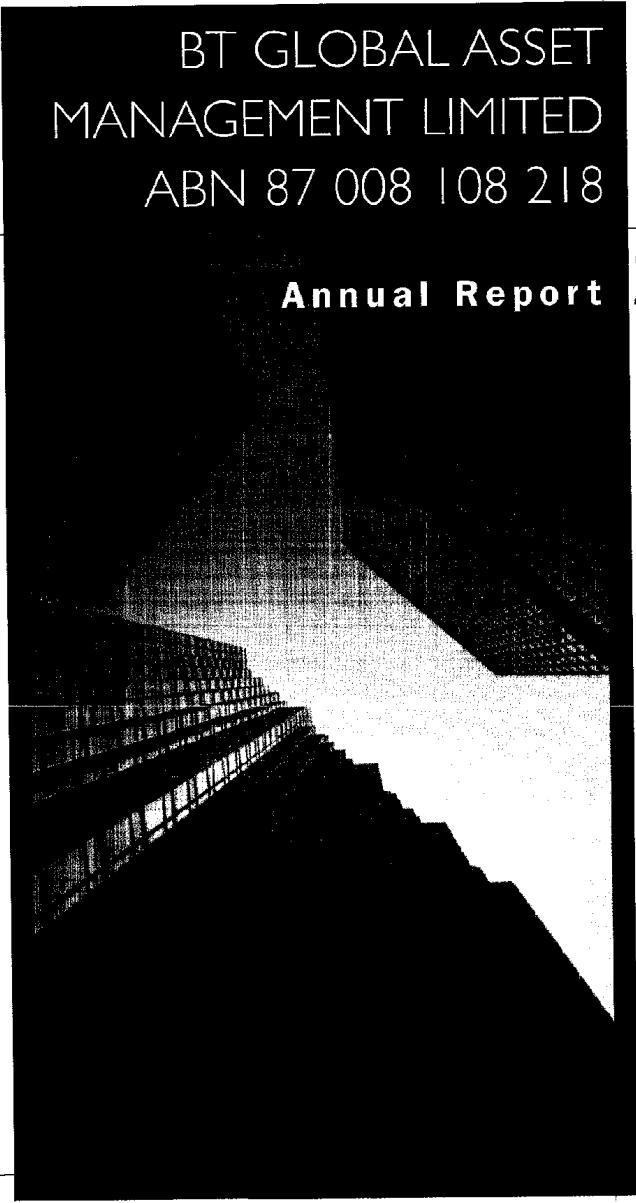


BT GLOBAL ASSET  
MANAGEMENT LIMITED  
ABN 87 008 108 218

**Annual Report** 2000



Investments in BT Global Asset Management Limited do not represent deposits with or liabilities of BT Funds Management Limited or members of the BT Financial Group.

BT Funds Management Limited and member companies of the BT Financial Group do not guarantee the repayment of capital or income from the investment.

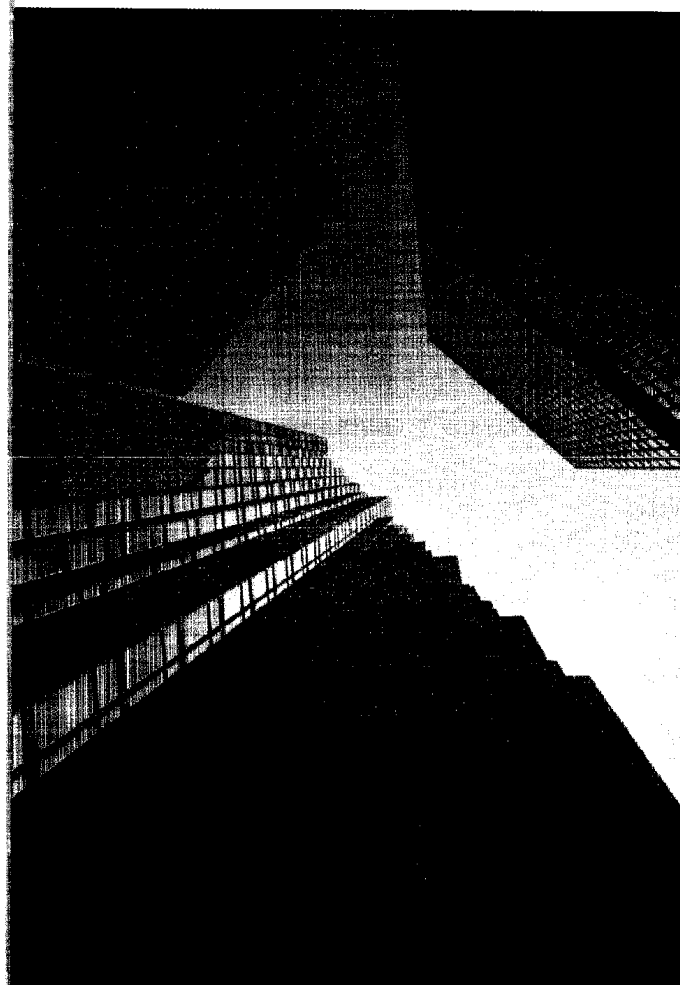
This is general securities advice only and is not intended to constitute a securities recommendation. This advice does not take into account the investment objectives, financial situation and particular needs of an investor. Before making an investment decision, we suggest you take into consideration whether this advice is appropriate to your particular investment needs, objectives and financial circumstances and recommend you consult a financial adviser.

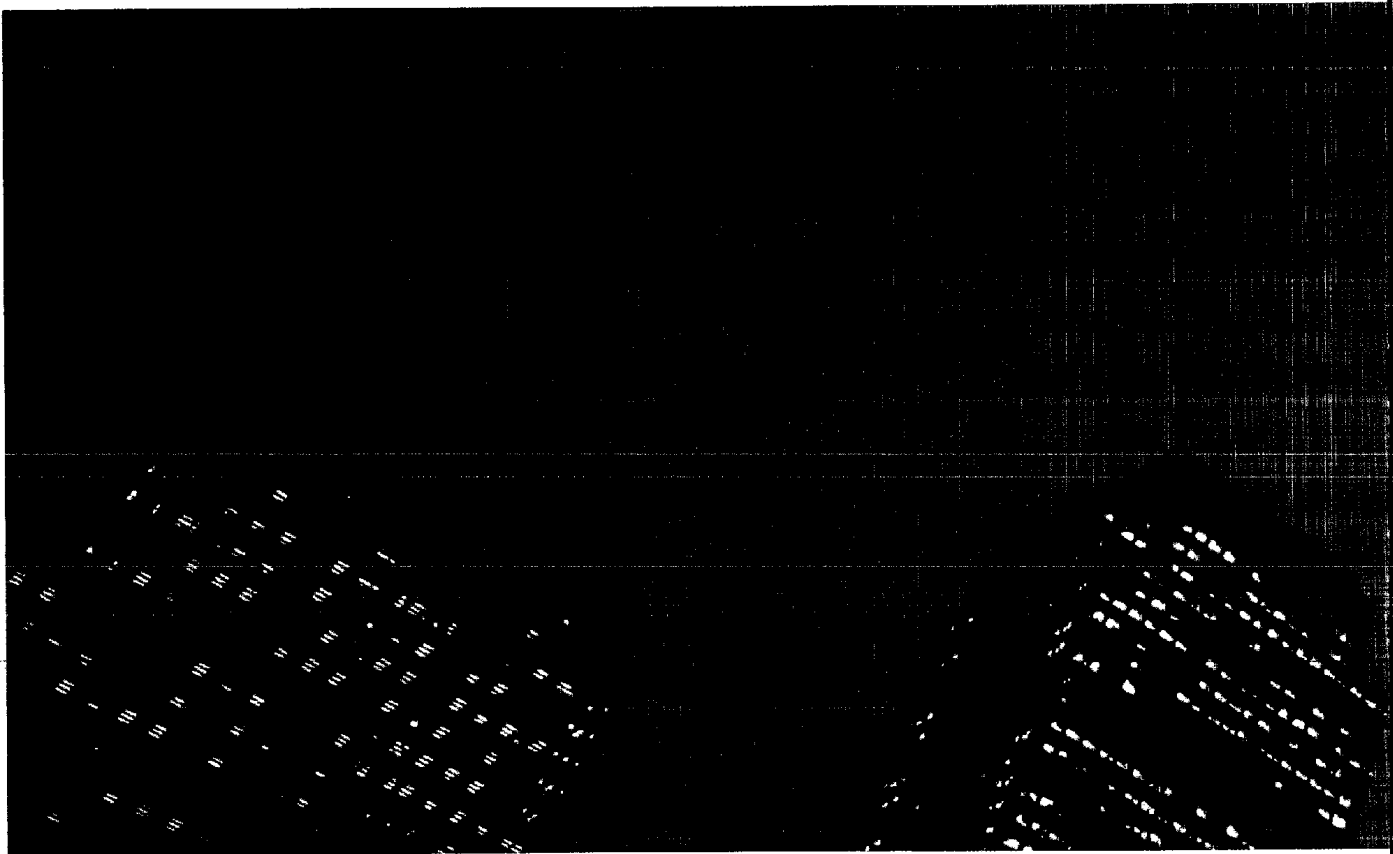
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# Y E A R I N R E V I E W

