



streetTRACKS®

**Straits Times Index Fund  
Annual Report**

30 June 2006

# streetTRACKS<sup>®</sup> STRAITS TIMES INDEX FUND

## FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006*

### CONTENTS

	Page
MANAGER'S INVESTMENT REPORT	1-3
REPORT OF THE TRUSTEE	4
STATEMENT BY THE MANAGER	5
AUDITORS' REPORT	6
FINANCIAL STATEMENTS	
Statement of Total Return	7
Balance Sheet	8
Portfolio Statement	9-12
Notes to the Financial Statements	13-22

## MANAGER'S INVESTMENT REPORT

### MANAGER'S NOTES

#### *About streetTRACKS STI*

streetTRACKS STI, Singapore's first locally created exchange traded fund, is designed to track the performance of the Straits Times Index (STI). Shares of streetTRACKS STI were listed and traded on SGX-ST since 17 April 2002.

#### *Details of streetTRACKS STI*

Fund Currency:	Singapore dollar
Listing Date on SGX-ST:	17 April 2002
Stock Code on SGX-ST:	STI ETF 100
Board Lot:	100 shares
Price:	Approximately 1/100th of the STI
CPF Usage:	Included in CPF Investment Scheme – Ordinary Account
Annual Costs:	0.3%

#### *Benefits of Investing in streetTRACKS STI*

streetTRACKS STI offers investors the opportunity to gain diversified exposure to the leading companies in Singapore and participate in Singapore's long term growth potential in a single transaction, at relatively low cost.

Just like any share listed on SGX-ST, investors can buy and sell anytime during the trading day, on margin or sell short. Investors can also receive regular dividends. Unlike ordinary unit trusts, there are no sales charges upon purchase. Instead, investors pay brokerage commissions to buy or sell. streetTRACKS STI's total annual fees, including management and trustee fees, are also low at 0.3%.

#### *Performance*

Ending 30 June 2006	3-month	6-month	1-year	Annualised since inception
From	31 March 2006	31 December 2005	30 June 2005	17 April 2002
To	30 June 2006	30 June 2006	30 June 2006	30 June 2006
Fund	-2.4%	5.5%	13.4%	11.6%
Benchmark	-3.9%	3.8%	10.1%	7.9%

#### *Notes:*

- 1) As stated in the financial statements, units are issued and redeemed through the creation and redemption of an Index Basket in accordance with the Fund's Trust Deed. The Fund does not, therefore, publish a bid price and the Fund's returns have been computed from Net Asset Values. The net distributions of the Fund have been included for the purposes of this return calculation.
- 2) The benchmark returns are stated on a price only basis and do not include dividends. The performance of the Straits Times Index with dividends reinvested is not published.

**MANAGER'S INVESTMENT REPORT** *(continued)**Details of Top 10 Holdings of the Fund*

	As at 30 June 2006					
	Cost SGD	Market Value/ Fair Value SGD	Percentage of	Percentage of	Dividends received SGD	Dividend cover ratio
			total net assets %	share capital owned %		
United Overseas Bank Limited	53,169,621	65,754,844	11.44	0.35	2,058,519	1.57
DBS Group Holdings Limited	44,207,550	65,619,360	11.43	0.35	1,873,242	1.16
Overseas-Chinese Banking Corporation	39,944,323	53,089,715	9.24	0.35	1,499,207	2.19
Singapore Telecommunications Limited	33,928,512	51,220,592	8.92	0.35	1,841,038	3.11
Keppel Corporation Limited	7,855,277	27,850,245	4.84	0.35	353,549	3.92
Hong Kong Land Holdings Limited	12,729,244	25,446,601	4.43	0.35	570,246	11.57
Singapore Airlines Limited	20,095,794	24,265,623	4.22	0.35	771,872	2.25
Capitaland	10,271,843	23,553,215	4.10	0.35	757,151	0.02
Singapore Press Holdings Limited	24,732,630	22,537,113	3.92	0.35	1,251,149	1.36
Jardine Matheson	7,399,832	17,651,663	3.07	0.35	459,446	6.88
	<b>254,334,626</b>	<b>376,988,971</b>				

The industry in which the above companies conduct their business is shown in the Portfolio Statement in pages 9 to 12.

