 **BT Funds Management**

BT GLOBAL ASSET MANAGEMENT LIMITED

Contents

Market review	1
Performance summary	3
The portfolio	6
Market outlook	8
About the Company	9
Accounting policy	11
Corporate governance policy statement	12
Financial report	15
Directory	inside back cover

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 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.

**BT Global Asset
Management Limited**
ABN 87 008 108 218

Market review

It has been a very challenging 12 months for international sharemarket investors, with the MSCI World Share Accumulation Index in \$A declining by 23.22%. A severe economic downturn and wide ranging profit downgrades in the US and Europe, particularly in the telecom and technology sectors, initially impacted markets. These negatives were compounded by the events of September 11 when sharemarkets generally recorded further losses.

September seemingly marked a turning point in the global economy and equity markets performed surprisingly well in the fourth quarter. In recent months however, investors have focused on tensions in the Middle East and Kashmir, the possibility of further terrorist attacks and corporate governance problems in the US. These factors have overshadowed supportive economic data and pushed sharemarkets lower.

World sharemarkets have already been through two bleak years and some share indices, such as the NASDAQ, are back to 1997 levels. There is now however strong evidence of US economic recovery, but the sharemarket recovery that traditionally comes with it is yet to be seen.

Improving economic fundamentals and stronger earnings are essential to this recovery, both of which are starting to show signs of improvement. US economic growth was revised to 5.0% in the first quarter of 2002, with productivity rising by 8.6%. More

recently, second quarter productivity was revised up to 1.5 from 1.1%. Additionally, in a recent testimony to Congress, the US Federal Reserve Chairman, Dr Alan Greenspan, put US inflation at 40-year lows.

In spite of these positive economic and market fundamentals, the recent spate of US accounting scandals has delayed a sharemarket recovery. Market commentators believe we will only see a recovery with a renewal of investor trust. A recent survey of investor optimism by UBS and the Gallup organisation put investor confidence back near September 11 levels – down nearly 50% from the boom of early 2000.

At a recent conference at Stanford Law School, Securities and Exchange Commission Chairman Harvey Pitt stated "It would be hard to overstate the need to remedy the loss of confidence. Restoring public confidence is the No. 1 goal on our agenda."

A Pew Forum survey in March revealed that Americans now have more respect for politicians than business executives, which points out the depth of the crisis of confidence. Political reform could alleviate this situation and there may already be evidence of this, as markets rose on confirmation of new corporate governance laws to be brought in by the Bush administration. Amongst other things, this new legislation increases (to 20 years) the maximum prison term for executives convicted of corporate fraud.

Some positive signs of an improvement in investor confidence are already evident. For example, the recent arrest of executives who allegedly defrauded cable company Adelphia Corporation, was followed by a sudden, sharp rally on Wall Street.

The market has been looking for signs of improved corporate governance – and this appears to be occurring. Sharemarkets performed well after there were no substantial surprises in companies that had to restate their earnings ahead of the August 14 deadline set by the Securities and Exchange Commission (SEC). The SEC required all CEO's and CFO's to personally vouch for the veracity, timeliness and fairness of their public disclosures, including financial statements.

Commentary amongst investment professionals is now turning to the timing and strength of a coming sharemarket recovery. According to analyst First Call, the S&P500 earnings reports (to July 29) saw 383 companies beat expectations and only 98 fall short.

Indeed, in the Semi-annual monetary policy report to Congress on 16 July, 2002 the US Federal Reserve Chairman Dr Alan Greenspan, commented that "the central tendency of Federal Reserve policymakers' forecasts is for expansion of real GDP over the four quarters of 2002 of 3.5% to 3.75%."

Performance summary

For the financial year ended 30 June 2002, the Company posted a total negative return of 25.23% compared to the MSCI World Share Accumulation Index in \$A which fell by 23.22%.

In relative terms, the Company underperformed its benchmark over the last year by approximately 2% primarily due to the share price weakness in a number of technology and financial holdings. By contrast, positive stock selection in the consumer discretionary sector, a large underweight position in telecommunications and investments in the Japanese retail sector boosted relative performance.

Country allocation positively contributed to relative performance. In particular, the Company benefited from an underweight allocation to the US and overweight positions in Finland, Taiwan, Korea and China.