## TIME IS OF THE ESSENCE

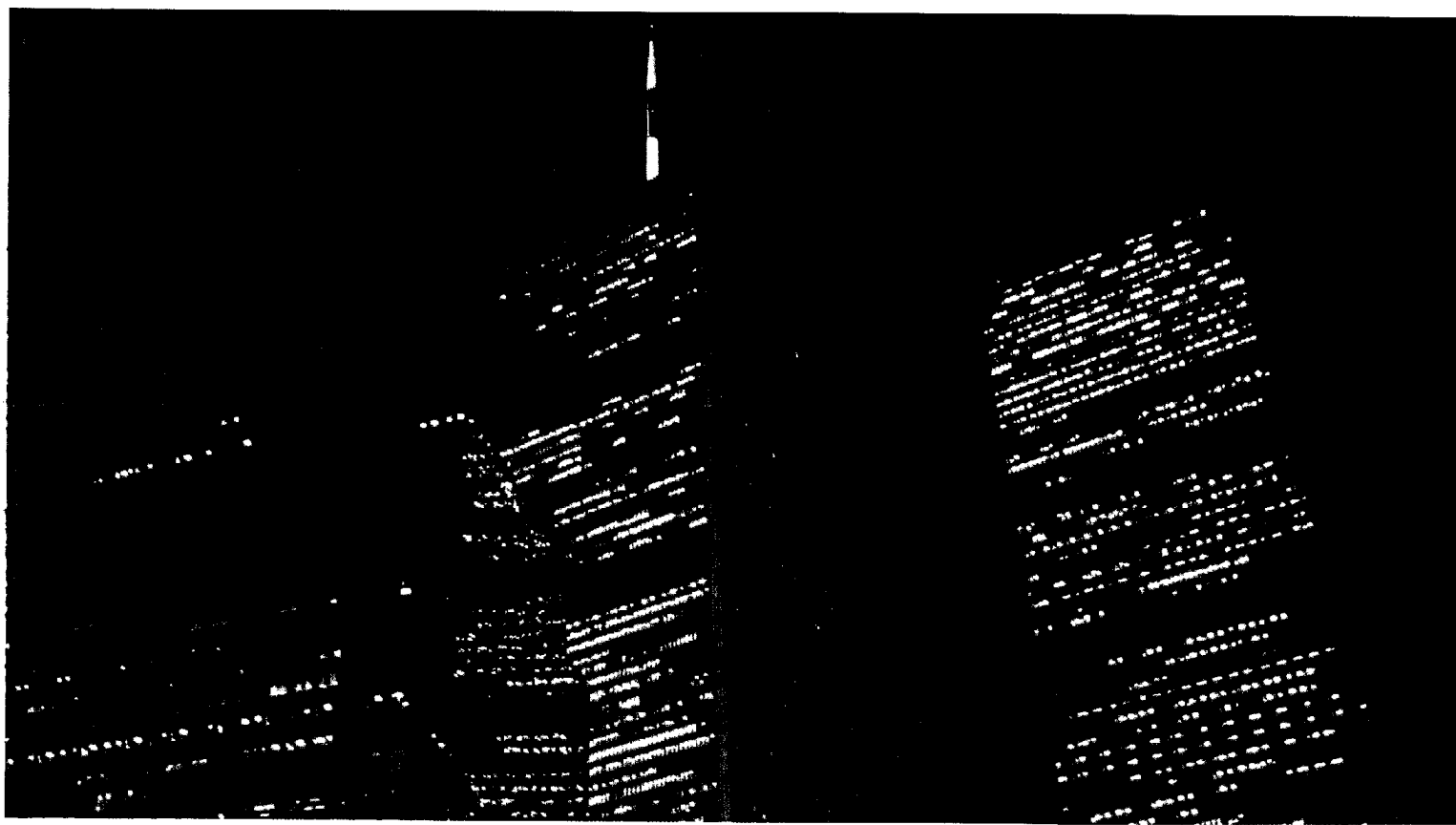
*"The current economic expansion has not simply set a new record for longevity – the recent period has been marked by a transformation to an economy that is more productive as competitive forces become increasingly intense and new technologies raise the efficiency of our businesses."* Alan Greenspan, Head of US Federal Reserve, 11 July 2000

It's now nearly ten years since an Australian, American or Briton had to deal with recession. And 10 years since equity market corrections like 1994 and 1998 turned out to be anything more than buying opportunities. Ordinary investors have enjoyed extraordinary returns. The 50 per cent of US share investors who bought their first shares in the '90s have enjoyed a decade of returns of around 20% per annum. The Australian sharemarket has doubled in value.

Why? Put a face to the question and you might see Mr Greenspan's wizened visage – the man who slew inflation, kept the giant US economy ticking over and helped his global Central Bank colleagues to do the same.

But the Head of the Fed is a modest man. He acknowledges that responsibility for this Golden Age lies less with his delicate handling of interest rates and more with the amazing advances in technology that initiated a productivity revolution, an abundant supply of global capital and true inflation-free growth.

Consider these few facts. In 1990, no one had email. By 1999 there were over 262 million addresses you could email. In 1990 there was no such thing as e-commerce. Today it's worth US\$151 billion. In 1990, the market value of US



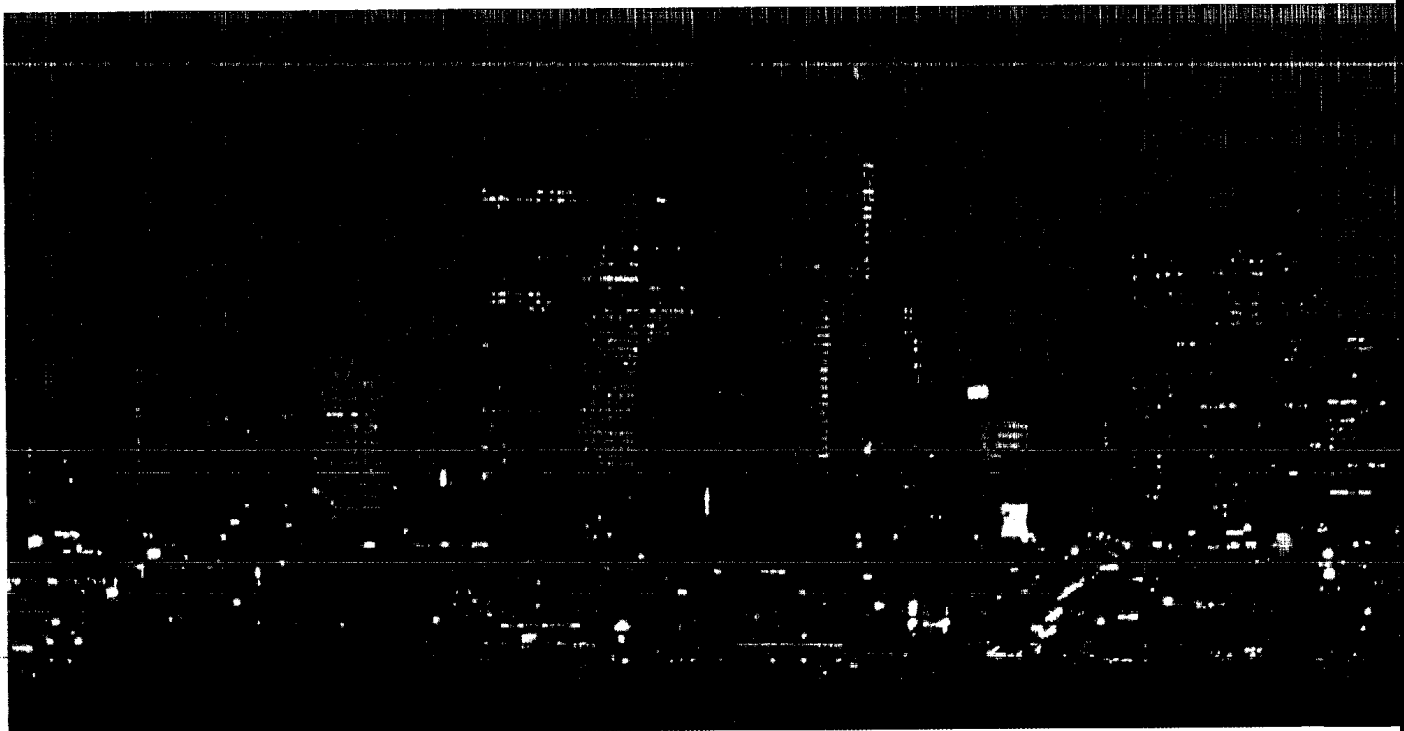
software companies was US\$33 billion. In 1999, they were worth over US\$440 billion!

Successful investing in the 1990s has largely depended on understanding the importance of this revolution. The performance of BT Global Asset Management Limited has underscored that truth. Our heavy weighting to the TIME sectors (Telecommunications, Information Technology and Media Enterprises) helped us deliver a three-year return of 30.7% per annum. And in the 12 months ended 30 June 2000, the Company generated a return of 49.8%, more than doubling the 24.2% return of its benchmark, the MSCI World Share Accumulation Index (\$A).

## **THE WRECK OF THE HYPE MERCHANTS**

Just months after the tech-wreck of 10 March may seem a funny time to be talking about the technology revolution. Yet the inevitable correction in technology valuations makes it plain that the new economy is no longer a place for quick bucks but a key part of the global sharemarket.

The “creative destruction” that’s blown the froth off the dot.com hysteria serves to focus investors on the true stars of this revolution – on companies that serve the Revolution (like network builder Cisco and software giant Microsoft), the companies it has created (mobile leader Nokia) and the companies that use it to change their business (like US bank Wells Fargo).



## **PERFORMANCE: OF TIME AND TIMING**

A relatively high exposure to the TIME sectors was crucial to performance during the 1999-2000 financial year. Companies such as Vodafone (UK), Nokia (Finland), Ericsson (Sweden), JDS Uniphase (US) and NTT DoCoMo (Japan) all delivered strong performances. However, in March we top-sliced these holdings and raised the cash level within the portfolio – a move which helped protect the Company's returns from subsequent volatility.

The Company benefited from the performance of pharmaceutical and biotech stocks. Eli Lilly (US, pharmaceutical) reported very good trial results for its anti-sepsis drug. Eli Lilly is also very active in biotechnology and, like our direct US biotechnology exposure Affymetrix, benefited from the recent human genome announcements.

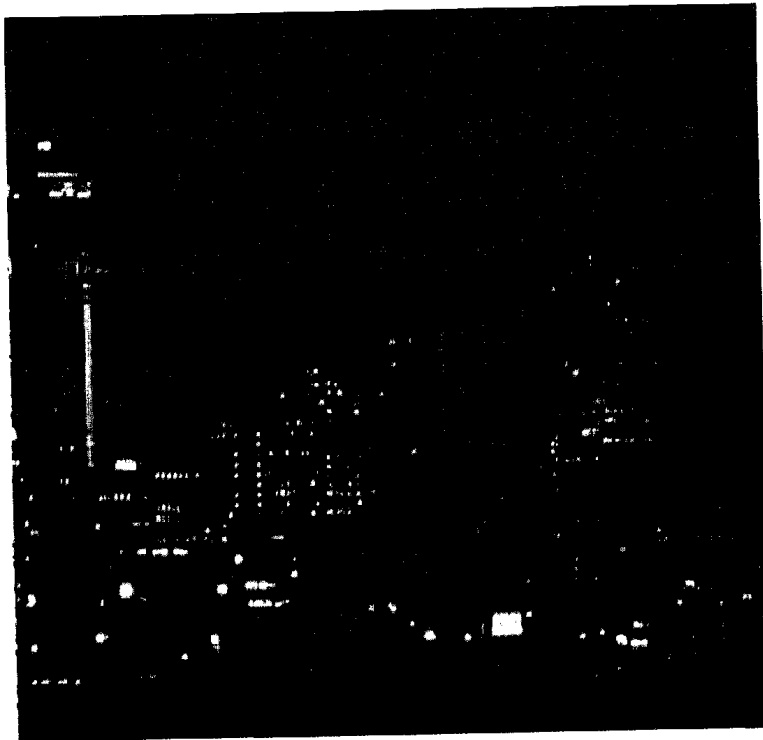
Our Pfizer holding rose on regulatory approval of its merger with Warner Lambert and our investment in Schering Plough (US, pharmaceutical) also benefited from strength in the healthcare

sector. In the final quarter, we added to our holdings in Pfizer and Eli Lilly, following recent product developments and reduced concern about Medicare reform in the US.