*Amount of Subscription and Redemption*

For the year ending June 30 2006

Subscription = Nil

Redemption = Nil

*Other Information*

During the reporting period, the Fund had no exposure to derivatives, other unit trusts, mutual funds and collective investment schemes (except for certain listed funds that are included in the Straits Times Index) and had no borrowings. There are no other material information that will adversely impact the valuation of the Fund.

*Soft Dollar Practices*

The Manager may receive soft dollar commissions/arrangements in respect of the Fund and is subject to the applicable regulatory and industry standards on soft dollars. The soft dollar commissions/arrangements which the Manager may for the time being receive or enter into include specific advice as to the advisability of dealing in or as to the value of any investments, research and advisory services, economic and political analyses, portfolio analyses including valuation and performance measurements, market analyses, data and quotation services, computer hardware and software or any other information facilities to the extent that they are used to support the investment decision making process, the giving of advice, or the conduct of research or analysis, and custodial service in relation to the investments managed for clients.



## MANAGER'S INVESTMENT REPORT *(continued)*

Brokers for the Fund are selected on the basis of the best available terms for execution. As the Manager is a part of the State Street Group which approaches soft dollar on a group wide basis, the benefits received by the Manager through soft dollars may or may not be directly related to the transactions performed for the Fund.

The goods and services received were for the benefit of the Fund. The trades were executed on best available terms, and there was no churning of trades.

### *Information on the Manager*

The Manager is State Street Global Advisors Singapore Limited, an indirect wholly-owned subsidiary of State Street Corporation. The Manager will remain manager of the Fund until terminated in accordance to the Fund's trust deed. The basis of the Manager's remuneration is set down in the Fund prospectus dated 7 April 2006. As agreed between the Manager and the Trustee, the total combined management fees, trustee fees and other recurring expenses for the Fund are currently set at 0.3% per annum of its net asset value.



## REPORT OF THE TRUSTEE

The Trustee is under a duty to take into custody and hold the assets of streetTRACKS<sup>®</sup> Straits Times Index Fund in trust for the unitholders. In accordance with the Securities and Futures Act (Cap.289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulation as well as the recommendations of the Recommended Accounting Practice 7 "Reporting Framework for Units Trusts" issued by the Institute of Certified Public Accountants of Singapore and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed streetTRACKS<sup>®</sup> Straits Times Index Fund during the period covered by these financial statements, set out on pages 7 to 22, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee  
DBS TRUSTEE LIMITED

MNJ VILCASSIM  
*Director*

## STATEMENT BY THE MANAGER

In the opinion of the Manager of streetTRACKS® Straits Times Index Fund, the accompanying financial statements set out on pages 7 to 22, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of streetTRACKS® Straits Times Index Fund as at 30 June 2006 and the total return for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore. At the date of this statement, there are reasonable grounds to believe that streetTRACKS® Straits Times Index Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager  
**STATE STREET GLOBAL ADVISORS  
SINGAPORE LIMITED**

**CHEUNG HON WING**  
*Director*



## AUDITORS' REPORT TO THE UNITHOLDERS OF streetTRACKS<sup>®</sup> STRAITS TIMES INDEX FUND

We have audited the financial statements of streetTRACKS<sup>®</sup> Straits Times Index Fund (the "Fund") for the financial year ended 30 June 2006 set out on pages 7 to 22, comprising the Statement of Total Return, Balance Sheet, Portfolio Statement and Notes to the Financial Statements. These financial statements are the responsibility of State Street Global Advisors Singapore Limited (the "Manager"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2006 and the total return for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore.

PricewaterhouseCoopers  
*Certified Public Accountants*

Singapore

# streetTRACKS® STRAITS TIMES INDEX FUND

## STATEMENT OF TOTAL RETURN

*For the financial year ended 30 June 2006*

		2006	2005
	Notes	\$	\$
<b>INVESTMENT INCOME</b>			
Dividends		20,489,300	23,910,532
Interest		255,382	401
		<hr/>	<hr/>
		20,744,682	23,910,933
<b>LESS: EXPENSES</b>	3	<hr/>	<hr/>
		(1,678,248)	(1,339,996)
<b>NET INVESTMENT INCOME BEFORE INCOME TAX</b>		19,066,434	22,570,937
<b>LESS: INCOME TAX</b>	4	<hr/>	<hr/>
		(2,785,517)	(3,435,656)
<b>NET INVESTMENT INCOME AFTER INCOME TAX</b>		<hr/>	<hr/>
		16,280,917	19,135,281
<b>NET GAINS OR LOSSES ON VALUE OF INVESTMENTS DURING THE YEAR</b>			
Net realised gain on investments		7,321,853	19,203,306
Net change in fair value of investments		45,297,773	66,421,024
Net realised (loss)/gain on foreign exchange		(24,866)	12,120
Net unrealised (loss)/gain on foreign exchange		(10,068)	7,033
		<hr/>	<hr/>
<b>NET GAIN ON VALUE OF INVESTMENTS</b>		52,584,692	85,643,483
<b>TOTAL RETURN FOR THE YEAR</b>		<hr/>	<hr/>
		68,865,609	104,778,764