In terms of sectoral exposures, the Company's underweight exposure to the underperforming telecommunications sector contributed to relative performance. This sector remained pressured by concerns that its underlying operating environment has not yet recovered. Additionally, the WorldCom incident further dented investor confidence in the telecommunications sector (Note: the Company held no WorldCom stock at the time of WorldCom's demise). Conversely, and consistent with the downturn in cyclical holdings, an overweight technology position detracted from performance.

Stock selection had the largest effect on relative performance. The catalyst behind the technology sector's weakness

was further evidence that IT spending was not recovering as quickly, or as strongly, as the market had previously assumed. Consequently, those companies leveraged to IT spending such as **Veritas Software** (US) were negatively impacted. In addition, our overweight position in **Infineon** (Germany) was pressured by the volatility of DRAM (dynamic random access memory) chip prices. **Altran** (France) also detracted from relative performance after it became apparent that free cashflow was not as strong as previously stated.

Some of the Company's financial stocks also detracted from performance. An overweight position to the broking firm **Nikko Cordial** (Japan) impacted performance due to that company's leverage to the underperforming equity market. In addition, volatile capital markets and poor guidance hurt our holding in **Citigroup** (US). Some of this underperformance was offset by the portfolio's overweight exposure to **BNP Paribas** (France). The company outperformed following the announcement of an attractive three-year strategy that included the continued shift of capital from the company's industrial holdings towards its retail

BT Global Asset Management Limited performance since inception



Source: BT Funds Management Limited and Datastream.
Performance is shown post fees, pre tax at 30 June 2002.

	Pre-tax return %	Post-tax return %	MSCI World Share Accumulation Index (\$A) %
12 months	(25.23)	(23.20)	(23.22)
Three years	(2.32)	(2.55)	(3.47)
Five years	6.77	4.56	6.77
Since inception	14.71	9.79	9.62

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

BT GLOBAL ASSET MANAGEMENT LIMITED

Sector	BTC	Market position	Year performance
Asia Pacific ex Japan	2.7	Overweight	-3.9
Japan	10.0	Modest Overweight	-18.0
Europe	30.2	Modest Underweight	-25.2
North America	55.6	Underweight	-26.8

Sector	BTC	Market position	Year performance
Consumer discretionary	18.0	Overweight	-25.3
Consumer staples	10.8	Overweight	0.0
Materials	5.5	Overweight	-2.8
Financials	22.3	Neutral	-18.8
Information technology	11.1	Neutral	-43.2
Utilities	3.7	Modest Underweight	-24.3
Healthcare	11.8	Underweight	-20.1
Energy	7.2	Underweight	-7.8
Telecommunication services	2.1	Underweight	-41.8
Industrials	6.0	Underweight	-23.9

Source: BT Funds Management Limited and Datastream.

and asset gathering business lines. BNP's positive acquisition strategies also raised investors' confidence.

Within the utilities sector, an overweight exposure to **Duke Energy** (US) was impacted by scandals in the energy sector. Most notably, there were investigations over market power and collusion – a consequence of 'round-trip trading' (whereby a company artificially pumps up its trading volume by purchasing and selling gas to another company at the same price so that no revenue or profit from the trade is made). While Duke denied its involvement in round-trip trading, its share price was still affected.

By contrast, positive stock selection within the capital goods sector was a significant contributor to performance. Most notably, **Nissan** (Japan) performed well after news that the company had reached the

three-year targets of its Nissan Revival Plan (NRP) a year earlier than forecast. The stock was also supported by expectations that the release of its new models could further boost market share. German luxury carmaker **BMW** (Germany) also outperformed, benefiting from strong earnings growth and positive sales news regarding its model range.

The Company benefited from its Japanese retail holdings. **Yamada Denki** performed well after announcing stronger than expected results, with its store sales tracking well and the company providing a favourable earnings forecast. **Aeon** continued to benefit from the consolidation that is occurring in the retail sector.

Also within Japan, our overweight exposure to the media company **Tokyo Broadcasting System** contributed to relative performance. The company

benefited from the Post and Telecommunications Ministry's decision to inject government funds of 200 billion yen into the sector to ensure that terrestrial digital broadcasting starts late next year as scheduled. The market had previously assumed that the broadcasters would have to fund this project themselves.