We also broadened the Company's portfolio by reducing our underweight position in financials through purchases of Nordic Baltic Holdings (Sweden) and BBVA (Spain). This reflects our expectations that US interest rates are close to peaking and that the US Federal Reserve will be able to engineer a soft landing.

During the June quarter, we bought into China Unicom, the second cellular operator to list in China. We remain very positive on the Chinese cellular market as current penetration is less than 5%. At the end of May, total subscribers in China were 58 million, with three million net additional subscribers joining every month this year. By the end of 2000, there should be 70 million Chinese subscribers, increasing to 105 million by the end of 2001.

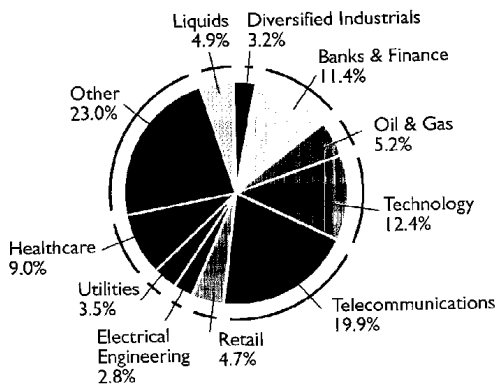
We also invested in Nextlink, a US alternate carrier. Nextlink provide telephone and other tele-



communications and data services to a targeted customer base of small and medium-sized businesses.

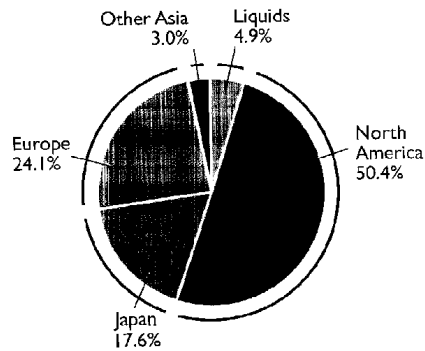
The Australian dollar declined over the last 12 months and this combination of an \$A hedge and a long Euro position detracted from performance of the portfolio over the period. At 30 June 2000, the portfolio had a 3% hedge to the \$A.

**PORTFOLIO WEIGHTINGS BY SECTOR AS AT 30 JUNE 2000**



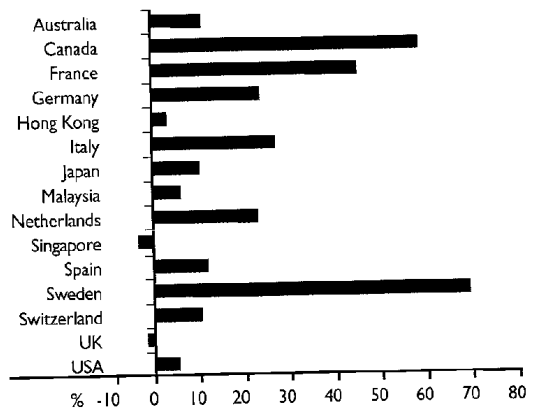
Portfolio exposure may change significantly on a daily basis.  
Source: BT Funds Management Limited

**PORTFOLIO WEIGHTINGS BY REGION AS AT 30 JUNE 2000**



Portfolio exposure may change significantly on a daily basis.  
Source: BT Funds Management Limited

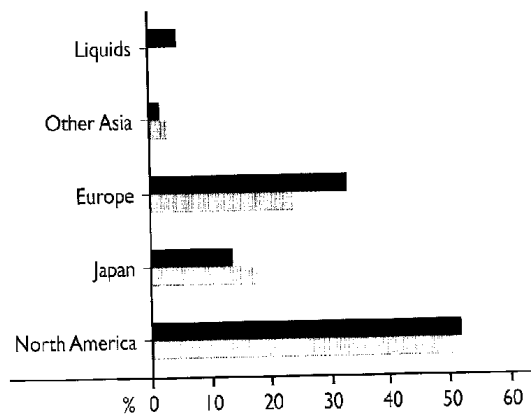
**COUNTRY PERFORMANCE (IN \$A) 12 MONTHS TO 30 JUNE 2000**



Source: Datastream

**REGIONAL WEIGHTINGS AS AT 30 JUNE 2000**

— BT Global Asset Management Limited  
 ■ MSCI World Share Accumulation (ex Australia) Index



Source: BT Funds Management Limited and Datastream

# P E R F O R M A N C E

The Company achieved a 49.8%<sup>1</sup> return compared with a 24.2% rise in the MSCI World Share Accumulation Index (\$A) for the 12 months to 30 June 2000.

Since inception in October 1986, the Company has achieved a return of 21.2% per annum compared with a return of 13.9% per annum for the MSCI World Share Accumulation Index (\$A) over the same period.

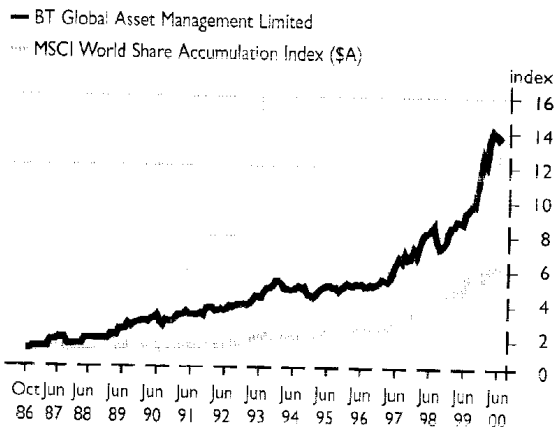
In reviewing the Company's performance, the Directors consider that pre-tax returns have been the most accurate indicator of management performance.

## COMPARATIVE PERFORMANCE

	12 months to 30 June 2000	October 1986 (inception) to 30 June 2000
	%	% pa
Post-tax return	35.7	14.5
Pre-tax return	49.8	21.2
MSCI World Share Accumulation Index (\$A)	24.2	13.9

Past performance of the Company is not indicative of future performance.  
Source: BT Funds Management Limited and Datastream

## COMPARATIVE PERFORMANCE SINCE INCEPTION



Past performance of the Company is not indicative of future performance.  
Source: Australian Stock Exchange and BT Funds Management Limited

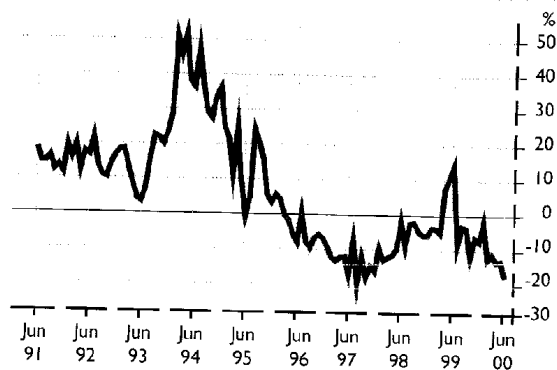
## ASSET BACKING

The Company's net tangible asset backing (NTA) as at 30 June 2000 was 102.92<sup>2</sup> cents per share cum dividend. This compares with a NTA as at 30 June 1999 of 81.61 cents per share cum dividend.

The NTA calculation includes investments at net market value and is after the provision for tax on both realised and unrealised gains.

As explained by the Directors on previous occasions, while shares in the Company should trade around NTA, clearly the share price is determined by the balance of buyers and sellers. The Company releases NTA figures on a monthly basis.

## PREMIUM/(DISCOUNT) OF SHARE PRICE VS NTA



Source: BT Funds Management Limited

<sup>1</sup> The Company's performance returns are measured by movements in the Company's net tangible asset backing before tax, adjusted for capital flow, including dividends.

<sup>2</sup> Net tangible asset backing figures are always reported by the Company net of any deferred tax provision and therefore provide shareholders with an accurate guide to net realisable value.





## DIVIDEND POLICY

The Directors have declared a fully franked dividend of 8.0 cents per share (of which 4.0 cents represents a final dividend and 4.0 cents a special dividend), which is payable on 29 September 2000 to holders of ordinary shares registered in the books of the Company on 14 September 2000. Both dividends carry tax credits at the rate of 34%.

The Company relies on dividends received from its underlying holdings and realised gains on assets and trading profits as its principal source of distributable income. Therefore, no assurance can be given about the levels of future dividends.

### DIVIDEND PAYMENTS SINCE INCEPTION

Year to 30 June	Cents per share
1988	3.0
1989	3.5
1990	5.0
1991	6.0
1992	6.5
1993	7.0
1994	13.5*
1995	6.0
1996	4.0
1997	2.5
1998	5.0
1999	7.0*
2000	12.0*

\* Includes special dividend of 5.5 cents per share for 1994, 2.0 cents per share for 1999 and 4.0 cents per share for 2000.

Source: BT Funds Management Limited

## IMPACT OF GST

Under the Company's agreement with BT Funds Management Limited (BTFM), it is required to indemnify BTFM for BTFM's goods and services tax (GST) expenses. In accordance with the Australian Competition & Consumer Commission's guidelines, BTFM is passing back to the Company the benefits it gets from the reform of indirect taxation. The payments to BTFM give rise to a GST credit of 75% of the amount of GST paid by BTFM. Overall, the effect of GST is to increase the cost of BTFM's services by approximately 1.93%.

Other expenses incurred by the Company are also likely to increase because of GST. The Company is generally not entitled to GST credits for these other expenses.

## DIVIDEND REINVESTMENT PLAN

The plan enables shareholders to increase their investment in the Company by reinvesting their dividend payments as follows:

Shares are allotted at the weighted average share price and there will be no discount if the weighted average share price is less than the Company's last published NTA. Shares are issued at a 2.5% discount to the weighted average share price provided that the weighted average share price equals or exceeds the Company's last published NTA.

