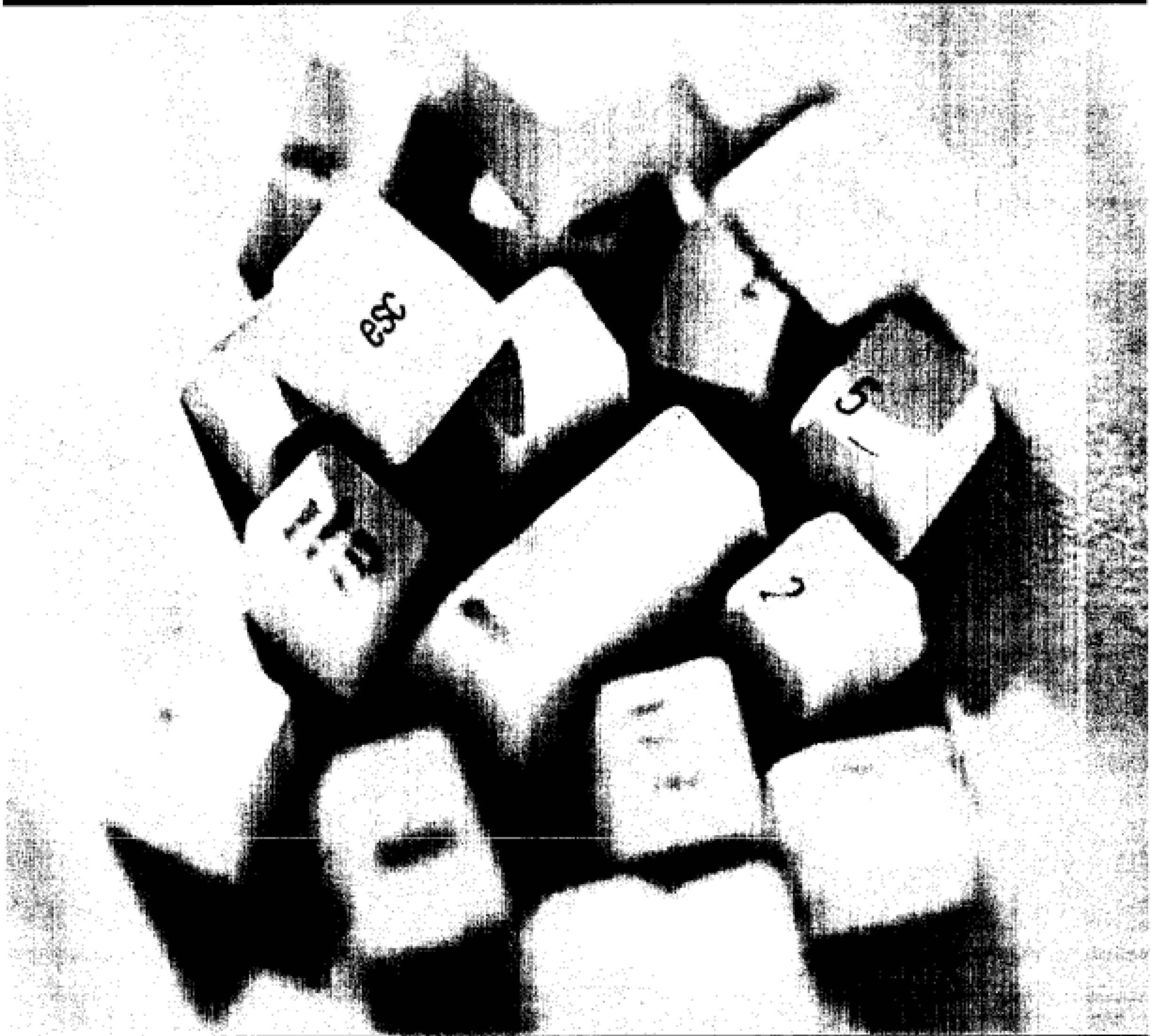
BT GLOBAL ASSET MANAGEMENT LIMITED

ABN 87 008 108 218

Annual Report and Financial Statements for the year to 30 June 2001



BT Funds Management

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 payment of income from the investment.

This information does not account for your investment objectives, particular needs or financial situation. These should be considered before investing and we recommend you consult a financial adviser.

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BT Global Asset Management Limited
ABN 87 008 108 218

YEARLY REVIEW
BEARING UP

The bear currently stalking world bourses is a very big bear, a bear that's clawed approximately US$7 trillion off the value of world sharemarkets. Yet, while this may be little consolation to today's shareholders, he's the first bear world markets have seen for many years. It is a quarter of a century since we last saw a global bear market.

So when will the bear walk away? The latest figures tell us that the US, which isn't just the engine, but the gearbox and wheels of world economic growth, grew at just 0.7% (annualised) in the second quarter of this year. But it's still growing, just.

That's the best news global sharemarkets have at the moment. That and the fact that low inflation means Dr Greenspan still has room to move on interest rates. He's already cut them six times this year. In his recent testimony to Congress, he indicated he'll go to the well again if he has to.

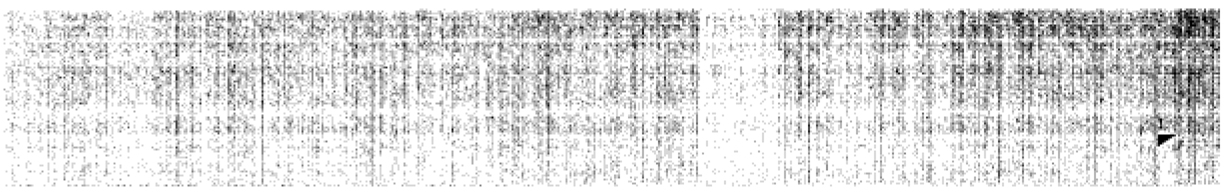
► When seven cuts just don't cut it...