*The accompanying notes form an integral part of these financial statements.*

# streetTRACKS® STRAITS TIMES INDEX FUND

## BALANCE SHEET

For the financial year ended 30 June 2006

		2006	2005
	Notes	\$	\$
<b>ASSETS</b>			
Portfolio of investments		556,759,330	507,936,134
Sales awaiting settlement		5,096,105	4,893,707
Net dividend receivables		78,114	3,513,270
Bank balances	9	18,164,193	17,366,144
Total assets		<u>580,097,742</u>	<u>533,709,255</u>
<b>LIABILITIES</b>			
Purchases awaiting settlement		5,096,105	8,280,166
Due to manager		439,079	746,014
Net assets attributable to unitholders	5	<u>574,562,558</u>	<u>524,683,075</u>
<b>TOTAL LIABILITIES</b>		<u>580,097,742</u>	<u>533,709,255</u>

*The accompanying notes form an integral part of these financial statements.*

# streetTRACKS® STRAITS TIMES INDEX FUND

## PORTFOLIO STATEMENT

As at 30 June 2006

Primary – By Industry

	Holdings at 30 June 2006	Fair value at 30 June 2006 \$	Percentage of total net assets attributable to unitholders at 30 June 2006 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Finance</b>			
DBS Group Holdings Limited	3,645,520	65,619,360	11.43
Oversea-Chinese Banking Corporation	8,105,300	53,089,715	9.24
Singapore Exchange Limited	3,269,374	11,508,197	2.00
United Overseas Bank Limited	4,242,248	65,754,844	11.44
		195,972,116	34.11
<b>Manufacturing</b>			
Chartered Semiconductor Manufacturing Limited	4,388,774	5,880,957	1.02
Creative Technology Limited	205,735	1,810,468	0.32
Fraser & Neave Limited	2,841,035	11,307,319	1.97
GES International Limited	1,796,989	1,850,899	0.32
Jurong Techno Industry Corporation Limited	1,005,400	1,005,400	0.17
People's Food Holdings Limited	2,156,184	2,242,431	0.39
SembCorp Marine Limited	1,762,594	5,270,156	0.92
Singapore Petroleum Company Limited	356,000	1,780,000	0.31
Singapore Press Holdings Limited	5,470,173	22,537,113	3.92
Stats Chippac Limited	4,823,280	4,775,047	0.83
TPV Technology Limited	2,581,985	3,718,059	0.65
UTD Test + Assembly	3,856,000	3,104,080	0.54
Venture Corporation Limited	654,510	6,937,806	1.21
Want Want Holdings Limited	1,340,438	2,831,504	0.49
		75,051,239	13.06
<b>Properties</b>			
Ascendas Real Estate Investment Trust	2,879,000	5,470,100	0.95
CapitaLand Limited	5,280,990	23,553,215	4.10
Capitalmall Trust	1,914,000	4,057,680	0.71
City Developments Limited	1,574,460	14,642,478	2.55
Hongkong Land Holdings Limited	4,377,537	25,446,601	4.43
Keppel Land Limited	1,117,916	4,494,022	0.78
United Overseas Land Limited	1,237,884	3,540,348	0.62
Wing Tai Holdings Limited	1,494,054	2,091,676	0.36
		83,296,120	14.50

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

# streetTRACKS® STRAITS TIMES INDEX FUND

## PORTFOLIO STATEMENT

As at 30 June 2006 (continued)