In the light of discussions in the 1999-2000 half yearly report with regard to implications of the Ralph Report for investors, the Directors have decided to continue suspending the dividend reinvestment plan.

# PORTFOLIO SHAREHOLDINGS

## AS AT 30 JUNE 2000

Security	Holding	Exposure value (\$)	% of portfolio (net of disposal costs)
<b>North America</b>			
Pfizer	27,367	2,187,902	4.90
Citigroup	12,994	1,303,945	2.92
Cisco Systems	12,308	1,303,010	2.92
Nortel Networks	10,556	1,199,945	2.68
EMC	7,724	989,782	2.21
Lilly (Eli)	5,031	836,894	1.87
Exxon Mobil	6,395	836,122	1.87
Oracle	5,880	823,264	1.84
Texas Instruments	6,999	800,706	1.79
Dell Computer	9,677	794,799	1.78
American International	3,950	773,026	1.73
Worldcom	10,091	771,027	1.73
Clear Channel Communications	6,025	752,623	1.68
Anheuser Busch	5,503	684,552	1.53
CVS	10,023	667,755	1.49
Schering Plough	7,477	628,895	1.41
Wal Mart Stores	6,187	593,814	1.33
JDS Uniphase	2,922	583,402	1.31
Voicestream Wireless	2,944	570,250	1.28
Sprint	5,496	544,657	1.22
General Electric	6,102	538,651	1.21
Nextlink Communications	8,270	522,557	1.17
Colgate Palmolive	5,131	511,690	1.14
Microsoft	3,836	511,126	1.14
Cox Communications	6,202	470,651	1.05
Ariba	2,730	445,816	1.00
AXA Financial	7,586	429,587	0.96
Level 3 Communications	2,816	412,738	0.92
Home Depot	4,582	381,102	0.85
Affymetrix	1,273	350,107	0.78
SBC Communications	4,300	315,123	0.71
		22,535,518	50.42

### Japan

Nippon Television Network	990	1,075,320	2.41
Keyence	1,400	771,346	1.73
Hosiden	10,000	708,379	1.58
Omron	15,000	677,683	1.52
Nippon Telegraph & Telephone	29	643,681	1.44
NTT DoCoMo	13	587,325	1.31
Sakura Bank	49,000	565,397	1.27
Yasakawa Electric	28,000	558,455	1.25
Konica Water	15,000	551,355	1.23
Meitec	7,800	515,700	1.15

Security	Holding	Exposure value (\$)	% of portfolio (net of disposal costs)
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### Japan (continued)

Canon Sales	16,000	478,549	1.07
Nihon Unisystems	10,000	337,661	0.76
Nikko Securities	20,000	330,577	0.75
Asahi Breweries	3,000	59,929	0.13
Suruga Bank	1,000	27,643	0.06
		7,889,000	17.66

### Europe

Nokia	13,293	1,134,458	2.54
Banco Bilbao Vizcaya Argentaria	42,296	1,056,894	2.36
Ericsson B	28,828	955,258	2.14
Total Fina	3,453	885,441	1.98
Koninklijke KPN	10,002	748,194	1.67
Royal Dutch Petroleum	5,889	612,125	1.37
Aegis	125,391	611,779	1.37
Intershop Communications	780	591,570	1.32
Vodafone Airtouch	86,017	579,086	1.30
Philips Electronic	6,757	532,965	1.19
Koninklijke Ahold	10,791	531,194	1.19
Julius Baer	77	508,706	1.14
Sanofi Synthelabo	5,552	442,352	0.99
Canal Plus	1,370	384,991	0.86
Telecom Italia	21,315	365,176	0.82
Adva AG Optical Networking	356	335,366	0.75
Getronics	12,175	313,949	0.70
Nordic Balt	81,195	107,927	0.24
Grupo Prisa	1,957	75,930	0.17
United Assurance	189	2,106	0.01
		10,775,467	24.11

### Other Asia

Samsung GDR Electronics	2,060	672,485	1.50
China Mobile (Hong Kong)	16,000	235,028	0.53
Taiwan Semiconductor	3,200	206,529	0.46
China Unicom	56,000	198,021	0.44
Hutchinson Whampoa	600	13,204	0.03
		1,325,267	2.96

42,525,252 95.15

Disposal costs (107,277)

42,417,975

Liquid assets 2,163,927 4.85

Total 44,581,902 100.00

# MARKET OUTLOOK FOR 2000-2001

Recent macroeconomic data has increased our confidence of a soft landing in the US economy. The US interest rate cycle is close to a peak and we anticipate one (possibly two) more interest rate increases in coming months. We expect US share performance to be flat in the coming quarter as investor sentiment wavers between hard and soft landing scenarios.

In the current market, selection remains crucial. We believe most of the upside earnings surprises will be in the TIME sectors, where the Company is currently well positioned.

Our positive outlook for Japanese company earnings was reinforced by recent company visits. Company restructuring is becoming more complex, as management are moving beyond cost cutting towards a greater focus on aligning their business models for the new economy. This period of corporate change should continue to present us with good stock-picking opportunities.

Currently the broader European market looks fully valued, though lower bond yields and the stabilisation of the Euro have reduced the market's risk profile. The rotation out of new economy stocks in the second quarter now appears to have slowed and leads us to believe that near term volatility will be lower. European mutual fund flows of around 10 billion euros per month should help support the market.



Nigel Allfrey

Fund Manager  
BT Funds Management Limited

**Best Decision:** Trimming the techs. In March this year, we trimmed our holdings of some high quality new economy stocks such as Nokia, Vodafone and JDS-Uniphase. That protected the portfolio from the worst of the technology correction.

**Biggest disappointment:** Some good stocks that were caught in the tech-wreck tailwind.

**What to watch:** How the giant European telcos such as Vodafone handle the cost of third generation licences. If they proceed, agreements to split the cost with telecom equipment producers like Nokia should see a much more rapid spread of WAP phones.

**Stocks to watch:** Pharmaceutical and biotech stocks. New technology, further scientific developments and strong global demand for healthcare services make these sectors attractive.

# ABOUT THE COMPANY

BT Global Asset Management Limited was established in October 1986 with the objective of achieving medium to long term appreciation, together with fully franked dividend payments, through investment primarily in securities listed on the world's sharemarkets.

Investment in the Company has suited tax-paying Australian investors seeking the benefits of a tax efficient yield, capital growth and international portfolio diversification over the medium to long term (five to seven years). However, changes to Australia's capital gains tax regime announced in the Ralph Report are likely to have affected the attractiveness of investing via a listed investment company.

The Company had net assets of \$37.0 million and 2,400 shareholders as at 30 June 2000.

## **INVESTMENT MANAGEMENT**

The Company's investments are managed by BT Funds Management Limited. BTFM is a member of the Principal Financial Group, a global, diversified financial services organisation with more than \$195 billion in assets under management for over 11 million individual and business customers as at 30 June 2000.

## **INVESTMENT POLICY**

The Company's policy is to invest in a portfolio of diverse listed shares. The main investments are in shares listed in overseas financial markets. Effective from May 1999, the Company's current policy is not to hold Australian shares. Whilst the Company primarily invests in listed shares, it may also invest

a proportion of the portfolio in international fixed interest securities, international money market securities, currency and liquid assets to manage overall risk.

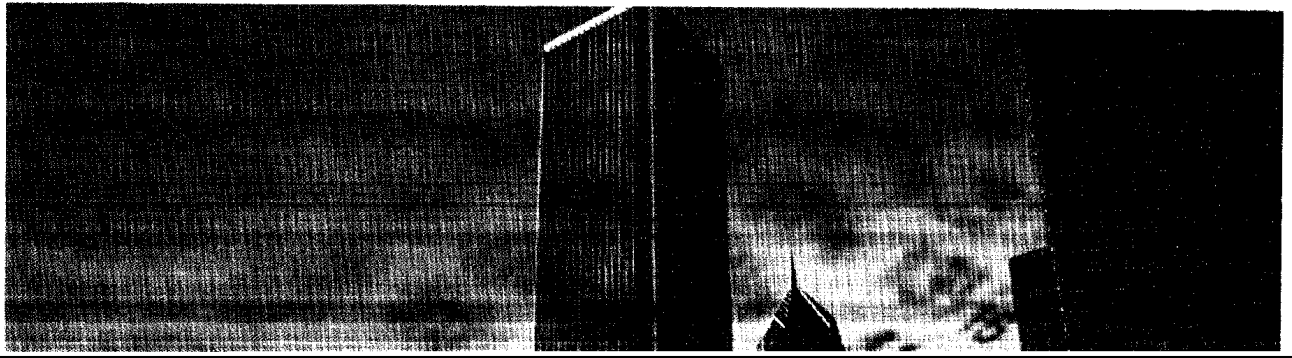
## **DERIVATIVES**

The Company may invest in and issue many types of derivatives. Those most commonly used include futures contracts, options and forward rate agreements.

Derivatives can provide a similar exposure to an investment as the purchase or sale of the underlying asset, hence they can be used as an alternative to investing in the underlying physical asset, which includes shares, bonds, currency and cash. They can also be used in risk management to protect the portfolio from anticipated detrimental movements in underlying markets or investments.

## **CURRENCY RISK**

The Company invests in overseas sharemarkets and accordingly has an exposure to movements in those foreign currencies. Currency risk is managed by assessing likely moves in currency markets and altering the portfolio's currency exposures, both between foreign currencies and the Australian dollar, when it is deemed appropriate. This is usually implemented through forward rate agreements, currency derivatives and movement of underlying assets.



# C O R P O R A T E G O V E R N A N C E P O L I C Y S T A T E M E N T

## **PURPOSE OF THIS POLICY STATEMENT**

This policy statement has been prepared by the Directors of BT Global Asset Management Limited. Its purpose is to record for the benefit of the Company and its shareholders the corporate governance framework within which the Board operates and which were in place for the 1999-2000 financial year.

Unless otherwise stated, these policies and processes were in place for the entire financial year.

## **POLICIES AND PROCESSES**

Set out below are the specific policies and processes which have been adopted by the Board. The Board considers these policies and processes to meet best practice and to accommodate the particular business conditions and needs of the Company.

### **1. BOARD COMPOSITION**

The Board will have a majority of Directors who are independent of the BT Financial Group and will not have more than one Director who is an officer of the BT Financial Group.