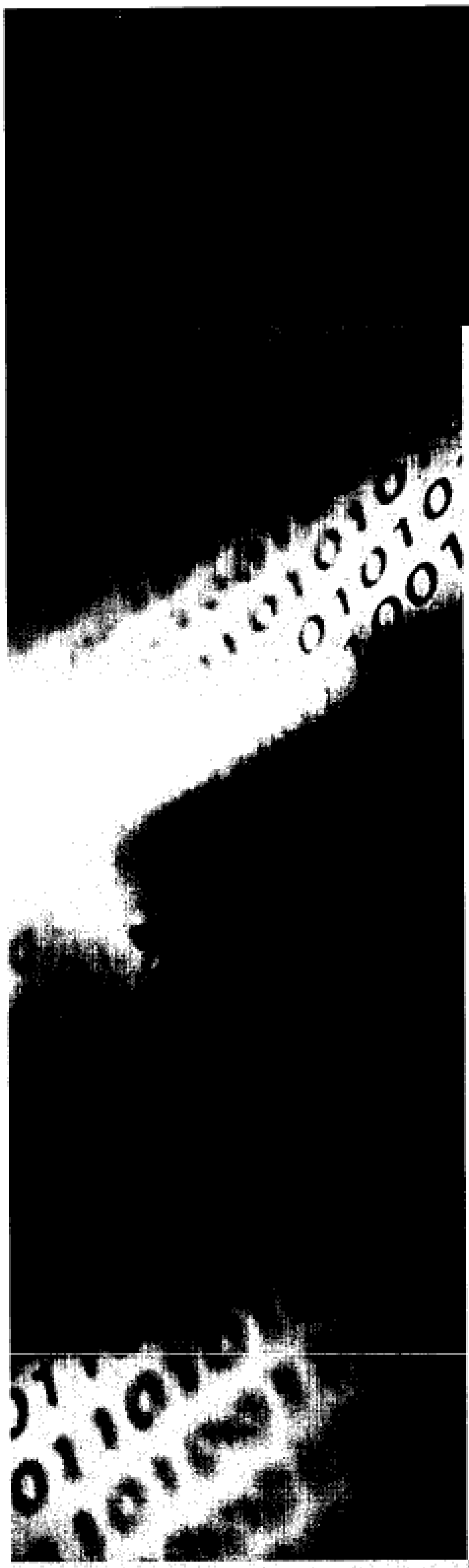
As yet, world markets haven't been revitalised by those rate cuts. There are two reasons for that. Modern US slowdowns have generally been caused by the US Fed raising interest rates to crush inflation (and creaming economic growth along the way).

This time it's different. This slowdown is not about inflation but more about excess capacity, especially in the telecommunications and technology sectors.

> "THE PERIOD OF SUB-PAR ECONOMIC PERFORMANCE, HOWEVER, IS NOT YET OVER, AND WE ARE NOT FREE OF THE RISK THAT ECONOMIC WEAKNESS WILL BE GREATER THAN CURRENTLY ANTICIPATED, AND REQUIRE FURTHER POLICY RESPONSE.

Federal Reserve Chairman Dr Alan Greenspan, to the Committee on Financial Services, US House of Representatives, 18 July 2001





The lag and the leg up

The other crucial factor is the 'lagged' effect of the rate cuts. It takes at least six months for interest rate changes to feed into an economy, so the first cuts are only just beginning to bite. Fortunately, George W Bush's tax refunds, all US$38 billion of them, are hitting doorsteps.

The recovery won't happen overnight. But it will happen. Rate cuts and tax refunds will eventually inject some energy back into the US economy.

In the meantime, share investors may need to hibernate for a while and wait for the bear to drift away. Which it will – relative to interest rates, valuations around the globe are cheaper than they have been for 10 years. And that should provide some buying opportunities over the next year.

"ONCE THE FORCES THAT ARE CURRENTLY CONTAINING INVESTMENT INITIATIVES DISSIPATE, NEW APPLICATIONS OF INNOVATIVE TECHNOLOGIES SHOULD AGAIN STRENGTHEN DEMAND FOR CAPITAL EQUIPMENT AND RESTORE SOLID ECONOMIC GROWTH OVER TIME THAT BENEFITS US ALL.

Federal Reserve Chairman Dr Alan Greenspan, to the Committee on Financial Services, US House of Representatives, 18 July 2001

PERFORMANCE REVIEW

The performance of the Company was boosted by overweight exposure to the financial sector and good stock selection within that sector. Citigroup (US) outperformed owing to its global diversification and higher growth businesses, while First Union (US) and Lincoln National (US) benefited from corporate restructuring.

In contrast, our overweight exposure to holdings in telecommunications companies detracted from performance as the sector was sold down on concerns over high debt levels built up in the third generation spectrum auctions last year. While this was negative for **KPN** (Netherlands) and **Vodafone** (UK), the portfolio's underweight exposure to the large European telecoms (**Deutsche Telecom** and **France Telecom**) was positive for performance.

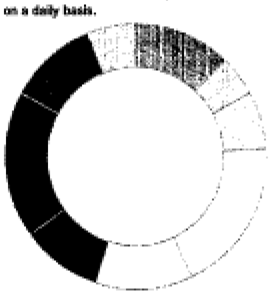
We retain core positions in wireless operators, **Vodafone** (UK) and **NTT DoCoMo** (Japan) owing to their relatively stable cash flows, strong balance sheets and attractive valuations.

Within the technology sector, telecommunications equipment makers **Nokia** (Finland), **Ericsson** (Sweden), **Nortel Networks** (US), **Alcatel** (France) and **JDS Uniphase** (US) detracted from performance as their operating environment deteriorated. Early in the calendar year, we sold out of all but Nokia.

Initially, we were underweight the capital goods sector as we thought it premature to buy cyclical stocks while growth was slowing. We started buying a number of cheaply-valued, economic-sensitive stocks towards the second half of the year – effectively raising the portfolio's exposure to the capital goods and basics sector.

PORTFOLIO WEIGHTINGS
BY SECTOR
as at 30 June 2001

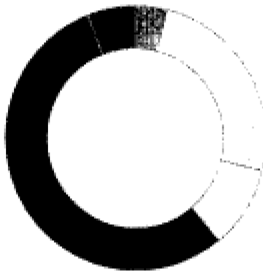
Note: Portfolio exposure may change significantly on a daily basis.



