financial instruments held at fair value through profit or loss	605

5 Distributions to Unitholders

The distribution during the period was as follows:

	For the period 2 December 2011 to 30 June 2012	
	$'000	CPU
Distribution payable - 30 June	126	114.57
	126	

6 Net Assets Attributable to Unitholders

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

	For the period 2 December 2011 to 30 June 2012	
	No. of Units '000	$'000
Opening balance	-	-
Creations		
- Cash	110	11,000
Increase/(decrease) in net assets attributable to unitholders	-	470
Closing balance	110	11,470

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. Units are issued and redeemed at the unitholder's option at prices based on the value of the Fund's net assets at the time of issue/redemption less transaction costs. The Fund is required to distribute all taxable income to the unitholders.

Capital Risk Management

The Fund manages 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 creations and redemptions at the discretion of unitholders.

The Fund monitors the level of daily creations and redemptions relative to the liquid assets in the Fund. As of 30 June 2012 the capital of the Fund is represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Fund's Constitution allows the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitution allows payment to be delayed beyond the maximum number of days.

7 Receivables

	As at 30 June 2012
	$'000
Settlements receivable	199
Other receivables	1
Total receivables	200

8 Financial Assets at Fair Value Through Profit or Loss

	As at 30 June 2012 Fair Value $'000
Designated at fair value through profit or loss	
Interest bearing securities	11,468
Total financial assets held at fair value through profit or loss	11,468

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

9 Payables

	As at 30 June 2012 $'000
Settlements payable	91
Responsible Entity's fees payable	5
Other payables	1
Total payables	97

10 Related Party Transactions

Responsible Entity

The Responsible Entity of the iShares UBS Treasury Index Fund is BlackRock Investment Management (Australia) Limited (13 006 165 975) whose ultimate holding company is BlackRock, Inc.

BlackRock Investment Management (Australia) Limited is incorporated in Australia and BlackRock, Inc is incorporated in the United States of America.

Key management personnel

Directors

Key management personnel includes persons who were directors of BlackRock Investment Management (Australia) Limited during the financial period and up to the date of this report.

Director	Date appointed	Date resigned
H Capra	Appointed 23 May 2011	
D Frawley	Appointed 18 March 2005	Resigned 25 May 2012
C Tzatzakis	Appointed 11 September 2007	
M S McCorry	Appointed 2 December 2009	
M S McCombe	Appointed 14 March 2012	
J Arter	Appointed 19 September 2012	

Other key management personnel

The following person also had authority and responsibility for planning, directing, and controlling the activities of the Fund, directly or indirectly during the financial period:

Name	Position	Employer
R J Maddox	Managing Director and Co/Chief Investment Officer	BlackRock Investment Management (Australia) Limited

Key management personnel unitholding

During or since the end of the financial period, no key management personnel including directors or their personally related entities held units in the Fund, either directly, indirectly or beneficially.

Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

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 period and there were no material contracts involving key management personnel's interests subsisting at period end.

10 Related Party Transactions (continued)

Responsible Entity's fees and other transactions

	For the period 2 December 2011 to 30 June 2012 $
Fee for the period paid/payable by the Fund	8,766

11 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	For the period 2 December 2011 to 30 June 2012 $'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	
Operating profit/(loss) for the period	596
Net change in financial instruments held at fair value through profit or loss	(605)
Proceeds from sale of financial instruments held at fair value through profit or loss	889
Purchases of financial instruments held at fair value through profit or loss	(11,860)
Net change in payables and other liabilities	6
Net change in accrued income and receivables	(1)
Net cash inflow/(outflow) from operating activities	(10,975)
(b) Components of cash and cash equivalents	
Cash as at the end of the financial period as shown in the Statement of Cash flow is reconciled to the Balance Sheet as follows:	
Cash and cash equivalents	25
Total cash	25
(c) Non-cash financing activities	
During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	-

12 Segment Information

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the UBS Treasury Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources ensures that the Fund's holdings and performance are identical to the UBS Treasury Index. Accordingly, no additional qualitative or quantitative disclosures are required.

13 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 Balance Sheet as at 30 June 2012 or on the results and cash flows of the Fund for the period ended on that date.

14 Contingent Assets and Liabilities and Commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2012.

15 Remuneration of Auditor

	2 December 2011 to 30 June 2012 $
Auditing and review of Financial Report	15,494
Other services performed during the period	13,120
	28,614

Other services are made up of taxation services and the audit of the Fund's compliance plan. The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Fund.

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 27 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 2012 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial period ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

(d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Director
H Capra

Sydney
26 September 2012

Independent auditor's report to the members of iShares UBS Treasury Index Fund (ASX: IGB)

Report on the financial report

We have audited the accompanying financial report of iShares UBS Treasury Index Fund (ASX: IGB) (the Fund), which comprises the balance sheet as at 30 June 2012, and the income statement, 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 for the Fund.

Directors' responsibility for the financial report

The directors of BlackRock Investment Management Australia Limited (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(a), 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. These Auditing 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with 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*.

Auditor's opinion

In our opinion:

(a) the financial report of iShares UBS Treasury Index Fund (ASX: IGB) is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Fund's financial position as at 30 June 2012 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;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

PricewaterhouseCoopers

A J Loveridge
Partner

Sydney
26 September 2012