

SPDR MSCI Australia Select High Dividend Yield Fund

ARSN 145 353 591

Financial report

**For the period from 19 July 2010 to
30 June 2011**

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These financial statements cover the SPDR MSCI Australia Select High Dividend Yield Fund as an individual entity.

The Responsible Entity of the SPDR MSCI Australia Select High Dividend Yield 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 MSCI Australia Select High Dividend Yield Fund (the "Fund"), present their report together with the financial statements of the Fund for the period from 19 July 2010 to 30 June 2011.

Principal activities

The Fund invests in a diversified portfolio of Australian listed shares and units in accordance with the provisions of the Fund constitution.

The Fund did not have any employees during the period.

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

Directors

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

Robert Goodlad (appointed on 29 July 2005)
 Michael Nairn (appointed on 24 November 2009)
 Jonathan Shead (appointed on 1 August 2007)

Review and results of operations

During the period, the Fund continued to invest 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 Constitution.

Results

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

	For the period from 19 July 2010 to 30 June 2011
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>(332,128)</u>
Distribution to unitholders (\$)	<u>1,458,106</u>
Distribution (cents per unit)	<u>72.90</u>

The table below demonstrates the performance of the Fund as represented by the total return, which is calculated as the aggregation of the change in unit redemption price and distribution per unit. The total return is shown for the period from 19 July 2010 to 30 June 2011.

	2011 CPU
Changes in unit redemption price	(100.12)
Distribution per unit	<u>72.90</u>
Total return	<u>(27.22)</u>

Consistent with our statements in the governing documents of the Fund, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

Directors' Report (continued)

Unit redemption prices

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

	2011
	\$
At 30 June	24.00

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 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:

	For the period from 19 July 2010 to 30 June 2011 \$
Net assets for unit pricing purposes	50,420,395
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	(46,213)
Effect of classification of net assets attributable to unitholders as liabilities	<u>(50,374,182)</u>
Net assets under Australian Accounting Standards	<u>-</u>

Significant changes in state of affairs

The Fund was constituted on 19 July 2010, registered by ASIC as a managed investment scheme on 5 August 2010 and commenced operations on 28 September 2010. Accordingly, this financial report only includes the current financial period, covering the period from commencement of constitution to 30 June 2011.

Other than the above, 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

Other than as set out below, no matter or circumstance has arisen since 30 June 2011 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.

Since the balance date the Australian share market has experienced a period of significant volatility, impacting on the valuation of the Fund's investment portfolio. In the period since 30 June up to 17 August 2011 the MSCI Australia Select High Dividend Yield Index has fallen by 6.38%.

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 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.

Directors' Report (continued)

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.

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 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 period are disclosed in note 14 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 14 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 6 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.



Robert Goodlad
Director

Sydney
25 August 2011

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Auditor's Independence Declaration

As lead auditor for the audit of SPDR MSCI Australia Select High Dividend Yield Fund for the period ended 30 June 2011, 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 SPDR MSCI Australia Select High Dividend Yield Fund during the period.



Darren Ross
Partner
PricewaterhouseCoopers

Sydney
25 August 2011

SPDR MSCI Australia Select High Dividend Yield Fund
Statement of comprehensive income
For the period from 19 July 2010 to 30 June 2011

	Notes	For the period from 19 July 2010 to 30 June 2011 \$
Investment income		
Dividend income		2,046,405
Interest income		2,723
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<u>(2,239,909)</u>
Total net investment income/(loss)		<u>(190,781)</u>
Expenses		
Responsible Entity's fees	14	3,584
Investment Manager's fees	14	115,300
Custody and Administrator fees	14	10,667
Transaction costs		<u>11,796</u>
Total operating expenses		<u>141,347</u>
Operating profit/(loss)		<u>(332,128)</u>
Finance costs attributable to unitholders		
Distributions to unitholders	7	(1,458,106)
(Increase)/decrease in net assets attributable to unitholders	6	<u>1,790,234</u>
Profit/(loss) for the period		-
Other comprehensive income for the period		<u>-</u>
Total comprehensive income for the period		<u>-</u>

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

SPDR MSCI Australia Select High Dividend Yield Fund
Statement of financial position
As at 30 June 2011