Consumer Discretionary 12%
Consumer Staples 5%   Energy 7%
Financials 19%   Healthcare 12%
Industrials 10%   Information Technology 18%
Telecommunication Services 11%
Liquids 6%

Source: BT Funds Management Limited

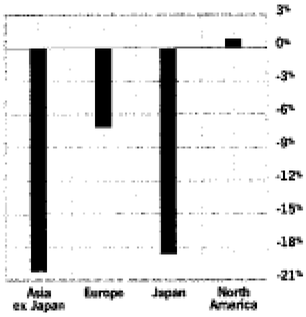
PORTFOLIO WEIGHTINGS
BY REGION
as at 30 June 2001



Asia Pacific ex Japan 4%   Europe 25%
Japan 10%   North America 55%
Liquids 6%

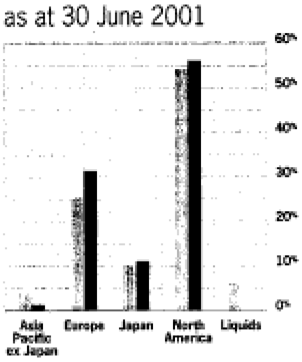
Source: BT Funds Management Limited

REGIONAL PERFORMANCE –
12 months to 30 June 2001



Source: Datastream

REGIONAL WEIGHTINGS
as at 30 June 2001



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

Source: BT Funds Management Limited and Datastream

Over the past year, there was an indiscriminate selldown in the technology sector and this created some attractive valuations. Over the next few months, franchise quality and product positioning will become crucial and management quality will be tested. Our technology investments are currently biased towards companies such as **IBM** (US) and **Microsoft** (US) whose earnings are closely correlated with traditional corporate spending.

On a regional basis, we are neutral North America where a combination of interest rate cuts, benign inflation and tax cuts should be supportive for sharemarkets. We hold a large underweight exposure to Europe, reflecting the deteriorating macroeconomic environment and expectations for poor second half 2001 earnings. We anticipate that the ECB will lower interest rates mid September as Euroland inflation falls. The portfolio's underweight to Japan reflects concerns over deflationary policies and the negative external environment continuing to harm exports. We are overweight Asia ex Japan as the region is highly leveraged to reflation in the US.

PERFORMANCE

The Company posted a negative 16.82%[1] return compared with a 5.67% decrease in the MSCI World Share Accumulation (ex Australia) Index ($A) for the 12 months to 30 June 2001.

Since inception in October 1986, the Company has achieved a return of 18.1% per annum compared with a return of 12.31% per annum for the MSCI World Share Accumulation (ex Australia) 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 performance.

Asset backing

The Company's net tangible asset backing (NTA) as at 30 June 2001 was 80.43[2] cents per share cum dividend. This compares with a NTA as at 30 June 2000 of 102.92 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 backing figures on a monthly basis.

Declaration of dividend

The Directors have declared a fully franked final dividend of 4.0 cents per share which is payable on 4 October 2001 to holders of ordinary shares registered in the books of the Company on 21 September 2001. The final dividend carries tax credits at the rate of 30%.

PERFORMANCE to 30 June 2001

	Pre-tax return % pa	Post-tax return % pa	MSCI World Share Accumulation Index ($A) % pa
12 months	(16.82)	(11.22)	(5.67)
2 years	11.65	9.77	8.23
3 years	12.08	10.08	8.35
5 years	18.16	13.46	18.45
Since inception	18.10	12.50	12.31

Past performance of the Company is not indicative of future performance.

Source: BT Funds Management Limited and Datastream

PREMIUM/(DISCOUNT) OF SHARE PRICE VS NTA GRAPH

Source: BT Funds Management Limited

[1] The Company's performance returns are measured by movements in the Company's net tangible asset backing before tax, adjusted for capital flows including dividends.
[2] 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 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
2001	8.0

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

Source: BT Funds Management Limited

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

The Dividend Reinvestment 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 equals or exceeds the Company's last published NTA.

The Directors have continued the suspension of the Dividend Reinvestment Plan.

Voluntary wind-up mechanism

The Company triggered its voluntary wind-up mechanism, as a result of its share price trading at more than a 10% discount to NTA during its measurement period, being from 1 April to 30 June 2000. A special resolution was put to shareholders at the Annual General Meeting on 31 October 2000 whether to wind up the Company. Approximately 92% of shareholders voted against winding up the Company, for the following reasons:

- the Company has consistently outperformed its benchmark since inception;
- the Company has consistently paid fully franked dividends; and
- the Company is also one of few listed investment companies in Australia offering shareholders the opportunity to invest in securities listed on the world's sharemarkets.

PORTFOLIO SHAREHOLDINGS

AS AT 30 JUNE 2001

Security	Holding	Value ($A)	% of portfolio
North America			
General Electric	11,596	1,112,586	3.73
Pfizer	14,072	1,109,198	3.71
Microsoft	7,422	1,066,337	3.57
Colgate-Palmolive	6,117	710,179	2.38
First Union	9,928	682,709	2.28
Citigroup	6,290	654,130	2.19
Exxon Mobil	3,760	646,400	2.16
JP Morgan Chase	6,953	610,320	2.04
Home Depot	6,199	567,926	1.90
Dow Chemical	8,395	549,368	1.84
Bristol-Myers Squibb Company	5,248	540,190	1.81
American International Group	3,152	533,501	1.78
El Paso	4,839	500,376	1.67
Clear Channel Communications	3,900	481,264	1.61
Verizon Communications	4,384	461,610	1.54
Wal-Mart Stores	4,756	456,786	1.53
SBC Communications	4,965	391,454	1.31
IBM	1,747	388,528	1.30
AOL Time Warner	3,596	375,099	1.25
Conoco – CIB	6,490	369,142	1.23
EMC	5,962	340,870	1.14
Cabletron Systems	7,554	339,714	1.14
Texas Instruments	5,414	335,645	1.12
Viacom	3,189	332,143	1.11
Applied Materials	3,345	323,242	1.08
Alcoa	3,798	294,511	0.99
Bank of New York	3,044	287,565	0.96
Lincoln National	2,721	277,134	0.93
Oracle	7,369	275,558	0.92
Sprint Corp (PCS Group)	5,563	264,409	0.88
Cisco Systems	7,270	260,409	0.87
Ingersoll Rand	3,120	252,990	0.85
Amgen	1,877	224,161	0.75
Instinet Group	4,576	167,874	0.56
		16,183,328	
Japan			
Keyence	1,700	663,956	2.22
NTT DoCoMo	19	650,621	2.18
Meitec	6,000	394,823	1.32
Nikko Securities	24,000	378,348	1.27
Kurita Water	11,000	297,869	1.00
Tokyo Broadcasting System	7,000	265,109	0.89
Canon Sales Co	12,000	231,213	0.77
Nippon Telegraph & Telephone	19	194,887	0.65
		3,076,826	
Europe			
Aventis	5,731	900,422	3.01
Pharmacia Corporation	7,507	688,143	2.30
ING	4,750	610,963	2.04
Peugeot	1,083	578,671	1.94
Banco Bilbao Vizcaya Argentaria	21,746	553,614	1.85
Vodafone Airtouch	125,674	547,845	1.83
Royal Dutch Petroleum	4,480	507,415	1.70
Total Fina	1,785	491,901	1.65
Deutsche Bank	2,686	377,705	1.26
Barclays	5,970	360,216	1.20
Beiersdorf	1,647	338,895	1.13
BMW	4,546	296,149	0.99
Tesco	41,579	295,184	0.99
ST Microelectronics	4,211	287,656	0.96
Philips Electronics	5,441	283,835	0.95
Olivetti	67,706	236,666	0.79
Nokia OYJ	5,171	230,033	0.77
UBS Registered – Derivatives	2,094	3,439	0.01
Koninklijke (Royal)	1	11	0.00
		7,588,763	
South East Asia			
Kerry Properties	65,000	173,034	0.58
Korea Telecom	3,500	151,407	0.51
Cheung Kong Holdings	7,000	150,135	0.50
Kookmin Bank	5,120	134,021	0.45
China Unicom	37,000	126,971	0.42
First Pacific	270,000	115,137	0.39
Taiwan Semiconductor	3,600	107,624	0.36
Hynix Semiconductor	4,610	97,766	0.34
Taiwan Semiconductor – Other	1,440	43,050	0.14
Satyam Computer	2,000	34,363	0.11
		1,133,508	
		27,982,425	93.60
Disposal costs		(74,620)	
		27,907,805	
Liquid assets		1,909,651	6.40
Total		**29,817,456**	**100.00**