### Primary - By Industry (continued)

	Holdings at 30 June 2006	Fair value at 30 June 2006 \$	Percentage of total net assets attributable to unitholders at 30 June 2006 %
<b>Quoted</b>			
<b>EQUITIES</b>			
<b>Multi-Industry</b>			
BIL International Limited	1,660,485	2,308,074	0.40
Keppel Corporation Limited	1,907,551	27,850,245	4.84
SembCorp Industries Limited	2,729,422	8,843,327	1.54
Singapore Technologies Engineering Limited	3,556,130	10,206,093	1.78
		<hr/>	
		49,207,739	8.56
<b>Services</b>			
Datacraft Asia Limited	811,422	1,211,417	0.21
Hyflux Limited	893,000	2,107,480	0.37
Parkway Holdings Limited	2,018,403	4,985,455	0.87
		<hr/>	
		8,304,352	1.45
<b>Commerce</b>			
Dairy Farm International Holdings Limited	934,473	4,660,315	0.81
Jardine Cycle & Carriage Limited	403,973	4,019,531	0.70
Jardine Matheson Holdings Limited	631,472	17,651,663	3.07
Jardine Strategic Holdings Limited	734,297	12,478,845	2.17
Noble Group Limited	2,483,800	2,682,504	0.47
		<hr/>	
		41,492,858	7.22
<b>Transportation/storage/ communication</b>			
Comfortdelgro Corp Limited	5,738,584	8,722,648	1.52
Cosco Corporation (S) Limited	2,667,590	3,334,488	0.58
Mobileone Limited	1,367,290	2,816,617	0.49
Neptune Orient Lines Limited	1,514,455	2,726,019	0.47
Singapore Airlines Limited	1,910,679	24,265,623	4.22
Singapore Post Limited	3,978,085	4,256,551	0.74
Singapore Telecommunications Limited	20,245,293	51,220,592	8.92
Starhub Limited	1,855,000	4,210,850	0.73
Total Access Communication Public Company Limited	329,069	1,881,518	0.33
		<hr/>	
		103,434,906	18.00
<b>Portfolio investments</b>		<hr/>	
		556,759,330	96.90
<b>Cash and other net assets</b>		<hr/>	
		17,803,228	3.10
<b>Net assets attributable to unitholders</b>		<hr/>	
		574,562,558	100.00

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

# streetTRACKS® STRAITS TIMES INDEX FUND

## PORTFOLIO STATEMENT

*As at 30 June 2006 (continued)*

Primary - By Industry *(continued)*

### Summary

	Percentage of total net assets attributable to unitholders at 30 June 2006 %	Percentage of total net assets attributable to unitholders at 30 June 2005 %
Finance	34.11	33.52
Manufacturing	13.06	14.66
Properties	14.50	10.76
Multi-Industry	8.56	8.17
Services	1.45	1.41
Commerce	7.22	8.76
Transportation/storage/communication	18.00	19.53
Portfolio of investments	96.90	96.81
Cash and other net assets	3.10	3.19
Net assets attributable to unitholders	100.00	100.00

*The accompanying notes form an integral part of these financial statements.*

# streetTRACKS<sup>®</sup> STRAITS TIMES INDEX FUND

## PORTFOLIO STATEMENT

*As at 30 June 2006 (continued)*

### Secondary – By Geography

	Fair value at 30 June 2006 \$	Percentage of total net assets attributable to unitholders at 30 June 2006 %	Percentage of total net assets attributable to unitholders at 30 June 2005 %
<b>By Country of Incorporation</b>			
Singapore	483,689,320	84.18	83.21
Bermuda	71,188,492	12.39	13.25
Thailand	1,881,518	0.33	0.35
	<hr/>		
Portfolio of investments	556,759,330	96.90	96.81
Cash and other net assets	17,803,228	3.10	3.19
	<hr/>		
Net assets attributable to unitholders	574,562,558	100.00	100.00

*The accompanying notes form an integral part of these financial statements.*

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. GENERAL

streetTRACKS® Straits Times Index Fund (the "Fund") is a Singapore-domiciled fund constituted by a Trust Deed dated 26 March 2002 (the "Original Deed"). The Original Deed as modified by subsequent supplemental deeds (the "Supplemental Deeds") is amended and restated by a Third Amending and Restating Deed dated 7 April 2006. The Deed is between State Street Global Advisors Singapore Limited and DBS Trustee Limited. The Deed is governed by the laws of the Republic of Singapore. The Fund is also listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and is included under the Central Provident Fund ("CPF") Investment Scheme.

The investment objective of the Fund is to replicate as closely as possible, before expenses, the performance of the Straits Times Index.