	Notes	As at 30 June 2011 \$
Assets		
Cash and cash equivalents	8	61,456
Margin accounts		100,466
Receivables	11	511,221
Financial assets held at fair value through profit or loss	9	<u>50,286,041</u>
Total assets		<u>50,959,184</u>
Liabilities		
Payables	12	9,232
Financial liabilities held at fair value through profit or loss	10	2,875
Distributions payable	7	<u>572,895</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>585,002</u>
Net assets attributable to unitholders - liability	6	<u>50,374,182</u>

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

SPDR MSCI Australia Select High Dividend Yield Fund
Statement of changes in equity
For the period from 19 July 2010 to 30 June 2011

	For the period from 19 July 2010 to 30 June 2011 \$
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	<u>-</u>
Transactions with owners in their capacity as owners	<u>-</u>
Total equity at the end of the financial period	<u>-</u>

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

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

SPDR MSCI Australia Select High Dividend Yield Fund
Statement of cash flows
For the period from 19 July 2010 to 30 June 2011

	Notes	For the period from 19 July 2010 to 30 June 2011 \$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		11,491,764
Payments for purchase of financial instruments held at fair value through profit or loss		(14,223,897)
Amount received from/(paid to) brokers for margin		(131,541)
Dividends received		1,544,368
Interest received		2,723
Responsible Entity's fees paid		(3,392)
Investment Manager's fees paid		(109,131)
Custody and Administrator fees paid		(10,096)
Payment of other operating expenses		<u>(18,680)</u>
Net cash inflow/(outflow) from operating activities	16(a)	<u>(1,457,882)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders		2,379,937
Distributions paid		<u>(860,599)</u>
Net cash inflow/(outflow) from financing activities		<u>1,519,338</u>
Net increase/(decrease) in cash and cash equivalents		61,456
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	8	<u>61,456</u>
Non-cash operating and financing activities	16(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 MSCI Australia Select High Dividend Yield Fund (the "Fund") as an individual entity. The Fund was constituted on 19 July 2010 and commenced operations on 28 September 2010. The Fund will terminate on 18 July 2090 unless terminated earlier in accordance with the provisions of the Fund Constitution. Accordingly, this financial report only includes the current financial period, covering the period from commencement of constitution to 30 June 2011.

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 shares and units in accordance with the provisions of the Fund constitution.

The financial statements were authorised for issue by the directors on 25 August 2011. 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 through out the period 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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

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 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 categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

These include derivative financial instruments including futures. 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 exchange traded equity instruments.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Financial assets 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.

(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 profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are 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 a difference exists, the Fund recognises the difference in profit or loss to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3(e).

(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.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities due to mandatory distributions. The units can be put back to the Fund at any time. The fair value of redeemable units is measured at the redemption amount that is payable (in cash and securities representing each in investor's equal undivided, vested, and infeasible interest in the assets as a whole, subject to liabilities, as defined by the Fund Constitution) at the end of the reporting period if unitholders exercised their right to put the units back to the Fund.

(d) Cash and cash equivalents

For the purpose of presentation in statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition including cash management trusts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

2 Summary of significant accounting policies (continued)

(e) Investment income

Interest income is recognised in profit or loss using the effective interest method.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in profit or loss.

(f) Expenses

All expenses, including Responsible Entity's fees, Investment Manager's and Custody and Administrator fees, are recognised in profit or loss on an accruals basis.

(g) 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 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 gross of withholding tax in profit or loss.

(h) Distributions

In accordance with the Fund 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 at the end of September, December, March and June each year and recognised in profit or loss as finance costs attributable to unitholders.

(i) 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 profit or loss as finance costs attributable to unitholders.

(j) 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)

(k) 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.

(l) Receivables

Receivables may include amounts for dividends and interest. Dividends 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.

(m) 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 Constitution.

(n) Applications and redemptions

Application amounts must be in the form of a parcel of quoted securities transferred through CHESS and cannot be wholly paid in cash. The parcel of quoted securities related to in-specie applications generally corresponds to the composition of the MSCI Australia Select High Dividend Yield 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 Product Disclosure Statement (PDS) and use a Stockbroker for the redemption. 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 price quoted on the ASX.

(o) 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) at a rate of 75%. Hence Responsible Entity fees, Investment Management fees, Custody and Administrator 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.