MARKET OUTLOOK FOR 2001/2002

ON THE SPOT

Nigel Allfrey, Fund Manager, BT Global Asset Management Limited

Best decision
Our overweight position in financial stocks boosted performance as global interest rates fell. Citigroup's large exposure to financial markets helped it do particularly well.

Biggest disappointment
The Company was unable to benefit from the sharp bounce in basic stocks, which happened earlier than we expected.

What to watch
The lagged effect of significantly lower US interest rates. The first cut is now six months old. When lower rates and tax refunds take effect, the US economy will commence recovery. Historically, this 'inflection' point often sees a sharp sharemarket bounce.

Stocks to watch
Microsoft and IBM. These technology giants have outperformed over the past quarter. Their earnings streams are keyed into corporate capital spending and should help them outperform as lower rates help boost business investment.

Speculation over the speed of a US recovery has dominated market thinking over the year. We now believe the US will undergo what some economists call a U-shaped recovery – a relatively slow improvement to below trend growth.

While the goods sector of the economy will struggle for some time, improvement in the services sector should cushion the blow to the economy. Tax refunds and interest rate cuts mean US policy is extremely positive for the consumer and for service industries. There are indications that consumer confidence has bottomed and housing affordability is at an all time high.

Our sharemarket outlook for the next six months is moderately positive, as markets recover from oversold levels. Unfortunately, excess technology capacity and the excess leverage burdening of telecommunication company balance sheets in the US and Europe are likely to restrain sharemarket performance for some time.

ABOUT THE COMPANY

BT Global Asset Management Limited was established in October 1986 with the objective of achieving medium 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 taxpaying Australian investors seeking the benefits of a tax-efficient yield, capital growth and international portfolio diversification over the medium to long term (5 to 7 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 for some investors.

The Company had net assets in excess of $29 million and 2,531 shareholders as at 30 June 2001.

Proposed tax change

In the May 2001 Budget, the Australian Treasurer proposed changes to the capital gains tax rules, effective from 1 July 2001, to ensure shareholders in a listed investment company receive comparable tax treatment to investors in managed investment funds. Currently, managed funds investors receive concessional tax treatment on distributions of capital gains on shares held by the managed fund for at least a year; the proposed legislation would mean similar concessional tax treatment for listed company shareholders on dividends sourced from capital gains. Whilst the Board believes this to be a positive development for shareholders, it should be noted that no legislation has been passed to give effect to the policy change and at this stage it is still uncertain as to how the policy change will be given effect.

Investment management

The Company's investments are managed by BT Funds Management Limited. BT is a member of the Principal Financial Group, a global, diversified financial services organisation with more than $A200 billion in assets under management for over 11 million individual and business customers (as at 30 June 2001).

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 moving underlying assets.

ACCOUNTING POLICY

FINANCIAL CALENDAR

17 August
2001 year end profit and final dividend announcement

17 September
Shares begin trading ex-final 2001 dividend

21 September
Books close for final 2001 dividend

4 October
Final 2001 dividend paid

31 October
Annual General Meeting

Note: The above dates are indicative only and may be subject to change.

The Company values its investments at current net market value. Potential tax liabilities on unrealised gains in its investment portfolio are recognised in the accounts as a deferred tax provision. NTA figures are always reported by the Company net of the deferred tax provision and therefore provide shareholders with an accurate guide to net realisable value.

As at 30 June 2001, the net unrealised tax provision was 1.03 cents per share or 1.3% of NTA.

The Company holds investments for market appreciation, with changes in the net market values of these assets being brought to account in determining the profit or loss for the year. This can lead to considerable variations in the level of reported results from year to year.

CORPORATE GOVERNANCE POLICY STATEMENT

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 was in place for the 2000/2001 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 Funds Management Group and will not have more than one Director who is an officer of the BT Funds Management 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 2000/2001 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 17 August 2001, 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 will be presented by the investment manager to the Board's quarterly meetings. This will enable the Board to review the investment strategies necessary to achieve the investment objective of the Company.

The overall performance of the investment manager is reviewed once every two years upon the expiration of the investment manager's contract of appointment.

The Board will monitor the winding up provision contained in the Initial Prospectus 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 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.

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.

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 auditors are required to attend Board meetings annually.

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 auditors for the Company, PricewaterhouseCoopers, attended the meeting of the Board on 17 August 2001. 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 will be contained in a letter exchanged between the Director and the Company. The letter will deal, inter alia, 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 annual report to shareholders.

Board action: Particulars of Directors' interests in securities of the Company are noted on page 15 of this annual report. In addition, the Corporations Act 2001 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 was $20,000 per annum, paid by the Company. Effective from 1 April 2001, this increased to $30,000 per annum with the difference being borne by the investment manager. All other non-executive Directors appointed to the Board were paid $10,000 per annum each but this increased to $15,000 per annum effective from 1 April 2001. The Directors' remuneration is paid by the investment manager.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2001

In respect of the year ended 30 June 2001, the Directors of the Company submit the following report:

DIRECTORS

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

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. 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:

	2001 $'000	2000 $'000
Interim dividend paid	1,558	1,558
Final dividend payable	1,558	3,115
	3,116	4,673

REVIEW OF OPERATIONS

(Loss)/profit from ordinary activities before income tax	(6,216)	16,713
Income tax (benefit)/expense	(2,131)	5,681
(Loss)/profit from ordinary activities after income tax	(4,085)	11,032

The net tangible asset backing of the Company as at 30 June 2001 after adjusting for the effects of reduction in taxation rate on future income tax benefit and deferred income tax liability was 80.43 cents per share cum dividend. This compares with a net tangible asset backing of 102.92 cents per share cum dividend as at 30 June 2000. The pre-tax return was (16.82)% for the financial year (2000: 49.83%). These returns are calculated on the movement in the net tangible asset backing after adjusting for tax and capital flows, including dividends.