**Board Action:** At all times during the 1999-2000 financial year, all Directors other than Mr Finley were independent of the BT Financial Group.

### **2. BOARD CHAIR**

The Board will, at all times, appoint an independent Director to the office of the Board Chair.

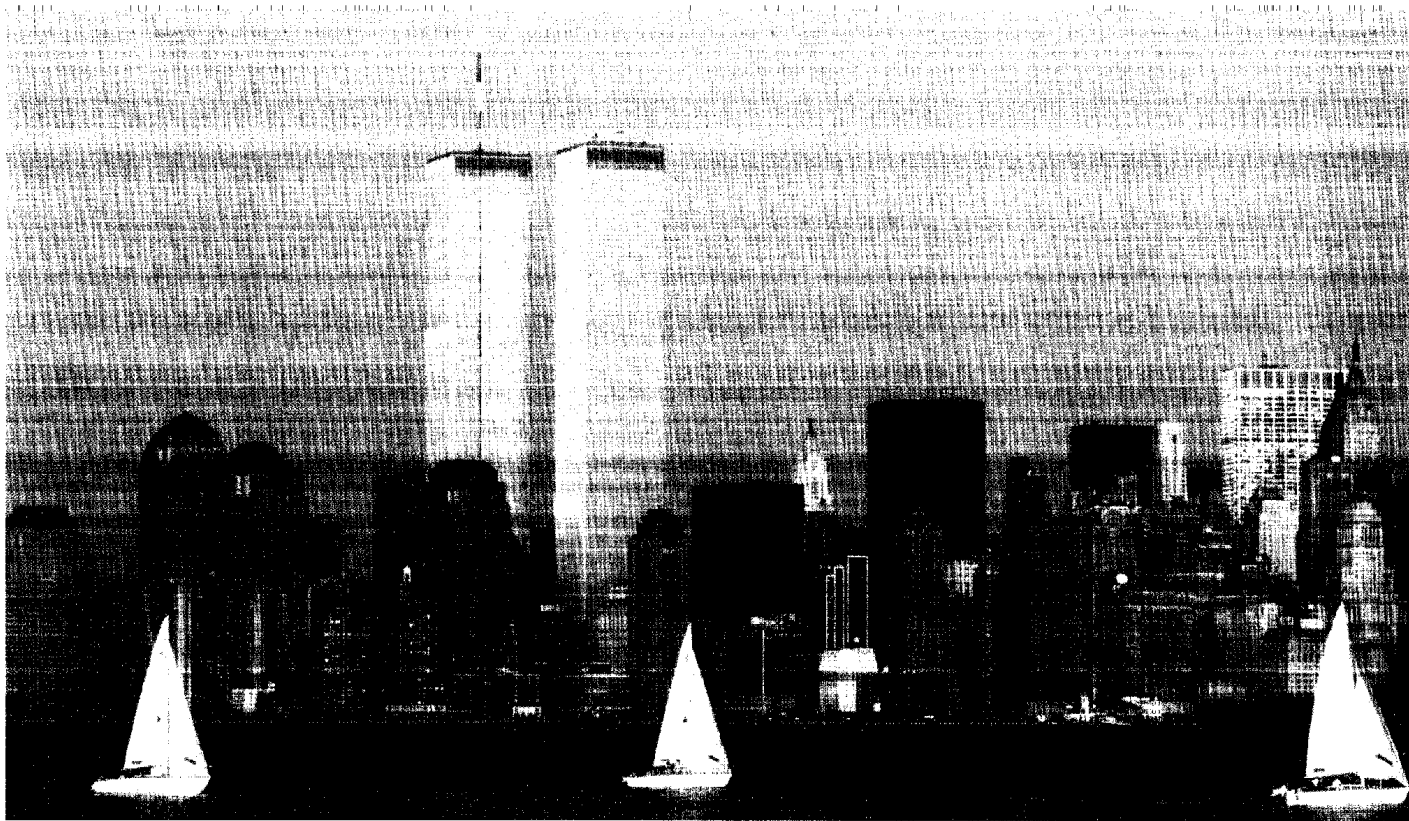
**Board Action:** At all times during the 1999-2000 financial year, the Board Chair (Mr Hartnell) was an Independent Director.

### **3. BOARD MIX**

The Board will at least annually review the mix of skills, experience and other qualities required by the Board to operate effectively, particularly with regard to strategy and monitoring of management performance. The Board will ensure that its composition provides the mix so identified.

The Board will consider nomination of Directors from time to time as required and exercise this discretion in accordance with best practice.

**Board Action:** At the meeting of Directors on 18 August 2000, the Board considered the mix of skills, experience and other qualities required by the Board to operate effectively. The Directors considered that the Board had the mix so identified.



#### **4. STRATEGY, INCLUDING PERFORMANCE EVALUATION AND RISK MANAGEMENT**

A performance review is presented by the investment manager to the Board at its quarterly meetings. This will enable the Board to review the investment strategies necessary to achieve the investment objective of the Company.

**Board Action:** The Board has met quarterly to review matters affecting the Company's operation, in particular, its performance, outlook, and business risks and strategies. The investment manager has presented a performance review to the Board each quarter.

The overall performance of the investment manager is reviewed bi-annually upon the expiration of the investment manager's contract of appointment. The next performance review is expected to occur during October 2000.

The Board will monitor the winding up provision contained in the Constitution of the Company at each second anniversary of the winding up date, next being 30 June 2002, and determine whether the Company's share price is trading on the Australian Stock Exchange (ASX) at an average

discount of equal to or more than 10% of the NTA value of the Company. Should the Company's stock be trading at that discount, the Board will call a special meeting of shareholders to vote on the voluntary winding up of the Company.

#### **5. BOARD COMMITTEES GENERALLY**

Board committees will:

- be constituted with a majority of non-executive Directors excluding the administrative sub-committee, which deals with matters of a purely technical administrative nature;
- be entitled to obtain independent professional or other advice at the cost to the Company; and
- be entitled to obtain such resources and information from the Company, including direct access to employees of the investment manager and advisers to the Company, as they may require.

**Board Action:** No new Board committees were established during the year.

## 6. AUDIT

The Board has appointed an auditor and will require them to attend annually a meeting of the Board.

The Board has not appointed an audit committee.

In the opinion of the Board, the nature of the Company's activities does not warrant a separate committee to consider audit and accounting matters. The Board considers that these responsibilities are actively discharged by the Board as a whole.

**Board Action:** A representative of the auditor for the Company, PricewaterhouseCoopers, attended the meeting of the Board on 18 August 2000. The representative answered questions from the Board regarding the accounts prior to their execution.

## 7. DIRECTORS' NOMINATION AND REMUNERATION

The Board will consider nomination and remuneration of independent Directors from time to time as required and exercise this discretion accordance with best practice.

**Board Action:** The Board's policies in relation to the nomination and remuneration of Directors are summarised in clauses 3 and 10.

## 8. APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The terms of each non-executive Director's appointment were contained in a letter exchanged between the Director and the Company. The letter dealt with the duties and rights of the Director, including any special skills or experience or other qualities expected to be contributed by the Director and the time which the Director should expect to devote to the Company, and relevant policies of the Company, such as Board, Director and management evaluation.

## 9. EQUITY PARTICIPATION

The Board is pleased if Directors hold securities in the Company. Any holdings of the Company's securities by Directors will be disclosed in the half yearly and annual report to shareholders.

**Board Action:** Particulars of Directors' interests in securities of the Company are noted on page 13 of the 1999-2000 half yearly report and page 18 of this annual report. In addition, the Corporations Law requires the Directors to disclose to the ASX their interests in the Company. All Directors have complied with this requirement.

## 10. BOARD REMUNERATION POLICY AND DISCLOSURE

The remuneration of the independent Chairman is presently \$20,000 per annum. All other non-executive Directors appointed to the Board are presently paid \$10,000 per annum each. The Company does not pay remuneration to any other Director.

The Company will pay remuneration and liability insurance premiums due in respect of the Company's non-executive Directors. However, to compensate the Company for these payments, the investment manager has agreed to absorb these costs by reducing its management fee by an amount equal to the total sum of such payments. This arrangement does not apply to the remuneration of the Chairman, which is paid by the Company.

**Board Action:** The Directors' current remuneration is noted on page 19 of this annual report.



# SHAREHOLDER ENQUIRIES

We invite shareholders to direct any enquiries to the share registry, ASX Perpetual Registrars Limited, or to BT Client Relations Consultants as follows.

For shareholder enquiries regarding changes to shareholder details such as name, address and transfer of ownership, please call:

ASX Perpetual Registrars Limited  
1800 810 580 or  
(612) 9285 7111 (overseas callers).

For enquiries regarding the Company's investments or dividend information, please call:

BT Client Relations  
132 135 or  
(612) 9259 3555 (overseas callers).

Information on the Company's share price may be obtained by telephoning 132 135 or from the financial press.

The Company's latest net tangible asset backing is published in an advertisement, which appears in *The Australian Financial Review* on or about the fourteenth business day of each month, or can be obtained from our website, [www.btonline.com.au/bt\\_prod/trusts.shtml](http://www.btonline.com.au/bt_prod/trusts.shtml).

# BT GLOBAL ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2000

In respect of the year ended 30 June 2000, the directors of the company submit the following report:

#### Directors in office during the whole of the financial year and up to the date of this report

A G Hartnell (Chairman)

R J Finley

T C Powell

H R Wallace

#### Principal activities

The principal activity of the company during the year was investment in securities listed on the world's stockmarkets.

#### Dividends

The directors of the company have declared that a final fully franked dividend of 4.0 cents per share and a special dividend of 4.0 cents per share be paid out of profits for the year ended 30 June 2000. During the year, an interim fully franked dividend of 4.0 cents per share was paid.

Details of dividends in respect of the current year are as follows:

	2000 \$'000	1999 \$'000
Buy-back dividend paid	-	5,631
Interim dividend paid	1,558	1,525
Final/special dividend payable	3,115	1,158
	<b>4,673</b>	<b>8,314</b>
<b>Review of operations</b>	<b>2000 \$'000</b>	<b>1999 \$'000</b>
Operating profit/(loss) before income tax	16,713	(808)
Income tax (expense)/benefit	(5,681)	307
<b>Operating profit/(loss) after income tax</b>	<b>11,032</b>	<b>(501)</b>

The net tangible asset backing of the company as at 30 June 2000 as released to the Australian Stock Exchange was 102.92 cents per share cum dividend. This compares with a net tangible asset backing of 81.61 cents per share cum dividend as at 30 June 1999.