### 2. ACCOUNTING POLICIES

#### *(a) Basis of Accounting*

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention, modified by the revaluation of investments at fair value, and in accordance with the Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Certified Public Accountant of Singapore ("ICPAS").

With effect from 1 July 2005, the Fund adopted the revised RAP 7 issued by ICPAS in May 2005. The 2006 financial statements have been prepared and their comparatives amended, as required, in accordance with the revised RAP 7.

The adoption of the revised RAP 7 did not result in substantial changes to the Fund's accounting policies except as disclosed in Note 13.

#### *(b) Recognition of income*

Dividend income is recorded gross in the financial statements in the accounting period in which the security is quoted ex-dividend. Bank interest and other income are recognised on a time proportion basis using the effective interest method.

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

(c) *Investments*

The Fund's portfolio of investment comprises investment in securities which are recognized at fair value. These investments are designated by the Manager as investments at fair value through profit and loss. Realised gains and losses on disposal of investments are computed on the basis of the difference between identified cost using FIFO and selling price and are taken up in the Statement of Total Return.

(d) *Fair value estimation*

Fair value of investment in securities is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price. The carrying amount of current receivables (including bank balances) and payables are estimated to approximate their fair value.

(e) *Foreign currency translation*

Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange ruling at the Balance Sheet date. Transactions during the year are converted into Singapore dollars at the rates of exchange ruling on the transactions dates. Differences on exchange are included in the Statement of Total Return.

### 3. EXPENSES

As agreed between the Manager and the Trustee, the total combined management, trustee and other fees for the Fund are set at 0.3% per annum of its net asset value.

### 4. INCOME TAX

	2006	2005
	\$	\$
Singapore income tax	2,785,517	3,435,656

The Fund is included in the CPF Investment Scheme and, therefore, the following income is exempted from tax in accordance with section 35(12) of the Income Tax Act:

- (a) gains or profits from the disposal of securities;

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

- (b) interest (other than interest for which tax has been deducted under section 45 of the Income Tax Act); and
- (c) dividends derived from outside Singapore and received in Singapore.

### 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	2006	2005
	\$	\$
<b>At the beginning of the financial year</b>		
- as previously reported	524,683,075	415,612,862
- effect of adopting revised RAP 7 (note 13)	(2,269,126)	-
- as restated	522,413,949	415,612,862
<b>Operations</b>		
Net investment income after income tax	16,280,917	19,135,281
Net gain on investments	52,584,692	85,643,483
Change in net assets attributable to unitholders resulting from operations	68,865,609	104,778,764
<b>Unitholders' contributions/(withdrawals)</b>		
Creation of units	-	10,787,449
Cancellation of units	-	-
Change in net assets attributable to unitholders resulting from net creation and cancellation of units	-	10,787,449
Distribution to unitholders	(16,717,000)	(6,496,000)
Total increase in net assets attributable to unitholders	52,148,609	109,070,213
At the end of the financial year	574,562,558	524,683,075
Units in issue (note 6)	22,900,000	22,900,000
	\$	\$
Net assets attributable to unitholders per unit	25.09	22.91

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### 6. UNITS IN ISSUE

	2006	2005
	Units	Units
At 1 July	22,900,000	22,400,000
Created	-	500,000
Cancelled	-	-
	<hr/>	<hr/>
At 30 June	22,900,000	22,900,000

### 7. CREATION/CANCELLATION OF UNITS

There is no creation and cancellation of units for the year ended 30 June 2006. Income equalization arising from creation is \$Nil (2005: \$120,644). This amount represents the amount imputed in the issue price of the units issued. This amount comprises the net undistributed dividend and other income received and held or receivable by the fund up to the date of the issue.

### 8. DISTRIBUTION

During the year ended 30 June 2006, the Fund declared a final dividend of \$0.33 per unit in relation to the income received in the financial year ended 30 June 2005 ("Final Dividend"). The Final Dividend comprises of \$0.21 per unit, net of 20% tax per unit made out of Singapore taxable dividends and \$0.12 per unit made out of Singapore tax exempt dividends. The Final Dividend totaling \$7,557,000.00 was paid on 23 August 2005.

An interim dividend distribution of \$0.40 per unit net of 20% tax payable was made out of Singapore taxable dividends. The dividend totaling \$9,160,000 was paid on 2nd February 2006. For the year ended 30 June 2005, the Fund has declared an interim dividend of \$0.29 per unit, net of tax at 20% totaling \$6,496,000 which was paid on 5 January 2005.