EARNINGS PER SHARE

Basic earnings per share (cents per share)	(10.49)	28.39

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2001

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Except as disclosed in the financial report, no other matter or circumstance has arisen since 30 June 2001 to the signing date of this report that has significantly affected, or may significantly affect:
(a) the Company's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the Company's state of affairs in future financial 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.

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

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 14(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.

INFORMATION ON DIRECTORS

Director	Experience	Years	Special responsibilities	Particulars of Directors' interests in shares of the Company
A G Hartnell	Corporate and	32	Chairman	9,000
BEc, LLB (Hons) ANU	commercial law			
LLM Geo. Washington Uni				
R J Finley	Investment banker	28		Nil
BComm NSW, ASIA	Stockbroker	7		
T C Powell	Stockbroker	34		9,399
BEc Sydney, FSIA				
H R Wallace	Investment banker	14		
BA Sydney	Stockbroker	7		Nil

The particulars of Directors' interest in shares of the Company are as at the date of this report.

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2001

MEETINGS OF DIRECTORS OF THE COMPANY

The following table sets out the numbers of meetings of the Company's Directors held during the year ended 30 June 2001, and the numbers of meetings attended by each Director of the Company:

	Full meetings		Administrative sub committee meetings held and attended
	Number of meetings held	Meetings attended	
A G Hartnell	8	8	Nil
R J Finley	8	8	Nil
T C Powell	8	7	Nil
H R Wallace	8	7	Nil

The Directors of the Company have created an Administrative sub committee to deal with matters of a purely administrative nature.

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 was $20,000 per annum to 31 March 2001. All other non-executive Directors of the Company appointed to the Board were each paid $10,000 per annum to 31 March 2001. From 1 April 2001, the remuneration of the independent Chairman was increased to $30,000 per annum and all other non-executive Directors' remuneration was increased to $15,000 per annum each.

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. However, effective 1 April 2001, the investment manager has agreed to absorb the increase in the remuneration payable to the Chairman. This means that $20,000 per annum of the remuneration of the Chairman will continue to be paid by the Company and the increase of $10,000 per annum will be borne by the investment manager.

Remuneration of the only executive is set and payable by BT Funds Management Limited. There were no other executives or officers of the Company.

Name	Base fee $	Superannuation $	Total $
Directors of the Company			
A G Hartnell (Chairman)	22,500	–	22,500
R J Finley	11,250	–	11,250
T C Powell	–	11,250	11,250
H R Wallace	10,417	833	11,250
Executive of the Company			
G V Lloyd	–	–	–

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 JUNE 2001

INSURANCE OF DIRECTORS

During the year ended 30 June 2001, the Company paid premiums of $25,309 to insure the Directors of the Company. The liabilities insured include legal costs and expenses that may be incurred in defending civil or criminal proceedings which may be brought against the Directors of the Company in their capacity as Directors of the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporations Act 2001.

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, or in certain cases to the nearest dollar. Amounts have been rounded off in the Directors' report and financial statements in accordance with this class order.

AUDITORS

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

A G Hartnell
Director

T C Powell
Director

Sydney
Date: 17 August 2001

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2001

	Notes	2001 $'000	2000 $'000
Investments	2	28,009	42,487
Current assets			
Cash assets		1,338	1,041
Receivables	3	616	1,400
Current tax assets	4	2,047	–
Total current assets		4,001	2,441
Non-current assets			
Deferred tax assets	4	31	24
Total non-current assets		31	24
Total assets		32,041	44,952
Current liabilities			
Payables	5	315	466
Current tax liabilities	7	–	707
Provisions	6	1,558	3,115
Total current liabilities		1,873	4,288
Non-current liabilities			
Deferred tax liabilities	7	406	3,701
Total non-current liabilities		406	3,701
Total liabilities		2,279	7,989
Net assets		29,762	36,963
Equity			
Contributed equity	8	23,004	23,004
Reserves	9(a)	940	6,996
Retained earnings	9(b)	5,818	6,963
Total equity		29,762	36,963

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

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	2001 $'000	2000 $'000
Revenue from ordinary activities		56,729	67,873
Investment income			
Dividends		262	257
Interest		16	–
Unrealised changes in the net fair value of investments		(1,453)	10,775
Realised (losses)/gains on sale of investments		(4,290)	7,497
Foreign exchange gains/(losses)		3	(1,143)
Other		–	3
Total investment income from ordinary activities		(5,462)	17,389
Expenses			
Investment manager's fees	10	454	420
Audit fees	11	14	13
Other		286	243
Total expenses from ordinary activities		754	676
(Loss)/profit from ordinary activities before income tax expense		(6,216)	16,713
Income tax (benefit)/expense	12	(2,131)	5,681
(Loss)/profit from ordinary activities after income tax expense		(4,085)	11,032
Net (loss)/profit attributable to members of BT Global Asset Management Limited		(4,085)	11,032
Total revenues, expenses and valuation adjustments attributable to members of BT Global Asset Management Limited recognised directly in equity		–	–
Total changes in equity other than those resulting from transactions with owners as owners		(4,085)	11,032
Dividend paid and payable	13	3,116	4,673
Dividend paid and payable (cents per share)		8.0	12.0

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	2001 $'000	2000 $'000
Cash flows from operating activities			
Dividends received		271	252
Interest received		10	–
Investment manager's fees paid		(475)	(409)
Income tax paid		(3,925)	(5,468)
Other expenses paid		(239)	(233)
Net cash outflow from operating activities	17(a)	(4,358)	(5,858)
Cash flows from investing activities			
Proceeds from sale of investments		57,228	66,667
Purchase of investments		(47,903)	(57,246)
Net cash inflow from investment activities		9,325	9,421
Cash flows from financing activities			
Dividends paid		(4,673)	(2,468)
Net cash outflow from financing activities		(4,673)	(2,468)
Net increase in cash held		294	1,095
Cash at the beginning of the financial year		1,041	1,061
Effect of exchange rate changes on cash		3	(1,115)
Cash at the end of the financial year	17(b)	1,338	1,041
Non-cash financing activity	17(c)		

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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 Act 2001. The financial statements have been prepared in accordance with the historical cost convention with the exception of the valuation of investments described in note (b)(ii) below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(b) Investments

(i) Classification

The business objectives of the Company include earning revenue from dividends and holding investments for market appreciation and trading opportunities. All the investments held are readily marketable and are traded as future market conditions dictate. The Directors hold the view that it is therefore not possible to determine the period each investment will be held. Consequently, investments are not classified as current or non-current.