The pre-tax return was 49.83% for the 12 months to 30 June 2000 and 12.94% for the 12 months to 30 June 1999. These returns are calculated on the pre-tax increase in the net tangible asset backing and after adjusting for capital flows, including dividends.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2000

#### Earnings per share

	2000	1999
Basic earnings per share (cents per share)	28.39	(0.87)

#### Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the company that occurred during the financial year not otherwise disclosed in this financial report.

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

##### (a) Voluntary wind up of company

Since the end of the financial year, the directors have declared that the company's shares had traded through the measurement period (1 April 2000 to 30 June 2000) at a weighted average discount of 13.98% to the net tangible asset backing per share.

Accordingly, shareholders of the company will be asked to consider the voluntary winding up of the company at the Annual General Meeting.

##### (b) Goods and services tax

The goods and services tax (GST) came into effect on 1 July 2000. Under the company's agreement with BT Funds Management Limited (BTFM), it is required to indemnify BTFM for BTFM's GST expenses. In accordance with the Australian Competition & Consumer Commission's guidelines, BTFM is passing back to the company the benefits it gets from the reform of indirect taxation. The payments to BTFM give rise to a GST credit of 75% of the amount of GST paid by BTFM. Overall, the effect of GST is likely to increase the cost of BTFM's services by approximately 1.93%.

Other expenses incurred by the company are also likely to increase because of GST. The company is generally not entitled to input tax credits for these other expenses.

Other than those mentioned above, the directors of the company are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in subsequent years.

#### Environmental regulation

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

To the extent that any environmental regulations may have an incidental impact on the company's operations, the directors of the company are not aware of any breach by the company of those regulations.

#### Likely developments and expected results of operations

The company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

#### Directors' benefits

No director of the company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a remuneration benefit as disclosed in note 11(b) to the financial statements) by reason of a contract made by the company or a related entity with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2000

#### Information on directors of the company

Director	Experience	Years	Special responsibilities	Particulars of directors' interests in shares of the company
<b>A G Hartnell</b> BEc, LLB (Hons) ANU LLM (Geo. Washington Uni)	Corporate and commercial law	31	Chairman	26,300
<b>R J Finley</b> BComm NSW, ASIA	Investment banker Stockbroker	27 6		—
<b>T C Powell</b> BEc Sydney, FSIA	Stockbroker	33		17,145
<b>H R Wallace</b> BA Sydney	Investment banker Stockbroker	13 6		100,000

The particulars of directors' interest in shares of the company are as at the date of this report.

#### Meetings of directors of the company

The following table sets out the number of meetings of the company's directors held during the year ended 30 June 2000, and the number of meetings attended by each director of the company:

Director	Number of meetings held	Full meetings Meetings attended	Administrative sub committee meetings held and attended
A G Hartnell	7	7	1
R J Finley	7	7	1
T C Powell	7	7	n/a
H R Wallace	7	7	n/a

The directors of the company have created an administrative sub committee to deal with matters of a purely administrative nature. The sub committee consists of directors that are available.

#### Audit committee

As at the date of this report, the company did not have a separate designated audit committee. In the opinion of the directors of the company, the nature of the company's activities does not warrant a separate committee to consider audit and accounting matters. These responsibilities are actively discharged by the board of directors as a whole.

#### Directors' remuneration

The remuneration of the independent Chairman is presently \$20,000 per annum. All other non-executive directors of the company appointed to the board are each presently paid \$10,000 per annum. The remuneration is inclusive of superannuation where applicable.

The company will pay remuneration and liability insurance premiums due in respect of the directors of the company. However, to compensate the company for these payments, the investment manager has agreed to absorb these costs by reducing its management fee by an amount equal to the total sum of such payments. This arrangement does not apply to the remuneration of the Chairman which is paid by the company.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2000

#### Directors of the company

Name	Base fee \$	Superannuation \$	Other benefits \$	Total \$
A G Hartnell (Chairman)	20,000	–	–	20,000
R J Finley	10,000	–	–	10,000
T C Powell	–	10,000	–	10,000
H R Wallace	9,344	656	–	10,000

#### Executives of the company

Name	Base salary \$	Superannuation \$	Other benefits \$	Total \$
G V Lloyd	–	–	–	–

#### Insurance of directors

During the year ended 30 June 2000, the company paid premiums of \$25,088 to insure the directors of the company.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors of the company in their capacity as directors of the company.

#### Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial statements to the nearest \$1,000. Amounts have been rounded off in the directors' report and financial statements in accordance with this class order.

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

**A G Hartnell**

**Director**

**T C Powell**

**Director**

**Sydney**

**18 August 2000**

# BT GLOBAL ASSET MANAGEMENT LIMITED

## BALANCE SHEET

### AS AT 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>Investments</b>	2	42,487	34,274
<b>Current assets</b>			
Cash		1,041	1,061
Receivables	3	1,400	448
<b>Total current assets</b>		2,441	1,509
<b>Non-current assets</b>			
Other assets	4	24	11
<b>Total non-current assets</b>		24	11
<b>Total assets</b>		44,952	35,794
<b>Current liabilities</b>			
Accounts payables	5	466	99
Provisions	6	3,822	4,141
<b>Total current liabilities</b>		4,288	4,240
<b>Non-current liabilities</b>			
Provisions	6	3,701	1,198
<b>Total non-current liabilities</b>		3,701	1,198
<b>Total liabilities</b>		7,989	5,438
<b>Net assets</b>		36,963	30,356
<b>Equity</b>			
Share capital	7	23,004	22,756
Reserves	8	6,996	2,118
Retained earnings		6,963	5,482
<b>Total equity</b>		36,963	30,356

The above balance sheet should be read in conjunction with the accompanying notes.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## PROFIT AND LOSS STATEMENT

### FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>Operating revenue</b>		<b>67,873</b>	<b>132,057</b>
<b>Investment income</b>			
Dividends		257	543
Interest		-	25
Unrealised changes in the net fair value of investments		10,775	3,224
Realised gains/(losses) on sale of investments		7,497	(3,994)
Net foreign exchange (losses)/gains		(1,143)	428
Other		3	5
Total investment income		17,389	231
<b>Expenses</b>			
Investment manager's fees	12	420	507
Audit fees	13	13	13
Other		243	519
Total expenses		676	1,039
<b>Operating profit/(loss) before income tax</b>		<b>16,713</b>	<b>(808)</b>
Income tax (expense)/benefit	9	(5,681)	307
<b>Operating profit/(loss) after income tax</b>		<b>11,032</b>	<b>(501)</b>
Net transfers (to)/from reserves	8	(4,878)	9,437
Retained earnings at the beginning of the financial year		5,482	4,860
<b>Total available for appropriation</b>		<b>11,636</b>	<b>13,796</b>
Dividends paid or provided for	10	4,673	8,314
<b>Retained earnings at the end of the financial year</b>		<b>6,963</b>	<b>5,482</b>

The above profit and loss statement should be read in conjunction with the accompanying notes.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 \$'000	1999 \$'000
<b>Cash flows from operating activities</b>			
Dividends received		252	784
Interest received		-	26
Investment manager's fees paid		(409)	(816)
Income tax paid		(5,468)	(5,450)
Other expenses paid		(233)	(571)
<b>Net cash utilised in operating activities</b>	16(a)	<b>(5,858)</b>	<b>(6,027)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		66,667	131,535
Purchase of investments		(57,246)	(92,501)
<b>Net cash provided by investing activities</b>		<b>9,421</b>	<b>39,034</b>
<b>Cash flows from financing activities</b>			
Cash paid in share buy-back		-	(28,414)
Dividends paid		(2,468)	(9,425)
<b>Net cash utilised in financing activities</b>		<b>(2,468)</b>	<b>(37,839)</b>
<b>Net increase/(decrease) in cash</b>		<b>1,095</b>	<b>(4,832)</b>
Cash at the beginning of the financial year		1,061	5,775
Effect of exchange rate changes on cash		(1,115)	118
<b>Cash at the end of the financial year</b>	16(b)	<b>1,041</b>	<b>1,061</b>

This above statement of cash flows should be read in conjunction with the accompanying notes.



# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### **I. Summary of significant accounting policies**

These general purpose financial statements have been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

The financial statements have been prepared in accordance with the historical cost convention with the exception of the revaluation of investments described in the note below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

#### **(a) Investments**

##### **Valuation**

Investments are stated at net fair value as at year end.

Net fair value of investments is the last sale price quoted on the relevant exchange at the close of business at year end, less an appropriate allowance for costs expected to be incurred in realising the investments. The net fair value of any monetary asset where no last sale price exists is based upon discounting the expected future cash flows by the current interest rates for assets with similar risk profiles. Certain costs in acquiring investments, such as brokerage and stamp duty, are capitalised in the initial cost of the investment.

#### **(b) Foreign currency translation**

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at year end.

Unrealised exchange gains and losses arising on the revaluation of investments are included in investment income, as part of the unrealised change in net fair value of investments.

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Exchange gains or losses on these transactions are brought to account and disclosed separately in the profit and loss statement in the year in which the exchange rates change.

#### **(c) Operating revenue**

Operating revenue consists of dividend, interest and other income and gross proceeds from the sale of investments.

#### **(d) Investment income**

Changes in the net fair value of investments are recognised as revenue and are determined as the difference between the net fair value at year end or consideration received (if sold during the year) and the net fair value as at the prior year end or cost (if the investment was acquired during the year). Unrealised gains and losses are transferred to an unrealised profits and losses reserve, net of the potential tax charge that may arise from the future sale of the investments. The unrealised profits and losses reserve is equal to the cumulative after-tax unrealised gains and losses on investments. Realised gains or losses for the year represent the difference between the net proceeds on the sale of an investment and its prior year end net fair value, or its cost if acquired during the year.

#### **(e) Income tax**

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss statement is matched with the accounting result after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### **1. Summary of significant accounting policies (continued)**

##### **(f) Income to pay dividends**

The directors of the company hold the opinion that unrealised gains and losses should not be taken into account in determining the income of the company available to pay dividends. The transfer of unrealised gains and losses to and from the unrealised profits and losses reserve (refer to note 1(d)) will be such that the income available to pay dividends will only include realised gains and losses. These will include prior year unrealised gains and losses that become realised as a result of the sale of investments during the current year. Income available to pay dividends is disclosed as total available for appropriation in the profit and loss statement.