2 Summary of significant accounting policies (continued)

(p) 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.

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.

(q) 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.

The Board of the Responsible Entity reviews performance of the segments against the performance of the Fund's benchmark.

(r) 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.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 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 Australia 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.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the amended standard from 1 July 2011. The amendments will not have any effect on the Fund's financial statements.

2 Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations (continued)

(iii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB issued AASB 2010-6 *Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund's disclosures. The Fund intends to apply the amendment from 1 July 2011.

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

3 Financial risk management

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement ("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. 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 include sensitivity analysis in the case of market price risk.

(a) Market risk

(i) Price Risk

The Fund invests in various investments including securities on the Australian Securities Exchange, 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 majority of the Fund's investments are securities listed on the MSCI Australia Select High Dividend Yield Index while the cash instruments are at a minimum rating of A1 or higher as rated by Standards & Poors. 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 18 shows the impact on net asset value of the Fund of a reasonably possible shift in the MSCI Australia Select High Dividend Yield Index, assessed as an increase of 24% and decrease of 24% in the MSCI Australia Select High Dividend Yield Index (with all other variables held constant).

3 Financial risk management (continued)

(a) Market risk (continued)

(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 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 hold no more than 5% of the Fund value in cash instruments.

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

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

30 June 2011	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	61,456	-	-	61,456
Margin accounts	100,466	-	-	100,466
Receivables	-	-	511,221	511,221
Financial assets held at fair value through profit or loss	-	-	50,286,041	50,286,041
Liabilities				
Payables	-	-	(9,232)	(9,232)
Financial liabilities held at fair value through profit or loss	-	-	(2,875)	(2,875)
Distributions payable	-	-	(572,895)	(572,895)
Net exposure	<u>161,922</u>	<u>-</u>	<u>50,212,260</u>	<u>50,374,182</u>

An analysis of financial liabilities by maturities is provided in paragraph (d) on page 19.

The table on page 18 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 from the period end rates with all other variables held constant.

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	
	-24%	+24%	-200 bps	+200 bps
	Impact on operating profit/Net assets attributable to unitholders			
	\$	\$	\$	\$
30 June 2011	(12,041,038)	12,041,038	(3,238)	3,238

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

(c) Credit risk

Credit risk primarily arises from the Fund's 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.

(d) Liquidity risk

The Fund is exposed to cash redemptions of redeemable units by unitholders from time to time. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

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

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 investment were held at period end.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

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.

	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$	No stated maturity \$
At 30 June 2011					
Payables	-	-	-	-	9,232
Distributions payable	572,895	-	-	-	-
Net assets attributable to unitholders	-	-	-	-	-
Contractual cash flows (excluding net settled derivatives)	<u>572,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,232</u>

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 \$	1-2 years \$
At 30 June 2011				
Net settled derivatives				
Australian Share Price Index futures	-	(2,875)	-	-

(e) Fair value estimation

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 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 profit or loss.

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. Financial assets are priced at closing bid prices, while financial liabilities are priced at closing ask prices.

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

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).

3 Financial risk management (continued)

(f) Fair value hierarchy (continued)

- 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 2011.

As at 30 June 2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	<u>50,286,041</u>	-	-	<u>50,286,041</u>
Total	<u>50,286,041</u>	-	-	<u>50,286,041</u>
Financial liabilities				
Financial liabilities held for trading:				
Derivatives	<u>2,875</u>	-	-	<u>2,875</u>
Total	<u>2,875</u>	-	-	<u>2,875</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

There were no investments classified as level 2 and 3 within the Fund.

(ii) Transfers between levels

There were no transfers between levels for the period ended 30 June 2011.

(iii) Movement in level 3 instruments

There were no investments classified as level 3 within the Fund as at 30 June 2011.

4 Remuneration of auditors

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

	For the period from 19 July 2010 to 30 June 2011 \$
PricewaterhouseCoopers Australian Firm	
<i>Audit and other assurance services</i>	
Audit and review of financial statements	26,900
Audit of compliance plan	<u>1,336</u>
Total remuneration for audit and other assurance services	<u>28,236</u>
 <i>Taxation services</i>	
Tax compliance services	<u>21,540</u>
Total remuneration for taxation services	<u>21,540</u>
 Total remuneration of PricewaterhouseCoopers	 <u>49,776</u>

In 2011, the Investment Manager has paid the remuneration of auditors on behalf of the Fund.