(ii) Valuation

Investments are stated at net fair value as at the 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.

(iii) Unrealised gains and losses

Changes in the net fair value of investments represent the unrealised gains or losses on investments arising from the increment or decrement between the net fair value at the reporting date and the net fair value as at the prior year end (or cost if the investment was acquired during the year).

The unrealised gains or losses are transferred to the unrealised profits and losses reserve, net of any potential tax charge that may arise from the future sale of investments. The balance in the unrealised profits and losses reserve is equal to the cumulative after-tax unrealised gains or losses on investments.

(c) 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 the 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 statement of financial performance in the year in which the exchange rates change.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue from ordinary activities

Revenue from ordinary activities consists of dividend, interest and other income and gross proceeds from the sale of investments.

(e) Investment income

The change in the net fair value of investments as mentioned in note b (iii) above is recognised as income in determining the profit and loss for the year. The realised gains or losses on the sale of investments represent the difference between the net proceeds and the net fair value of the investments at the prior year end or cost if acquired during the year.

(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 to and from the unrealised profits and losses reserve will be such that the income available to pay dividends will only include realised gains and losses. The transfers to and from the reserve will include the amounts of unrealised gains and losses recognised in the statement of financial performance for the year and prior year unrealised gains and losses that become realised as a result of the sale of investments during the year.

(g) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit 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 future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(h) 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 are subject to an insignificant risk of changes in value.

(i) 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 the 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.

(j) Payables

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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.

(l) 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 on issue during the year.

(m) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	2001 $'000	2000 $'000
2. INVESTMENTS		
Listed securities	27,907	42,422
Currency hedges	102	65
	28,009	42,487
3. RECEIVABLES		
Current		
Accrued interest and dividends	23	26
Unsettled trades	593	1,374
	616	1,400
4. TAX ASSETS		
Current		
Income tax refund receivable	2,047	–
Non-current		
Future income tax benefit	31	24
5. PAYABLES		
Current		
Trade creditors	170	131
Unsettled trades	145	335
	315	466
6. PROVISIONS		
Current		
Dividend	1,558	3,115
7. TAX LIABILITIES		
Current		
Provision for taxation	–	707
Non-current		
Deferred income tax *	406	3,701

* 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 balances at 30 June 2000 and at 30 June 2001 have been restated at the rate of 34% and 30% respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	2001 N° '000	2001 $'000	2000 N° '000	2000 $'000
8. CONTRIBUTED EQUITY				
(a) Ordinary shares	38,942	23,004	38,942	23,004
(b) Movements in ordinary share capital of the Company were as follows:				
Opening balance 1 July	38,942	23,004	38,613	22,756
Shares issued under the dividend reinvestment plan	–	–	329	248
Closing balance 30 June	38,942	23,004	38,942	23,004

Dividend Reinvestment Plan

During 1999/2000, 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.

The Dividend Reinvestment Plan was suspended during the current financial year.

	2001 $'000	2000 $'000
9. RESERVES		
(a) Unrealised profits and losses reserve		
Balance at the beginning of the financial year	6,996	2,118
Transfer (to)/from retained earnings		
– unrealised changes during the year	(1,453)	10,775
– prior year unrealised gains/losses now realised	(8,252)	(3,000)
– deferred income tax on movement in the year	3,649	(2,897)
	(6,056)	4,878
Balance at the end of the financial year	940	6,996

The unrealised profits and losses reserve is used to record the cumulative after-tax unrealised gains and losses on investments.

	2001 $'000	2000 $'000
(b) Retained earnings		
Balance at the beginning of the financial year	6,963	5,482
Transfer from/(to) unrealised profits and losses reserve	6,056	(4,878)
Net (loss)/profit for the current year	(4,085)	11,032
	8,934	11,636
Dividends paid and payable for the current year	(3,116)	(4,673)
Balance at the end of the financial year	5,818	6,963

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

10. INVESTMENT MANAGER

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

The investment manager received a fee calculated at 1.4% per annum of the market capitalisation* of the Company.

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

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, and the increase in Chairman's fees for A G Hartnell. In addition, the investment manager has reduced its fee by the amount of the liability insurance premiums paid/payable in respect of all the Directors of the Company.

	2001 $'000	2000 $'000
Base investment manager's fee	515	475
Less: directors' fees paid to various Directors of the Company	(36)	(30)
insurance of Directors of the Company	(25)	(25)
Investment manager's fee paid and payable	454	420

	2001 $	2000 $

11. AUDITORS' REMUNERATION

	2001 $'000	2000 $'000
Amounts received, or due and receivable, by the auditor of the Company for:		
Auditing the accounts	13,660	13,008
Other services	3,740	3,600
	17,400	16,608

12. INCOME TAX

	2001 $'000	2000 $'000
Tax at 34% (2000: 36%) of operating profit is reconciled to taxation expense as follows:		
Tax (benefit)/expense calculated at 34% (2000: 36%)	(2,113)	6,017
Tax effect of permanent differences:		
– non-deductible expenses	17	–
– non-assessable income	(617)	(111)
– rebateable items	(42)	(28)
Income tax adjusted for permanent differences	(2,755)	5,878
Over/(under) provision in prior year	1	(39)
Sundry items	673	58
Effect of lower rates of tax on future tax benefit and liability	(50)	(216)
Taxation expense	(2,131)	5,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

13. DIVIDENDS

	2001 $'000	2000 $'000
Interim dividend paid – fully franked at 34% (2000: 36%)	1,558	1,558
Final dividend payable – fully franked at 30% (2000: 34%)	1,558	3,115
	3,116	4,673
Franking credits available for the subsequent financial year	13,387	10,530

The above amounts represent the balance of the franking account as at the end of the financial year. It does not include projected franking credits relating to unrealised gains, but is 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 30% (2000: 34%). 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 and from an underlying tax rate of 34% to an underlying tax rate of 30% on 1 July 2001.