In general, the Company removed any large sectoral risk over the period and instead, focused on stock specifics. Most notably, the Company leaned towards those holdings exhibiting greater capital efficiency, which in turn, supports earnings growth and allows valuation ratings to improve.

Asset backing

The Company's net tangible asset backing (NTA) at 30 June 2002 was 56.68 cents per share cum dividend. This compares with a NTA at 30 June 2001 of 80.43 cents per share cum dividend.

The NTA calculation includes investments at market value, net of any 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 net tangible asset backing figures on a monthly basis.

Declaration of dividend

The Directors have declared a fully franked final dividend of 3.5 cents per share, which is payable on 3 October 2002 to holders of ordinary shares registered in the books of the Company on 17 September 2002. The final dividend carries tax credits at the rate of 30%.

The unusually large, and unlikely to be repeated dividend, whilst not justified by past performance, was considered necessary by the Directors in light of the large franking credits available.

The Company relies on dividends received from its underlying holdings and realised gains as its principal source of distributable income.

Therefore, no assurance can be given about the levels of future dividends.



Procter & Gamble (US)	Overweight
Nissan (Japan)	Overweight
Total Fina (France)	Overweight
Aeon (Japan)	Overweight
Reckitt Benckiser (UK)	Overweight



Veritas Software (US)	Overweight
NTT DoCoMo (Japan)	Underweight
Infineon (Germany)	Overweight
Philip Morris (US)	Overweight
Nikko Cordial (Japan)	Overweight

Premium/(Discount) of share price vs NTA graph



Source: BT Funds Management Limited

Dividend payments since inception

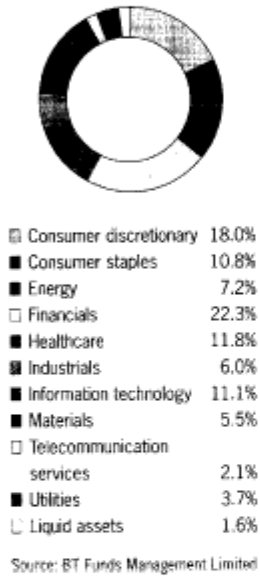
Year to 30 June	Cents per share
1988	3.0
1989	3.5
1990	5.0
1991	6.0
1992	6.5
1993	7.0
1994	13.5*
1995	6.0
1996	4.0
1997	2.5
1998	5.0
1999	7.0*
2000	12.0*
2001	8.0
2002	5.5

* 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 portfolio

Portfolio weightings by sector at 30 June 2002



At the end of the period to 30 June 2002, the Company's largest overweight exposures were in consumer discretionary and staples. We expect these sectors to continue to benefit from increased consumption and be prime beneficiaries of a recovery in global growth. The portfolio's largest underweight positions were in telecommunications and technology, owing to concerns regarding overcapitalisation and an unfavourable operating environment.

The Company's strategy in this uncertain environment is to take advantage of the somewhat indiscriminate selling in the market by re-positioning into stocks which have been sold down in line with a sector or macro theme, but are in themselves performing well. Such stocks also tend to have transparency on operating performance, strong balance sheets and good cash flow. We are also focusing on stock specifics rather than sectoral themes.

The Company still believes that valuations are more attractive outside of the US – a region in which the portfolio is underweight. As such, the Company continues to hold overweight exposures to Europe and Asia.

Currency

The Company's currency exposure had a neutral impact on absolute performance over the year to the end of June 2002. Most notably, positions over the first half of the period offset the Company's exposures during 2002. For example, while the Company

benefited from an overweight Australian dollar (A\$) position when it appreciated against the US dollar, this overweight exposure was hurt by the Australian dollar's fall, especially towards the end of the financial year when risk aversion increased. At financial year-end, the Company held a 2.7% overweight exposure to our domestic currency.