5 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:

	For the period from 19 July 2010 to 30 June 2011 \$
Financial assets	
Net gain/(loss) on financial assets held for trading	32,025
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<u>(2,205,959)</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(2,173,934)</u>
 Financial liabilities	
Net gain/(loss) on financial liabilities held for trading	<u>(65,975)</u>
Net gains/(losses) on financial liabilities held at fair value through profit or loss	<u>(65,975)</u>
 Total net gains/(losses) on financial instruments held at fair value through profit or loss	 <u>(2,239,909)</u>

6 Net assets attributable to unitholders

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

	30 June 2011 No.	30 June 2011 \$
Opening balance	-	-
Applications	2,200,001	54,636,799
Redemptions	(100,000)	(2,496,995)
Units issued upon reinvestment of distributions	954	24,612
Increase/(decrease) in net assets attributable to unitholders	-	(1,790,234)
Closing balance	<u>2,100,955</u>	<u>50,374,182</u>

As stipulated within the Fund 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.

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 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.

(a) Unrealised capital gains

As at the reporting date, the Fund had unrealised taxable capital gains of \$Nil, which if realised, and after any offset of realised capital losses, would be assessable.

(b) Realised capital losses

As at 30 June 2011, the date of the distribution calculation, the Fund had realised capital losses of \$395,073 available to offset against future assessable capital gains.

7 Distributions to unitholders

The distributions for the period were as follows:

	For the period from 19 July 2010 to 30 June 2011 \$	For the period from 19 July 2010 to 30 June 2011 CPU
Distributions paid	885,211	45.63
Distributions payable	<u>572,895</u>	<u>27.27</u>
Total distributions	<u>1,458,106</u>	<u>72.90</u>

8 Cash and cash equivalents

	As at 30 June 2011 \$
Cash at bank	61,456

This account is bearing a floating interest rate of 0.50%.

9 Financial assets held at fair value through profit or loss

	As at 30 June 2011 \$
Designated at fair value through profit or loss	
Equity securities listed on a prescribed stock exchange	50,286,041
Total designated at fair value through profit or loss	50,286,041
Total financial assets held at fair value through profit or loss	50,286,041

The objectives of the Fund include earning revenue from dividends, interest and distributions, as well as holding investments for market appreciation. All the investments held are readily marketable and may be realised as future conditions dictate.

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

Investments which constitute 5% or more by value of the total value of investments of the Fund are disclosed below:

2011

<u>Security Description</u>	<u>Principal Activities</u>	<u>Total Fair Value</u> \$	<u>% of Total Fund Investments</u> %
Commonwealth Bank of Australia	Banking and Finance	4,792,938	9.53
Westpac Banking Corp	Banking and Finance	4,690,856	9.33
Australia and New Zealand Banking Group	Banking and Finance	4,652,692	9.25
National Australia Bank	Banking and Finance	4,520,371	8.99

10 Financial liabilities held at fair value through profit or loss

	As at 30 June 2011 \$
Held for trading	
Derivatives (note 13)	2,875
Total held for trading	<u>2,875</u>
Total financial liabilities held at fair value through profit or loss	<u>2,875</u>

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

11 Receivables

	As at 30 June 2011 \$
Dividends receivable	502,037
Other receivables	<u>9,184</u>
	<u>511,221</u>

12 Payables

	As at 30 June 2011 \$
Accrued expenses	6,932
Other payables	<u>2,300</u>
	<u>9,232</u>

13 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.

13 Derivative financial instruments (continued)

Derivative financial instruments 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 includes:

- 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
- 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 futures contracts. 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 usually settled daily with the exchange.

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

30 June 2011

	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
Australian share price index futures	115,050	-	2,875

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.

14 Related party transactions

Responsible Entity

The Responsible Entity of SPDR MSCI Australia Select High Dividend Yield 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 Constitution, the Responsible Entity is entitled to receive fees of 1% 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 2011.