It is anticipated that distributions will be made twice a year and that the amount of the distribution will approximate the yield on the Straits Times Index.

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### 9. BANK BALANCES

	2006	2005
	\$	\$
Cash at bank and on hand	1,799,554	17,366,144
Short-term bank deposits	16,364,639	-
	<hr/>	<hr/>
	18,164,193	17,366,144

The carrying amounts of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	2006	2005
	\$	\$
Singapore Dollar	17,610,957	16,626,111
United States Dollar	553,236	740,033
	<hr/>	<hr/>
	18,164,193	17,366,144

Short-term bank deposits at the balance sheet date have an average maturity within 1 week (2005: Nil) from the end of the financial year with the following weighted average effective interest rates:

	2006	2005
	%	%
Singapore Dollar	2.5	-
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### 10. FINANCIAL RISK MANAGEMENT

The Manager continually monitors the Fund's exposure to risk and appropriate procedures are in place to manage the risks.

#### *Market risk*

Market risk is the risk of potential adverse changes to the value of financial instruments because of changes in market conditions like interest and currency rate movements and volatility in security prices. The Fund is designed to track the performance of the Straits Times Index (STI), a broad Singapore equity index; therefore the exposure to market risk in the Fund will be substantially the same as the STI. As an indexed fund, the Manager manages the Fund's exposure to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, is closely aligned to the STI characteristics.

#### *Liquidity risk*

The Fund's liquidity risk arises mainly from redemptions of units. It may seek to invest its assets in investments that are traded in an active market which is easily realizable.

The Fund has the ability to borrow in the short term for the purpose of meeting redemptions and short term bridging requirements.

To ensure continuity of funding, dedicated personnel are responsible for ensuring that sufficient cash resources and liquid assets are available to meet liabilities as and when they fall due.

#### *Foreign currency risk*

The Fund holds assets denominated in currencies other than the Singapore dollar, the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's policy is not to enter into any currency hedging transactions.

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

The table below summarises the Fund's exposure to currency risks.

	30 June 2006		
	SGD	USD	Total
<b>Assets</b>			
Portfolio of investments	490,597,467	66,161,863	556,759,330
Cash and bank balances	17,610,957	553,236	18,164,193
Sales awaiting settlement	5,096,105	-	5,096,105
Net dividend receivables	1,121	76,993	78,114
<b>Total assets</b>	<b>513,305,650</b>	<b>66,792,092</b>	<b>580,097,742</b>
<b>Liabilities</b>			
Purchases awaiting settlement	5,096,105	-	5,096,105
Due to manager	439,079	-	439,079
Net assets attributable to unitholders	574,562,558	-	574,562,558
<b>Total liabilities</b>	<b>580,097,742</b>	<b>-</b>	<b>580,097,742</b>
	30 June 2005		
	SGD	USD	Total
<b>Assets</b>			
Portfolio of investments	456,434,369	51,501,765	507,936,134
Cash and bank balances	16,626,111	740,033	17,366,144
Sales awaiting settlement	4,218,580	675,127	4,893,707
Net dividend receivables	3,468,875	44,395	3,513,270
<b>Total assets</b>	<b>480,747,935</b>	<b>52,961,320</b>	<b>533,709,255</b>
<b>Liabilities</b>			
Purchases awaiting settlement	7,638,111	642,055	8,280,166
Due to manager	746,014	-	746,014
Net assets attributable to unitholders	524,683,075	-	524,683,075
<b>Total liabilities</b>	<b>533,067,200</b>	<b>642,055</b>	<b>533,709,255</b>

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### *Credit risk*

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due, including transactions with counterparties such as issuers, brokers, custodians and banks.

Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Manager has in place procedures for proper credit screening and monitoring of credit risk.

### *Interest rate risk*

The majority of the Fund's financial assets and liabilities are non-interest bearing; as a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

## 11. RELATED PARTY DISCLOSURES

- (a) The Manager and the Trustee of the Fund are State Street Global Advisors Singapore Limited and DBS Trustee Limited respectively. State Street Global Advisors Singapore Limited is a subsidiary of State Street Corporation. DBS Trustee Limited is a subsidiary of The Development Bank of Singapore Limited ("DBS"). Management and trustee fees paid or payable by the Fund are shown in the Statement of Total Return and on terms set out in the Trust Deed.