After surging over the first half of 2002 to highs of around 0.5748 US cents (the A\$ rapidly appreciated from April to June 2002 as a result of the US dollar's weakness), the domestic currency tumbled to end July at 0.546 US cents. The A\$'s recent decline was due to various factors such as rising risk aversion, profit taking and falling commodity prices. Most notably, the fallout from equity markets prompted renewed fears of a slowdown in global economic growth, which in turn resulted in investors flocking towards the safety of the euro and the US\$. Furthermore, despite the fairly strong domestic economic data (in particular, CPI for the second quarter rising 0.7% and in line with the RBA's expectations), the unwinding of global deflation trades and the liquidation of long A\$ positions pressured global growth currencies such as the A\$. Also negatively influencing the A\$ was the fall in commodities – towards the end of the month gold posted its biggest weekly decline since 1993 and base metals had their largest weekly decline since November 2000.

Portfolio shareholdings at 30 June 2002

Security	Portfolio Percentage	Security	Portfolio Percentage
North America		Tokyo Broadcasting System	1.1
Pfizer	3.8	Sony	0.9
Exxon Mobil	3.2	Hosiden	0.7
Viacom	3.0	Sumitomo	0.4
Bank of America	3.0		10.0
Wells Fargo	2.4	Europe	
Honeywell International	2.3	Total Fina	2.5
Microsoft	2.3	Barclays	2.3
Philip Morris	2.1	Novartis	2.2
Citigroup	2.0	Reckitt Benckiser	1.9
Procter & Gamble	2.0	BNP Paribas	1.7
XL Capital	2.0	Tesco	1.3
Delphi	1.8	Acerinox	1.3
IBM	1.7	Aventis	1.3
Wal-Mart Stores	1.7	Infineon Technologies	1.2
Laboratory Corp of America Holdings	1.6	Nestle	1.2
Noble	1.5	BAE Systems	1.2
FPL Group	1.5	BMW	1.1
Fannie Mae	1.4	Stora Enso	1.1
Duke Energy	1.4	ING Groep	1.1
SBC Communications	1.3	Diageo	1.0
American International	1.2	Royal Bank of Scotland	1.0
Wyeth	1.2	Xstrata	1.0
Praxair	1.1	Adecco	0.9
Rockwell Collins	1.1	Swiss Re	0.9
Amgen Com	1.1	Pearson	0.9
Applied Materials	1.1	Portugal Telecom	0.8
Dow Chemical	1.0	Lattice Group	0.8
Abercrombie & Fitch	1.0	Nokia	0.6
Safeway	1.0	Credit Suisse	0.6
Stanley Works	1.0	Altran Technologies	0.3
Bank of New York	1.0		30.2
Veritas Software	1.0	S E Asia	
Guidant	0.8	Samsung Electronics	1.6
	55.6	ESPRIT Holdings	1.1
Japan			2.7
Keyence	1.6		
Aeon	1.5		98.5
Yamada Denki	1.4	Liquid assets	1.5
Nikko Cordial	1.2		100.0
Nissan Motor	1.2	TOTAL	\$21.71m

Market outlook

As of mid-August, the Company expects that the near-term performance of global equities will be dependent on US developments and newsflow. The key risk is whether the recent economic and sharemarket weakness could lead to a 'double dip' recession in the US. While this risk cannot be ignored, we believe a recovery can be sustained if supported by a rebuilding of inventories, a recovery in business fixed investment and further interest rate reductions.

Even if these risks come to fruition and the US sharemarket weakens in the near term, European, Asian and Japanese valuations continue to be supportive, which could result in non-US equities posting positive returns over the medium term. Going forward we expect absolute returns to track broadly in line with earnings, which are a function of nominal GDP growth.

With a relatively lacklustre economic rebound and the lack of confidence in the US, we expect expansionary monetary and fiscal policies will have to remain in place longer than the market had anticipated. Our central case is for a modest economic recovery.

In regards to monetary policy, concerns over a delay in the economic recovery have caused increased speculation that central banks will reduce official interest rates. In fact, there has already been a shift in policy tone. The European Central Bank (ECB) has been less hawkish in its statements, while the Bank of England has suggested it might lower rates. Most recently, the US Federal Reserve has adopted an easing bias.

If there are further cuts to interest rates (especially in the US), we believe this would help accelerate a cyclical recovery in equity markets. Policies aimed at liquidity problems in capital markets would also be beneficial to any recovery – as illustrated by the International Monetary Fund's (IMF) recent aid package for Brazil.