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 period as follows:

Robert Goodlad (appointed on 29 July 2005)
Michael Nairn (appointed on 24 November 2009)
Jonathan Shead (appointed on 1 August 2007)

14 Related party transactions (continued)

Key management personnel unitholdings

The key management personnel of State Street Global Advisors, Australia, Services Limited held units in the Fund as follows:

2011

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Robert Goodlad	-	2,014	-	2,014	-	1,461

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 directly attributable to 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 period and there were no material contracts involving director's interests existing at period end.

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

The Investment Manager of SPDR MSCI Australia Select High Dividend Yield 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 period the total annual operating fees and expenses for the Fund (the Indirect Cost Ratio) were capped at 0.35% p.a.

During the period the Investment Manager's fees were capped at 0.339% p.a. The cap takes account of both Goods and Services Tax (GST) payable on the operating fees and expenses of the Funds and also the benefit of reduced input tax credit.

The Custodian and Administrator of SPDR MSCI Australia Select High Dividend Yield Fund is State Street Australia Limited. The ultimate holding company of the Custodian is State Street Corporation (incorporated in the United States of America).

14 Related party transactions (continued)

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

	As at 30 June 2011 \$
Responsible Entity's fees for the period	3,584
Investment Manager's fees for the period	115,300
Custody and Administrator fees for the period	10,667
Related party transaction fees for the period	404
Aggregate amounts payable to the Responsible Entity/Investment Manager/Custodian and Administrator at the end of the reporting period	6,932

The Fund held its bank account with State Street Bank and Trust Company during the period at arms length commercial rates. As at 30 June 2011, the balance in this account was \$61,456.

Related party unitholdings

State Street Global Advisors, Australia Services Limited, its related parties and other Funds managed by State Street Global Advisors, Australia Services Limited, held no units in the Fund in 2011.

2011

	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distribu- tions paid/ payable by the Fund (\$)
Unitholder						
State Street Global Advisors	-	1	0.00	1	-	-

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 period.

15 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.

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

For the period
from 19 July
2010 to
30 June
2011
\$

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

Profit/(loss) for the period	-
Increase/(decrease) in net assets attributable to unitholders	(1,790,234)
Distribution to unitholders	1,458,106
Proceeds from sale of financial instruments held at fair value through profit or loss	11,491,764
Payment for financial instruments held at fair value through profit or loss	(14,223,897)
Net (gains)/losses on financial instruments held at fair value through profit or loss	2,239,909
Amounts paid to brokers for margin	(131,541)
Net change in receivables	(511,221)
Net change in payables	9,232
Net cash inflow/(outflow) from operating activities	<u>(1,457,882)</u>

(b) Non-cash operating and financing activities

During the period, the following applications were satisfied by in specie asset transfers	52,256,862
During the period, the following redemptions were satisfied by in specie asset transfers	2,496,995
During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	24,612

17 Events occurring after the end of the reporting period

Other than as set out below, no significant events have occurred since balance date which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2011 or on the results and cash flows of the Fund for the period ended on that date.

The Fund holds investments in a portfolio of Australian listed equities and is consequently exposed to the market risk associated with these investments.

Since the balance date Australian share market have experienced a period of significant volatility, impacting on the valuation of the Fund's investment portfolio. In the period since 30 June up to 17 August 2011 the MSCI Australia Select High Dividend Yield Index has fallen by 6.38%.

As the investments are measured at their 30 June 2011 fair values in the financial report, these subsequent falls in value are not reflected in the statement of comprehensive income or the statement of financial position.

18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2011.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the financial period 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.



Robert Goodlad
Director

Sydney
25 August 2011

**Independent auditor's report to the unitholders of
SPDR MSCI Australia Select High Dividend Yield Fund**

Report on the financial report

We have audited the accompanying financial report of SPDR MSCI Australia Select High Dividend Yield Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 State Street Global Advisors, Australia Services Limited, the responsible entity of the Fund, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's report to the unitholders of
SPDR MSCI Australia Select High Dividend Yield Fund (continued)**

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

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 SPDR MSCI Australia Select High Dividend Yield Fund 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 2011 and of its performance for the period 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of SPDR MSCI Australia Select High Dividend Yield Fund for the financial period ended 30 June 2011 included on the responsible entity's web site. The responsible entity's directors are responsible for the integrity of this 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.