The Manager has appointed State Street Bank and Trust Company ("SSB") as the custodian of the Fund. SSB is a subsidiary of State Street Corporation.

- (b) The cash balance of the Fund comprises:

	2006	2005
	\$	\$
Bank balance held at DBS Bank	1,246,318	16,626,111
Bank balance held at State Street Bank and Trust Co.	553,236	740,033
Fixed deposit held at State Street Bank and Trust Co.	16,364,639	-
	<hr/>	<hr/>
	18,164,193	17,366,144

# streetTRACKS® STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### 12. FINANCIAL RATIOS

	2006	2005
Ratio of expenses to average net assets <sup>1</sup>	0.30%	0.28%
Portfolio turnover rate <sup>2</sup>	4.11%	9.49%

<sup>1</sup> The expense ratio is computed in accordance with the revised IMAS' guidelines on disclosure of expense ratios dated 25 May 2005. Brokerage and other transaction costs, interest expense, foreign exchange gains/losses, tax deducted at source or arising on income received and dividends paid to unitholders are not included in the expense ratio.

<sup>2</sup> The portfolio turnover ratio is calculated in accordance with the formula stated in the "Code on Collective Investment Schemes". In accordance with the Fund's Trust Deed, units are issued through a creation of an Index Basket. For each creation Unit (comprising 100,000 units), the Fund receives an Index Basket consisting of constituent shares plus or minus a cash payment as determined by the Manager on a daily basis. For the purpose of computation of the portfolio turnover rate, the value of the Index Baskets received is not considered as part of purchases.

### 13. EFFECTS OF ADOPTION OF THE REVISED RAP 7 ON THE FINANCIAL STATEMENTS

Previously, investments in securities are stated at fair value based on the last transacted market price. The revised RAP 7 requires these investments to be fair valued based on the current market quoted bid prices.

This change in valuation basis was effected prospectively from 1 July 2005 and consequently affected the following balance sheet items as at 1 July 2005.

	\$
Increase/(Decrease) in:	
Portfolio of investments	(2,269,126)
Net assets attributable to unitholders (note 5)	<u>(2,269,126)</u>

# streetTRACKS<sup>®</sup> STRAITS TIMES INDEX FUND

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2006 (continued)*

### 14. EVENT OCCURRING AFTER BALANCE SHEET DATE

Subsequent to year end, the Fund announced a dividend distribution of \$0.50 per unit. This distribution comprises of \$0.25, net of tax at 20%, per unit made out of Singapore taxable dividends and \$0.25 per unit made out of Singapore tax exempt dividends. The dividend was paid on 2 August 2006.

The Prospectus in respect of the offer of the units (the "Units") in the streetTRACKS Straits Times Index Fund (the "Fund") is available and may be obtained upon request, subject to availability, from State Street Global Advisors Singapore Limited ("SSgA"). Investors should read the Prospectus before deciding whether to acquire Units in the Fund. The value of Units and the income from them may fall as well as rise. Units in the Fund are not obligations of, deposits in, or guaranteed by, SSgA or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Past performance figures are not necessarily indicative of future performance of the Fund.

Investors have no right to request SSgA to redeem their Units while the Units are listed. It is intended that holders of Units may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The Units are not in any way sponsored, endorsed, sold, or promoted by SPH Data Services Pte Ltd or Singapore Press Holdings Ltd (collectively, the "Index Sponsor"), and the Index Sponsor bears no liability in connection with the administration, marketing or trading of the Units. No warranty or representation or guarantee of any kind whatsoever relating to the Straits Times Index (the "STI") or the Units is given by the Index Sponsor. The Index Sponsor is entitled to all intellectual property rights in the STI.

Each of Singapore Exchange Securities Trading Limited, its subsidiaries, related corporations, and holding company, and their respective directors or employees, and any other party involved in, or related to, making or compiling the STI (together, the "Relevant Persons") makes no guarantee, warranty, representation or undertaking, express or implied, as to the accuracy, correctness, timeliness, completeness, originality, satisfactory quality, merchantability or fitness for any particular purpose of any of the values of the STI, the indicative optimum portfolio value of the Units, or any information or data included in or referable to such values. Investing in the Units involves risks, which in any case, are disclaimed by the Relevant Persons and described more fully in the Prospectus. The Units are also subject to the terms and conditions (and disclaimers by the Relevant Persons) set out in the Trust Deed constituting the Units.

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