##### **(g) Cash**

For the purposes of the statement of cash flows, cash includes deposits held at call with financial institutions and highly liquid investments which are readily convertible to cash on hand at the investor's option and have an insignificant risk of changes in value.

##### **(h) Receivables**

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at year end from the time of last payment. Amounts received for securities sold are recorded when a sale has occurred. Amounts are generally received within 30 days of being recorded as a receivable.

##### **(i) Accounts payable**

These amounts represent liabilities for amounts owing by the company at year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### **(j) Derivative financial instruments**

The company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to derivatives are included in investment income as part of realised or unrealised gains and losses on investments.

##### **(k) Earnings per share**

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares outstanding during the year.

##### **(l) Comparative figures**

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures in the current year.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 2. Investments

	2000 \$'000	1999 \$'000
Listed securities	42,422	34,230
Currency hedges	65	44
	<u>42,487</u>	<u>34,274</u>

#### 3. Receivables

##### Current

Accrued interest and dividends	26	20
Unsettled trades	1,374	428
	<u>1,400</u>	<u>448</u>

#### 4. Other assets

##### Non-current

Future income tax benefit	24	11
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#### 5. Accounts payable

##### Current

Trade creditors	131	99
Unsettled trades	335	-
	<u>466</u>	<u>99</u>

#### 6. Provisions

##### Current

Dividend	3,115	1,158
Taxation	707	2,983
	<u>3,822</u>	<u>4,141</u>

##### Non-current

Deferred income tax *	3,701	1,198
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\* Legislation reducing the company tax rate from 36% to 34% in respect of the 2000-2001 income tax year and then to 30% from 2001-2002 income tax year received Royal Assent on 10 December 1999. As a consequence, deferred tax balances which are expected to reverse in the 2000-2001 or a later income tax year will need to be restated using the appropriate new rates, depending on the timing of the reversal. As the timing of the reversal cannot be determined with certainty, the deferred tax balance has been restated at the rate of 34%.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 7. Share capital

	2000		1999	
	No. '000	\$'000	No. '000	\$'000
(a) <b>Ordinary shares</b>	38,942	23,004	38,613	22,756

#### (b) Movements in ordinary share capital of the company during the past two years were as follows:

Details	Issue price	2000		1999	
		No. '000	\$'000	No. '000	\$'000
Opening balance 1 July		38,613	22,756	86,450	43,225
Shares issued under the dividend reinvestment plan					
– dividend paid 26 March 1999	@\$0.68	–	–	477	325
– dividend paid 29 September 1999	@\$0.75	329	248	–	–
Buy-back of shares during the year as part of the share buy-back scheme	various	–	–	(48,314)	(28,413)
Transfer from share premium reserve				–	7,619
Closing balance		38,942	23,004	38,613	22,756

#### Dividend reinvestment plan

The operation of the company's dividend reinvestment plan resulted in the allotment of additional shares at a reinvestment price calculated at 97.5% of the weighted average share price, provided the weighted average share price fell at or above the last quoted net tangible asset backing of the company. If this was not the case, the additional shares were issued at the weighted average share price.

#### Share buy-back

For the 1998-1999 year, the company purchased 48,314,614 of its own shares as part of the member-approved share buy-back scheme. No shares were bought back on-market during the year.

#### Share premium account

In accordance with section 1446 of the Corporations Law, the amounts standing to the credit of the share premium reserve on 1 July 1998 became part of share capital. This was a consequence of the abolition of par values of shares which took effect on 1 July 1998. As all of the share premium reserve related to ordinary shares, the balance has been allocated to share capital.

#### 8. Reserves

	2000	1999
	\$'000	\$'000
<b>Unrealised profits and losses reserve</b>		
Balance as at 1 July	2,118	11,555
Transfer from/(to) the profit and loss statement	4,878	(9,437)
Balance as at 30 June	6,996	2,118

Transfer from the profit and loss statement comprises the unrealised gains and losses on revaluation of investments to net fair value less provision for deferred income tax on those unrealised gains and losses.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 9. Taxation

	2000 \$'000	1999 \$'000
<b>Tax at 36% of operating profit/(loss) is reconciled to taxation (expense)/benefit as follows:</b>		
Income tax (expense)/benefit calculated at 36%	(6,017)	291
Tax effect of permanent differences:		
– non-deductible expenses	–	(85)
– rebateable item	28	95
– non-assessable gains	111	105
Income tax adjusted for permanent differences:	(5,878)	406
– over/(under) provision in prior year	39	(9)
– sundry items	(58)	(90)
– effect of lower rate of tax on future tax benefits and liabilities	216	–
<b>Taxation (expense)/benefit</b>	<b>(5,681)</b>	<b>307</b>

#### 10. Dividends

Buy-back dividend – partially franked at 36%	–	5,631
Interim dividend paid – fully franked at 36%	1,558	1,525
Final dividend paid – fully franked at 36%	–	1,158
Final/special dividend payable – fully franked at 34%	3,115	–
	4,673	8,314
Franking credits available for the subsequent financial year	10,530	9,268

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:

- franking credits that will arise from the payment of income tax payable as at the end of the year;
- franking debits that will arise from the payment of dividends proposed as at the end of the year; and
- franking credits that may be prevented from being distributed in the subsequent year.

The balances of the franking accounts disclosed above are based on a tax rate of 36%. Legislation was introduced into Parliament in December 1999 which deals with the implications for franking accounts of the company tax rate change from 36% to 34% for the 2000-2001 income tax year. The legislation requires companies to convert their existing Class C franking account balances from an underlying tax rate of 36% to an underlying tax rate of 34% on 1 July 2000.

The balance of the franking accounts will increase accordingly and all franking debits and credits arising after 1 July 2000 (including those relating to dividends) will be entered into the converted franking account using the new rate of 34%.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 11. Related party information

##### (a) Directors

The names of the persons who were directors of the company during the financial year were:

A G Hartnell, R J Finley, T C Powell and H R Wallace.

2000	1999
\$'000	\$'000

##### (b) Directors' remuneration

Total income received or due and receivable by the directors of the company

50	50
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The investment manager has undertaken to reduce its management fee by the aggregate amount of directors' fees payable to R J Finley, T C Powell and H R Wallace (refer note 12).

The number of directors of the company whose income from the company falls within the following bands are as follows:

	2000	1999
	No.	No.
\$10,000 – \$19,999	3	3
\$20,000 – \$29,999	1	1

The directors' remuneration excludes insurance premiums of \$25,088 paid by the company in respect of directors' liability insurance. Information relating to the directors' insurance is set out in the directors' report.

##### (c) Transactions of directors and director-related entities concerning shares

	2000	1999
	No. '000	No. '000
Aggregate number of shares held as at 1 July	227	621
Purchase of shares	146	1,701
Sale of shares	(230)	(2,095)
Aggregate number of shares held as at 30 June	143	227

Directors' transactions concerning dividends and ordinary shares are on the same terms and conditions applicable to ordinary members.

#### 12. Investment manager

The investment manager of the company is BT Funds Management Limited (ACN 002 916 458).

From 1 January 2000, the calculation of investment management fee was 1.4% per annum of the market capitalisation\* of the company. The fee was based on 1.5% per annum of the market capitalisation of the company up until 31 December 1999.

The investment manager has also reduced its fee by the aggregate amount of directors' fees paid by the company to the directors, R J Finley, T C Powell and H R Wallace. In addition, the investment manager has reduced its fee by the amount of the liability insurance premiums paid/payable in respect of all directors of the company.

The investment mandate of the company has been changed to contain exposure to international shares only. Hence, the benchmark that applies to the portfolio is the MSCI World (ex Australia) Accumulation Index (A\$).

\* Market capitalisation is the company's share price multiplied by the company's shares on issue.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

	2000 \$'000	1999 \$'000
Base management fee	475	562
Less: Directors' fees paid to various directors of the company	(30)	(30)
Insurance of directors of the company *	(25)	(25)
Management fee paid and payable	420	507

\* In the current year and in future years, liability insurance premiums are/will be recouped out of the management fee on an accrual basis to offset the corresponding charge to the profit and loss statement.

#### 13. Auditor's fees

	2000 \$	1999 \$
Amounts received, or due and receivable, by the auditor of the company for:		
Auditing the accounts	13,008	12,520
Other services	3,600	3,470
	16,608	15,990

#### 14. Segment information

##### Industry segments

The company operates solely in the financial investment industry.

##### Geographical segments

The company operates in Australia and has the following geographical segments:

	2000 \$'000	1999 \$'000
<b>Geographical income segment</b>		
Australia	(284)	1,307
Europe	6,013	(1,635)
United States and Canada	7,110	(1,892)
Japan	4,408	1,955
South East Asia	142	379
Latin America	-	99
Other overseas	-	18
Total investment income	17,389	231
Unallocated expenses	(676)	(1,039)
Net operating profit/(loss)	16,713	(808)

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 14. Segment information (continued)

	Net fair value 2000 \$'000	% of total net fair value 2000	Net fair value 1999 \$'000	% of total net fair value 1999
<b>Geographical exposure of investments (including cash)</b>				
Australia	59	—	(4)	—
Europe	12,122	28	12,623	36
United States and Canada	21,426	50	15,867	45
Japan	7,499	18	5,175	15
South East Asia	1,381	4	1,238	3
Latin America	—	—	387	1
Other overseas	—	—	45	—
<b>Total investments</b>	<b>42,487</b>	<b>100</b>	<b>35,331</b>	<b>100</b>

The geographical exposure of assets takes into account, where applicable, the effects of derivative financial instruments held by the company.

#### 15. Financial instruments

##### (a) Derivative financial instruments

A derivative is a financial contract whose value depends on, or is derived from, underlying assets, liabilities or indices. Derivative transactions include a wide assortment of instruments, such as forwards, futures, options and swaps.

Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of proper portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multi-faceted and includes:

- hedging to protect an asset of the company against a fluctuation in market values or to reduce volatility;
- as a substitute for physical securities; and
- adjustment of asset exposures within the parameters set in the investment strategy.

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 company.

The notional principal amounts of derivatives held by the company as at 30 June 2000 were as follows:

	Notional principal amounts 2000 \$'000	Notional principal amounts 1999 \$'000
Over the counter options	1,151	11

##### (b) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations (ie. default in either whole or part) under a contract.

The investment manager minimises the company's concentration of credit risk by adopting a number of procedures, some of which include the following:

- undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- ensuring that these counterparties together with the respective credit limits are approved; and
- where appropriate, employing derivatives which minimise credit risk.



# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### (b) Credit risk (continued)

As such, the company does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the company does not have a material exposure to a group of counterparties which is expected to be affected similarly by changes in economic or other conditions.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of on-balance sheet items and liabilities as they are marked to market at year end. The total credit risk for on-balance sheet items is therefore limited to the amount carried on the balance sheet.

The contractual credit risk of off-balance sheet items is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. For forward foreign exchange contracts, there may exist the additional risk of counterparty default on settlement due to the gross settlement of forward contracts.

#### (c) Foreign exchange risk

The company enters into forward foreign exchange contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities. Foreign exchange instruments are principally denominated in US dollars reflecting the denominations but not necessarily the physical locations of the majority of the company's international security investments. The terms and conditions of these derivatives rarely exceed one year.

As the nature of these contracts is to hedge the international investment activities of the company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The gains or losses on these revaluations are disclosed separately in the profit and loss statement.

As at 30 June 2000, the company's exposure to foreign exchange rate movements on its international security investments was as follows:

	Australian dollars A\$'000	US dollars A\$'000	Euro A\$'000	Japanese yen A\$'000	British pounds A\$'000	Other currencies A\$'000	Total A\$'000
Gross investment amounts denominated in foreign currency*		23,259	8,053	7,921	1,458	4,001	44,692
Amounts effectively hedged	–	(1,819)	–	(2,633)	–	(999)	(5,451)
Net exposure	–	21,440	8,053	5,288	1,458	3,002	39,241

\* The above foreign currency exposures includes unsettled trades and accordingly, exceed investments as disclosed in the segment information note 14. These unsettled trades are presented as receivables in the balance sheet.

As at 30 June 1999, the company's exposure to foreign exchange rate movements on its international security investments was as follows:

	Australian dollars A\$'000	US dollars A\$'000	Euro A\$'000	Japanese yen A\$'000	British pounds A\$'000	Other currencies A\$'000	Total A\$'000
Gross investment amounts denominated in foreign currency	6,021	15,846	7,951	5,185	4,691	3,963	43,657
Amounts effectively hedged	–	(2,291)	(1,734)	(3,189)	–	(415)	(7,629)
Net exposure	6,021	13,555	6,217	1,996	4,691	3,548	36,028

The Australian and British foreign exchange exposure includes forward purchased Australian and British currencies, resulting from hedging of other foreign currencies.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 15. Financial instruments (continued)

##### (d) Interest rate risk

The company has interest rate risk exposures from the holdings of financial assets and liabilities in the normal course of business.

As at 30 June 2000, the company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out in the table below:

	Weighted average interest rate (% pa)	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash	5.79	1,041	–	1,041
Receivables		–	1,400	1,400
Currency hedges		–	65	65
Listed equities and securities		–	42,422	42,422
		1,041	43,887	44,928
<b>Financial liabilities</b>				
Accounts payable		–	466	466
Provision for dividend		–	3,115	3,115
Provision for taxation		–	707	707
		–	4,288	4,288
<b>Net financial assets</b>		<b>1,041</b>	<b>39,599</b>	<b>40,640</b>

As at 30 June 1999, the company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and liability is set out in the table below:

	Weighted average interest rate (% pa)	Floating interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash	4.92	1,061	–	1,061
Receivables		–	448	448
Currency hedges		–	44	44
Listed equities and securities		–	34,230	34,230
		1,061	34,722	35,783
<b>Financial liabilities</b>				
Accounts payables		–	99	99
Provision for dividend		–	1,158	1,158
Provision for taxation		–	2,983	2,983
		–	4,240	4,240
<b>Net financial assets</b>		<b>1,061</b>	<b>30,482</b>	<b>31,543</b>

# BT GLOBAL ASSET MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2000

#### 16. Statement of cash flows

##### (a) Reconciliation of operating profit/(loss) after tax to net cash utilised in operating activities

	2000 \$'000	1999 \$'000
Operating profit/(loss) after tax	11,032	(501)
Net foreign exchange losses/(gains)	1,143	(428)
Unrealised changes in the net fair value of investments	(10,775)	(3,224)
Realised (gains)/losses on sale of investments	(7,497)	3,994
Change in operating assets and liabilities:		
(Increase)/decrease in dividends, interest and other income receivable	(6)	242
Increase/(decrease) in accounts payable	32	(353)
Increase/(decrease) in tax provisions	213	(5,757)
Net cash utilised in operating activities	(5,858)	(6,027)

##### (b) Components of cash

Cash at bank	1,041	1,061
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##### (c) Non-cash financing activities

Dividends satisfied by the issue of shares under the dividend reinvestment plan	248	325
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#### 17. Subsequent events

Since the end of the financial year, the directors have declared that the company's shares had traded through the measurement period (1 April 2000 to 30 June 2000) at a weighted average discount of 13.98% to the net tangible asset backing per share. Accordingly, shareholders of the company will be asked to consider the voluntary winding up of the company at the Annual General Meeting.

No other significant events have occurred since year end which would impact on the financial position of the company as disclosed in the balance sheet as at 30 June 2000 and the results and cash flows of the company for the year ended on that date.

#### 18. Material investments in entities other than subsidiaries and associates

There is no single investment held by the company at year end which represented more than 5% of the investment portfolio as a whole.

#### 19. Earnings per share

	2000	1999
Basic earnings per share (cents per share)	28.39	(0.87)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	38,860,309	57,719,505

Diluted earnings per share is not materially different to basic earnings per share. The company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

#### 20. Contingent liabilities

No contingent liabilities exist as at 30 June 2000.

# BT GLOBAL ASSET MANAGEMENT LIMITED

## DIRECTORS' DECLARATION

### FOR THE YEAR ENDED 30 JUNE 2000

The directors declare that the financial statements and notes set out on pages 20 to 33:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 30 June 2000 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes to the financial statements are in accordance with the Corporations Law; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

**A G Hartnell**  
**Director**

**T C Powell**  
**Director**

**Sydney**  
**18 August 2000**

# BT GLOBAL ASSET MANAGEMENT LIMITED

## INDEPENDENT AUDIT REPORT TO THE MEMBERS

### Scope

We have audited the financial report of BT Global Asset Management Limited for the financial year ended 30 June 2000 as set out on pages 20 to 34. The company's directors are responsible for the financial report which includes the financial statements of the company. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law in Australia so as to present a view which is consistent with our understanding of the company's financial position and its performance as represented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

In our opinion, the financial report of the company is in accordance with:

- (a) the Corporations Law, including:
  - giving a true and fair view of the company's financial position as at 30 June 2000 and of its performance for the financial year ended on that date; and
  - complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

**PricewaterhouseCoopers**  
**Chartered Accountants**

**D A Prothero**  
**Partner**

**Sydney**  
**18 August 2000**

# BT GLOBAL ASSET MANAGEMENT LIMITED

## MEMBERS INFORMATION

### Substantial holders

The company had no substantial holders as at 14 August 2000.

### Distribution of securities as at 14 August 2000

(a) Analysis of numbers of holders by size of holding:

	No.
1 – 1,000	149
1,001 – 5,000	569
5,001 – 10,000	619
10,001 – 100,000	1,045
100,001 and over	36
	<b>2,418</b>

(b) There were 86 holders of less than a marketable parcel of shares.

(c) The percentage of total holding of the 20 largest holders of ordinary shares was 10.62%.

### Twenty largest holders

The names of the 20 largest holders as at 14 August 2000 are listed below:

Name	Number of shares held	%
Mr Eric Gross	455,977	1.17
Questor Financial Services Limited	413,225	1.06
Mr Robert Peter Charles & Mrs Marion Gertrude Charles	245,466	0.63
Penson Holdings Pty Limited	238,770	0.61
Mr Matthew Curzon Allen	232,518	0.60
Donald Edward Yabsley	229,921	0.59
Mr Robert Frederick Hutt & Mrs Pauline Diana Hutt	225,624	0.58
Palmerston Pty Limited	219,713	0.56
Mr Ronald Lawrence Edwards & Mrs Gertruda Wilhelmina Josepha Edwards	211,387	0.54
Magna Carta Pastoral Pty Limited	200,000	0.51
J B A Investments Pty Limited	195,300	0.50
Mr William John Ellis	187,968	0.48
Mr Bruce Allison Tidswell & Mrs Deirdre Olive Tidswell	156,238	0.40
Mr Roger John Butland	146,245	0.38
Dr Arie Rotem	139,871	0.36
AXA Trustees Limited <Direct Portfolio A/c>	133,000	0.34
Robin Yabsley	131,542	0.36
John Scott Bell	130,000	0.32
Mr Peter Glow & Mrs Roslyn Ann Glow	125,967	0.32
Mr Franc Norman Falkiner	120,000	0.31
	<b>4,138,732</b>	<b>10.62</b>

### Voting rights

At a general meeting, on the show of hands, every ordinary member present in person shall have one vote for every share held. Proxies present at the meeting are not entitled to vote on a show of hands, but on a poll have one vote for every share held.

# DIRECTORY

## INVESTMENT MANAGER

BT Funds Management Limited

## DIRECTORS

A G Hartnell (Chairman)  
R J Finley (Company Director)  
T C Powell (Company Director)  
H R Wallace (Company Director)

## SECRETARY

Geoffrey V Lloyd

## REGISTERED OFFICE

Level 15, The Chifley Tower  
2 Chifley Square, Sydney NSW 2000  
(612) 9259 3555

## SHARE REGISTRAR

ASX Perpetual Registrars Limited  
Locked Bag A14  
Sydney South NSW 1232

## AUDITOR

PricewaterhouseCoopers  
Chartered Accountants  
201 Sussex Street, Sydney NSW 1171

## SOLICITORS

Freehills  
MLC Centre  
Martin Place, Sydney NSW 2000

## BANKERS

Australia and New Zealand Banking Group Limited  
Pitt and Hunter Streets Branch  
68 Pitt Street, Sydney NSW 2000

## STOCK EXCHANGE LISTING

Official List of Australian Stock Exchange Limited

## SHARE REGISTRY ENQUIRIES

1800 810 580  
(612) 9285 7111 (overseas callers)  
(612) 9261 8489 (fax)

## INVESTMENT MANAGER ENQUIRIES

132 135  
(612) 9259 3555 (overseas callers)  
(612) 9259 9797 (fax)  
[www.btonline.com.au/bt\\_prod/trusts.shtml](http://www.btonline.com.au/bt_prod/trusts.shtml) (website)