PricewaterhouseCoopers



Darren Ross
Partner

Sydney
25 August 2011

Corporate Governance Statement

SPDR MSCI Australia Select High Dividend Yield Fund (“the Fund”) is a registered Managed Investment Scheme (“Scheme”) under the Corporations Act 2001 (Cth) (“the Corporations Act”). Consequently, there are distinctive provisions governing the Fund and those who operate it, which are intended to give investors enhanced protection.

A Responsible Entity (“RE”) of a Scheme must operate the Scheme and perform the functions conferred on it by the Scheme’s Constitution and the Corporations Act. The RE may also appoint an agent or agents to perform various functions on its behalf. The duties of the RE are to:

- act honestly;
- exercise a duty of care and diligence;
- act in the best interests of unitholders and, if there is a conflict between the unitholders’ interests and its own interests, give priority to the unitholders’ interests;
- treat unitholders who hold interests in the same class equally and unitholders who hold interests in different classes fairly;
- not make use of information acquired through being an RE in order to
 - o gain an improper advantage for itself or another person, or
 - o cause detriment to the unitholders of the Fund;
- ensure that the Scheme property is valued at regular intervals appropriate to the nature of the property;
- ensure that all payments out of the Scheme property are made in accordance with the Scheme’s Constitution and the Corporations Act;
- report to ASIC any breach of the Corporations Act that relates to the Scheme and has had, or is likely to have, a materially adverse effect on the interests of unitholders, as soon as practicable after it becomes aware of the breach; and
- carry out or comply with any other duty, which is not inconsistent with the Corporations Act that is conferred on the RE by the Scheme’s Constitution.

State Street Global Advisors, Australia Services Limited (“SSgA,ASL”) is the RE of the Fund. SSgA,ASL is a wholly owned subsidiary of the Investment Manager of the Fund, State Street Global Advisors, Australia, Limited (“SSgA”).

SSgA,ASL is familiar with the ASX Corporate Governance Council’s Principles of Good Corporate Governance and Best Practice Recommendations. This section sets out the principal corporate governance practices which SSgA,ASL will apply in its capacity as RE of the Fund.

Corporate Governance Statement (continued)

The Board

Responsibility for corporate governance of the RE resides with SSgA,ASL's Board of Directors ("RE Board"), which is comprised of three internal Directors. In addition to the RE Board, the Corporations Act requires that a Compliance Committee with a majority of external Members must be established if less than half the Directors of the RE are external. SSgA,ASL has formed a Compliance Committee, which has specific obligations under the Corporations Act, and is discussed in detail below. The Compliance Committee fulfils the independence obligation as the RE Board is comprised of internal Directors.

The names of the Directors are set out on page 2 of the Financial report. These Directors have gained extensive experience and expertise in relation to the funds management industry, the RE and the Fund. They also bring to the RE Board a range of complementary commercial qualifications and skills.

A nominations committee has not been established for the RE Board as currently the Directors appointed to the RE Board are paid employees of the parent company, SSgA.

The RE Board of Directors is responsible on a day-to-day basis for operating the Fund in the interests of the unitholders of the Fund and monitoring the Fund's activities for compliance with the Fund's Constitution, offer documentation and the Corporations Act. Specific responsibilities include:

- setting and monitoring corporate strategies and objectives for management;
- monitoring business performance;
- monitoring the financial position, including reviewing the integrity of the financial reporting;
- ensuring the availability of adequate resources to meet objectives;
- ensuring the placement of effective management processes and approving major corporate initiatives to ensure continued growth and success;
- ensuring that significant business risks are identified, reported and managed effectively;
- setting high standards for ethical conduct; and
- reporting to and communicating with ASIC and unitholders.

RE Board meetings are held at least quarterly with additional meetings held as required.

Due to the size and nature of operations, the RE Board, along with the Compliance Committee where relevant under the Corporations Act (and with certain outsourced services provided by SSgA, related entities and external service providers), will carry out all the corporate governance functions and responsibilities attaching to the Fund. The RE Board will receive quarterly reports from the Compliance Committee, Legal Counsel and the Manager of the RE. In addition, directors will spend time reading and analysing RE Board papers and reports submitted by the Investment Manager and Custodian of the RE.

All directors have unrestricted access to company records and information. The RE Board or individual directors may obtain independent advice (including legal advice) from external advisors, at the cost of the RE, where this is reasonably necessary for the RE Board to carry out its duties and responsibilities. The RE may recharge these expenses to the Fund where the Fund's Constitution allows.