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) have been entered into the converted franking account using the tax rate of 34%. All franking debits and credits arising after 1 July 2001 (including those relating to dividends) will be converted using the new rate of 30%.

14. 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
H R Wallace.

(b) Directors' remuneration

	2001 $'000	2000 $'000
Total income received or due and receivable by the Directors of the Company	56	50

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, and the increase in the Chairman's fees effective 1 April 2001 of $10,000 per annum payable to A G Hartnell (refer note 10).

The number of Directors of the Company whose income from the Company falls within the following bands are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

14. RELATED PARTY INFORMATION (continued)

(b) Directors' remuneration (continued)

	2001 N°	2000 N°
$10,000 – $19,999	3	3
$20,000 – $29,999	1	1

The Directors' remuneration excludes insurance premiums of $25,309 in respect of Directors' liability insurance. Information relating to the Directors' insurance is set out in the Directors' report.

(c) Transactions with Directors and Director-related entities concerning shares

	2001 N° '000	2000 N° '000
Aggregate number of shares held as at 1 July	143	227
Purchase of shares	9	146
Sale of shares	(134)	(230)
Aggregate number of shares held as at 30 June	18	143

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

15. 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 income segments:

	2001 $'000	2000 $'000
Geographical income segment		
Australia	264	(284)
Europe	(2,472)	6,013
United States and Canada	(1,499)	7,110
Japan	(1,914)	4,408
South East Asia	159	142
Total investment income	(5,462)	17,389
Unallocated expenses	754	676
(Loss)/profit from ordinary activities before income tax expense	(6,216)	16,713

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

15. SEGMENT INFORMATION (continued)

	Net fair value 2001 $'000	% of total net fair value 2001	Net fair value 2000 $'000	% of total net fair value 2000
Geographical exposure of investments (including cash)				
Australia	423	1	63	0
Europe	7,756	26	12,722	29
United States and Canada	17,278	58	22,488	50
Japan	3,214	11	7,871	18
South East Asia	1,147	4	1,449	3
Total investments (net of unsettled trades)	29,818	100	44,593	100

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

16. 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 out 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.

As at 30 June 2001, the notional principal amounts of derivatives held by the Company were as follows:

	Notional principal amounts 2001 $'000	Notional principal amounts 2000 $'000
Over the counter options	575	1,151

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

16. FINANCIAL INSTRUMENTS (continued)

(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 items on the statement of financial position and liabilities as they are marked to market at year end. The total credit risk for items on the statement of financial position is therefore limited to the amount carried on the statement of financial position.

The contractual credit risk of items not included on the statement of financial position 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.

(c) 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 2001, the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability are set out in the table below:

	Weighted average interest rate (% pa)	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash assets	5.00	1,338	–	1,338
Receivables		–	616	616
Current tax assets		–	2,047	2,047
Listed securities		–	27,907	27,907
Currency hedges		–	102	102
		1,338	30,672	32,010
Financial liabilities				
Payables		–	315	315
Provision for dividend		–	1,558	1,558
		–	1,873	1,873
Net financial assets		1,338	28,799	30,137

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

16. FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

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 are set out in the table below:

Financial assets				
Cash assets	5.79	1,041	–	1,041
Receivables		–	1,400	1,400
Listed securities		–	42,422	42,422
Currency hedges		–	65	65
		1,041	43,887	44,928
Financial liabilities				
Payables		–	466	466
Provision for dividend		–	3,115	3,115
Current tax liabilities		–	707	707
			4,288	4,288
Net financial assets		1,041	39,599	40,640

(d) 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 reporting date in a manner consistent with the valuation of the underlying securities. The gains or losses on these revaluations are disclosed separately in the statement of financial performance.

As at 30 June 2001, the Company's exposure to foreign exchange rate movements on its international security investments was as follows:

	US $ $A'000	Euro $A'000	Japanese ¥ $A'000	British £ $A'000	Other curr. $A'000	Total $A'000
Gross investment amounts denominated in foreign currency*	17,320	6,541	3,223	1,234	1,574	29,892
Amounts effectively hedged	(1,270)	(854)	(937)	–	–	(3,061)
Net exposure	16,050	5,687	2,286	1,234	1,574	26,831

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

	US $ $A'000	Euro $A'000	Japanese ¥ $A'000	British £ $A'000	Other curr. $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 include unsettled trades and accordingly exceed investments as disclosed in the segment information in note 15. These unsettled trades are presented as receivables in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

17. STATEMENT OF CASH FLOWS

	2001 $'000	2000 $'000
(a) Reconciliation of operating (loss)/profit after income tax to net cash utilised in operating activities		
Operating (loss)/profit after tax	(4,085)	11,032
Unrealised changes in the net fair value of investments	1,453	(10,775)
Realised losses/(gains) on sale of investments	4,290	(7,497)
Net foreign exchange (gains)/losses	(3)	1,143
Change in operating assets and liabilities:		
Decrease in dividends, interest and other income receivables	3	(6)
Increase in payables	40	32
(Decrease)/increase in tax liabilities	(6,056)	213
Net cash outflow from operating activities	(4,358)	(5,858)

(b) Components of cash

	2001 $'000	2000 $'000
Cash at bank	1,338	1,041

(c) Non-cash financing activity

	2001 $'000	2000 $'000
Dividends satisfied by the issue of shares under the dividend reinvestment plan	–	248

18. EVENTS OCCURRING AFTER THE REPORTING DATE

No significant events have occurred since the reporting date which would impact on the financial position of the Company as disclosed in the statement of financial position as at 30 June 2001 and the results and cash flows of the Company for the year ended on that date.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

20. EARNINGS PER SHARE

	2001	2000
Basic earnings per share (cents per share)	(10.49)	28.39
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	38,942,213	38,860,309

Diluted earnings per share is the same as 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.

21. CONTINGENT LIABILITIES

No contingent liabilities exist as at 30 June 2001.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2001

The Directors declare that the financial statements and notes set out on pages 18 to 33:

(a) give a true and fair view of the Company's financial position as at 30 June 2001 and of its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date; and

(b) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

In the Directors' opinion:

(a) the financial statements and notes to the financial statements are in accordance with the Corporations Act 2001; 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
Date: 17 August 2001

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BT GLOBAL ASSET MANAGEMENT LIMITED

SCOPE

We have audited the financial report of BT Global Asset Management Limited (the Company) for the financial year ended 30 June 2001 as set out on pages 18 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 Act 2001 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 Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2001 and of its performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

PricewaterhouseCoopers
Chartered Accountants

D A Prothero
Partner

Sydney
Date: 17 August 2001

MEMBERS' INFORMATION

SUBSTANTIAL HOLDERS

The Company had no substantial holders as at 10 August 2001.