The procedures for establishing and reviewing the compensation arrangements for the RE are specified in the Fund's Constitution.

The RE does not have a formal process to evaluate the performance of the RE Board however all personnel are subject to semi-annual performance reviews as part of their employment by SSgA. The performance of the RE is monitored on an ongoing basis by the RE Board, and the Compliance Committee to the extent required by the Corporations Act.

As the RE is not a listed entity, however wholly owned by SSgA, the selection of directors is a matter for SSgA and the RE Board as a whole after giving consideration to the overall mix of skills and experience of the board and the contribution that a candidate for directorship may add to the Board.

Corporate Governance Statement (continued)

The Compliance Committee

The Corporations Act requires that an RE of a Scheme must apply adequate measures in operating the Scheme to ensure compliance with the Corporations Act and the Scheme's Constitution. The Fund operates under a Compliance Plan registered with the Australian Securities and Investments Commission.

The Corporations Act also requires that a Compliance Committee be established if less than half of the Directors of the RE are external Directors. SSgA,ASL has a Compliance Committee comprising:

Mr Michael Nairn (Chair);

Mr Richard Stokes (external); and

Mr Dennis Wildenburg (external).

Mr. Nairn has over 12 years' continuous experience in the financial markets and funds management industry. Mr. Nairn is a Director of State Street Global Advisors, Australia Services Limited and Head of Investment Operations, Asia Pacific. He holds a Bachelor of Commerce Degree from the University of Canberra and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Mr Stokes has over 25 years' experience in the financial services industry. Mr Stokes developed extensive experience in the funds management industry, having worked for funds management companies in London, Johannesburg and Sydney. He has been consulting to the financial services industry for more than 20 years. Mr Stokes is a Chartered Accountant.

Mr Wildenburg has over 25 years' experience in the financial services and funds management industry. He has been consulting to the financial services industry for over a decade and his broad experience includes professional accounting, the development of superannuation and unit trust products and financial services marketing. Mr Wildenburg is a Chartered Accountant. He has been consulting to the financial services industry for more than 20 years.

The majority of the Compliance Committee are external members, as required by the Corporations Act. Although the current Chair of the Compliance Committee is an internal member, each of the Compliance Committee members has only one vote. The Compliance Committee will consider whether the rotation of Chair would be appropriate on an annual basis.

The Compliance Committee reviews the operations of the RE through reporting received at regular Compliance Committee meetings.

The Compliance Committee operates under a formal Terms of Reference, which details the functions and responsibilities of the Committee.

For the purpose of carrying out the functions of the Compliance Committee, all Committee members have access to:

- information, including accounting records of the Fund and information relevant to compliance with the Corporations Act and the Constitution as well as staff of the RE;
- the auditor of the RE;
- the auditor of the Compliance Plan; and
- the auditor of the Fund.

Members of the Compliance Committee may obtain independent advice (including legal advice) from external advisors, at the cost of the RE, where this is reasonably necessary for the Committee to carry out its functions.

Corporate Governance Statement (continued)

Code of Ethics

SSgA,ASL, being a wholly-owned subsidiary of SSgA has formally adopted the SSgA Code of Ethics.

The Code of Ethics is designed to reinforce SSgA's reputation for integrity by avoiding even the appearance of impropriety in the conduct of business. The Code of Ethics sets forth procedures and limitations which govern the personal securities transactions of every employee of SSgA. The Code of Ethics requires high standards of integrity, honesty and fairness from employees. It promotes responsible and ethical decision-making by directors, executives, employees and contractors.

In addition, SSgA,ASL is subject to the State Street Standard of Conduct, which applies to all directors and employees. The underlying premise of the Standard of Conduct is that each employee is responsible for performing his or her job in a lawful manner. SSgA,ASL will also ensure that its appointed agents have adopted an appropriate code of conduct.

Integrity in Financial Reporting

The RE will prepare and publish, with the assistance of its service providers, half-yearly and annual financial statements for the Fund as required by the Corporations Act. All financial reports will be prepared in accordance with the relevant accounting standards.

The RE Board will state in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

The financial statements will be subject to an annual audit by external independent, professional auditors. In addition, the external auditors will also review the half-yearly financial statements.