DISTRIBUTION OF SECURITIES AS AT 10 AUGUST 2001

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

1 – 1,000	179
1,001 – 5,000	644
5,001 – 10,000	614
10,001 – 100,000	1,064
100,001 and over	34
	2,535

(b) There were 99 holders of less than a marketable parcel of shares.

(c) The percentage of total holding of the 20 largest holders of ordinary shares was 9.57%.

TWENTY LARGEST HOLDERS

The names of the 20 largest holders as at 10 August 2001 are listed below:

Name	Number of shares held	%
Mr Eric Gross	455,977	1.17
Mr Robert Peter Charles & Mrs Marion Gertrude Charles	245,466	0.63
Penson Holdings Pty Ltd	238,770	0.61
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
Questor Financial Services Ltd (TPS A/c)	217,836	0.56
JBA Investments Pty Ltd	195,300	0.50
Mr William John Ellis	187,968	0.48
Mr Ronald Lawrence Edwards & Mrs Gertruda Wilhelmina Josepha Edwards	180,000	0.46
Ms Jan Elizabeth Burnett-McKeown	157,820	0.41
Mr Bruce Allison Tidswell & Mrs Deirdre Olive Tidswell	156,238	0.40
Dr Arie Rotem	139,871	0.36
Frank Hadley Pty Ltd	133,486	0.34
Robin Yabsley	131,542	0.34
John Scott Bell	130,000	0.33
Mr Peter Glow & Mrs Roslyn Ann Glow	125,967	0.32
Mr Franc Norman Falkiner	120,000	0.31
Frank Hadley Pty Ltd	120,000	0.31
Goya Holdings Pty Ltd	120,000	0.31
	3,731,499	9.57

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
Telephone: (02) 9259 3555

Share registrar

ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232

Auditors

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street Sydney NSW 2000

Solicitors

Freehills
MLC Centre
19–29 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

Investment manager

BT Funds Management Limited ACN 002 916 458
Level 15, The Chifley Tower
2 Chifley Square Sydney NSW 2000

Share registry enquiries

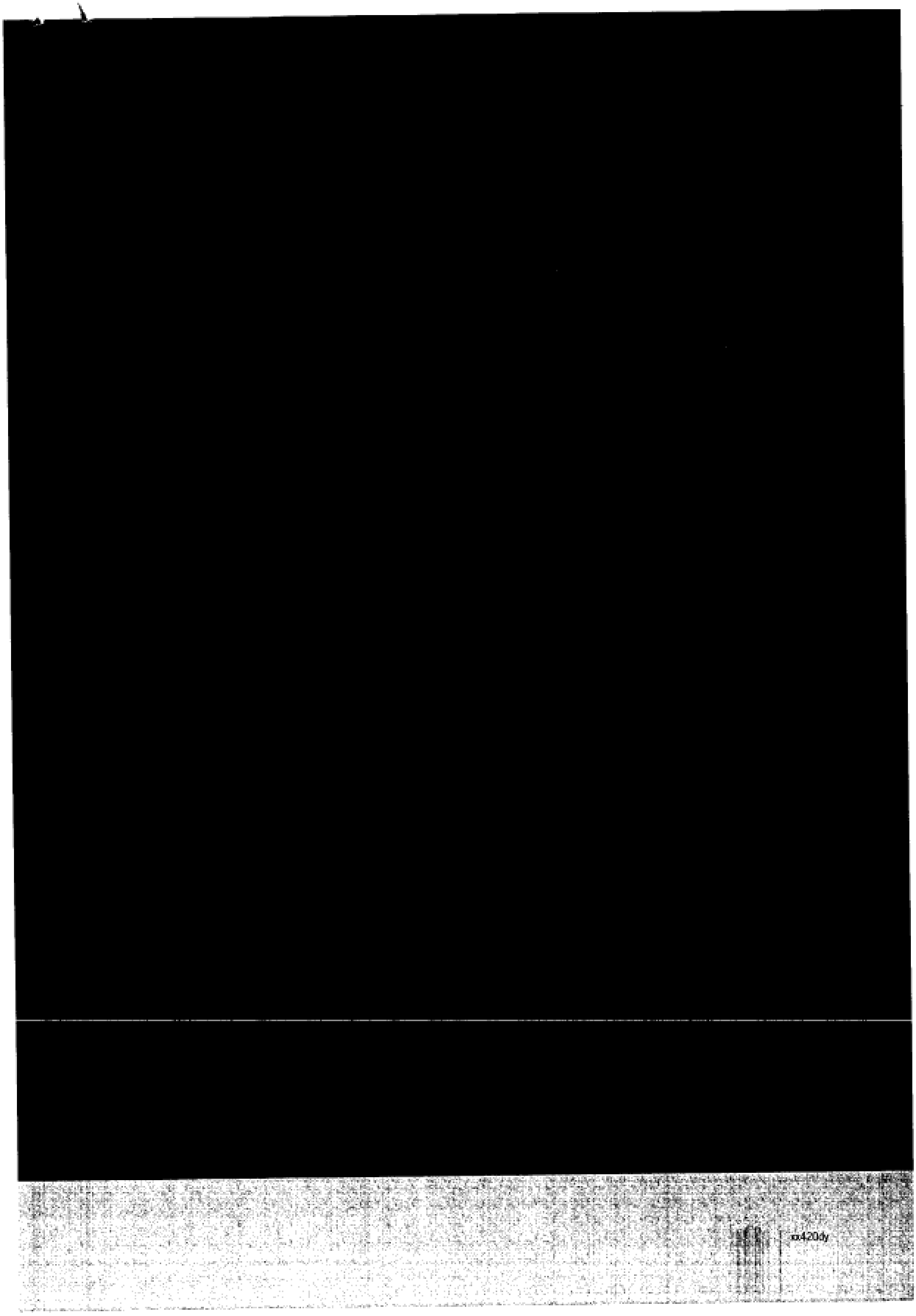
1800 810 580
(612) 9285 7111 (overseas callers)
(612) 9261 8489 (fax)

Investment manager enquiries

132 135
(612) 9254 4900 (overseas callers)
(612) 9259 9797 (fax)
www.btonline.com.au/bt_prod/trusts.shtml
(website)

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 twelfth business day of each month.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