The audit process for the RE and the Fund are treated separately, with each having different external auditors. The current external auditor of the RE is Ernst & Young. PricewaterhouseCoopers is the current external auditor for the Fund and is also the Compliance Plan auditor.

The RE Board will review the results of the external audit process of the Fund and the Compliance Plan to ensure:

- that the external Compliance Plan auditor and external Fund auditor are appropriately qualified, legally eligible to act and properly appointed at all times;
- that the terms of appointment of the external auditors are appropriate and in accordance with the Corporations Act;
- that the external auditors have access to and obtain all relevant information as the Corporations Act requires; and
- that the external auditors conduct all inquiries and provide all reports required by the Corporations Act.

The RE has not formed an audit committee however the financial statements are reviewed by the Manager of the RE prior to any recommendation of the final statements to the RE Board for approval.

The external auditors are invited to attend RE Board meetings in which annual financial statements and Compliance Plan audit findings are considered and adopted. The external auditors are also invited to attend the Compliance Committee meetings where appropriate.

The RE Board will review the adequacy of resources of the RE necessary for the provision of financial reporting to comply with its Australian Financial Services Licence, the Corporations Act and the ASX Listing Rules.

Corporate Governance Statement (continued)

Timely and Balanced Disclosure

The RE Board believes that unitholders and the general investment market should be informed of all major business events that influence the Fund.

The RE is committed to ensuring that the Fund meets its disclosure obligations under ASX Listing Rule 3.1 and has policies in place for satisfying these continuous disclosure obligations.

Market-sensitive information, including financial reports, is lodged with ASX as soon as available.

Rights of Unitholders

The Corporations Act and general law provide a number of rights to unitholders, including a right to share in Fund income and Fund capital. Whilst the law does not require an RE to call a General Meeting of unitholders, in certain circumstances, the RE may elect to hold a General Meeting. A General Meeting may also be called by unitholders with at least 5% of the votes that may be cast on the resolution; or by at least 100 unitholders who are entitled to vote on the resolution.

When a general meeting for the Fund is required to be held the Responsible Entity will arrange for the External Auditor of the Fund to be present.

The RE Board reviews the procedures governing communication with unitholders to ensure compliance with the Constitution, Corporations Act, ASX Listing Rules, ASX waivers and disclosure documents.

The SPDR website and the Product Disclosure Statement both provide contact details to unitholders.

Management of Risk

The RE Board is committed to effective risk management. The RE has in place a rigorous risk management framework that identifies and monitors areas of risk and includes:

- review of all published financial statements which require approval by the RE Board, including half yearly reviewed statements, year-end audited statements, statements in Product Disclosure Statements and other statements required by regulatory bodies;
- review of the monitoring of all Fund investment mandates;
- review of all policies on compliance and adherence to compliance;
- any complaints made by unitholders and the resolution processes adopted; and
- any breaches and notification of breaches to ASIC.

Additionally, SSgA,ASL is subject to an internal audit conducted by State Street Corporation normally every three years.

This framework is reviewed by the RE Board as part of the Compliance framework.

Corporate Governance Statement (continued)

Fair and Responsible Remuneration

In accordance with the Constitution of the Fund, the RE is entitled to be paid fees. The calculation of the RE fees are explained in the current Product Disclosure Statement.

All directors and employees of the RE are employees of the parent company, SSgA. There is no additional remuneration to the Directors and Company Secretary due to their involvement with the RE.

Given that the Directors of the RE are paid employees of the parent company there is no need for a Board remuneration Committee and therefore such a committee has not been established.

The external Members of the Compliance Committee are paid A\$40,000 per annum (exclusive of GST). These fees are reviewed from time to time by the RE Board and are paid by the RE.

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

Robert Goodlad (appointed on 29 July 2005)
Michael Nairn (appointed on 24 November 2009)
Jonathan Shead (appointed on 1 August 2007)

Secretary

Phil Maher

Compliance Committee

Michael Nairn
Dennis Wildenburg
Richard E Stokes

Auditors of the Fund

PricewaterhouseCoopers Australian Firm
201 Sussex Street
Sydney NSW 2000

Principal Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Phone: (02) 8280 7100

Stock Exchange Quotations

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