The question that most financial commentators are now asking is, "Could we be near a bottom?" We believe that investors have digested most of the bad news, evidenced by the fact that the market is trading near 5-year lows. While price-to-earnings ratios (P/E's) could still have further to fall, we believe that markets could be close to a bottom on this valuation measure, especially given the low interest rate and inflation environment.

On other valuation measures, equity markets look very cheap. Compared to bonds, equity markets are as cheap as they have been in over 15 years. Moreover, dividend yields from some companies are now as high as yields on some longer dated fixed interest securities.

The Company's strategy in this environment is take advantage of the somewhat indiscriminate selling in the market by continuing to re-position into stocks which have been sold down because of a sector or macro theme, but which are in themselves performing well.

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 dividends through investment primarily in securities listed on the world's sharemarkets.

The Morgan Stanley Capital International (MSCI) World Share Accumulation Index in \$A is used as the performance benchmark.

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 (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 A\$20 million and 2,486 shareholders at 30 June 2002.

Proposed tax change update

As outlined in the December 2001 BT Investors Circle, the May 2001 Budget proposed changes to the capital gains tax rules to ensure shareholders in a listed investment company receive comparable tax treatment to investors in managed investment funds. Since then, the Australian Taxation Office has taken a narrow view on the ability of listed investment companies to benefit from the concession introduced for listed investment company dividends.

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 A\$235 billion in assets under management for over 13 million individual and business clients (at 31 December 2001).

On 26 August 2002, The Principal Financial Group announced the sale of substantial portions of BT Financial Group to Westpac Banking Corporation. Upon finalisation of the sale which is expected to occur by 31 October 2002, the investment manager of the Company, BT Funds Management Limited, will form part of Westpac Banking Corporation.

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 moving underlying assets.

Accounting policy

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.

At 30 June 2002, the unrealised tax provision was nil cents per share. Future income tax benefit is not brought to account for the unrealised losses on investments.

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.

6 September	2002 year profit and final dividend announcement
11 September	Shares begin trading ex-final 2002 dividend
17 September	Books close for final 2002 dividend
3 October	Final 2002 dividend paid
31 October	Annual General Meeting

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

Corporate governance policy statement

Purpose of this 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 2001/2002 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 Investment Manager and will not have more than one Director who is an officer of the Investment Manager.

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 2001/2002 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 6 September 2002, 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 managers' 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 2004, 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 Auditor is 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, attends as appropriate and answers 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 Boards policies in relation to the nomination and remuneration of Directors are summarised in clauses 3 and 10.

8. 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 16 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.

9. Directors' remuneration

The remuneration of the independent Chairman was \$30,000 per annum and that of all other Non-executive Directors was \$15,000 per annum per Director. The remuneration is inclusive of superannuation where applicable. The Company is compensated for these payments, up to \$55,000 per

annum, by the investment manager who has agreed to absorb these costs by reducing its management fee by an amount equal to the sum of the payments. This arrangement applies to \$10,000 per annum of remuneration paid to the Chairman and the total remuneration paid to all other Non-executive Directors of the Company. The remuneration of the Chairman of \$20,000 per annum is borne by the Company.

10. Insurance

The Company pays liability insurance premiums in respect of the Director's insurance. The Company is however, compensated by the investment manager for the payment by reducing its investment management fee by the amount of the liability insurance premiums paid by the Company.

Financial report

Directors' report for the year ended 30 June 2002

In respect of the year ended 30 June 2002, the Directors of the Company submit the following report together with the financial report of BT Global Asset Management Limited:

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 global stock markets.

Dividends

The Directors of the Company have declared a final fully franked dividend of 3.5 cents per share. An interim fully franked dividend of 2.0 cents per share was paid during the financial year.

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

	2002 \$'000	2001 \$'000
Interim dividend paid	778	1,558
Final dividend payable	1,363	1,558
	<u>2,141</u>	<u>3,116</u>

Review of operations

Loss from ordinary activities before income tax benefit	(7,311)	(6,216)
Income tax benefit	401	2,131
Loss from ordinary activities after income tax benefit	<u>(6,910)</u>	<u>(4,085)</u>

The net tangible asset backing of the Company as at 30 June 2002 was 56.68 cents per share cum dividend. This compares with a net tangible asset backing of 80.43 cents per share cum dividend as at 30 June 2001. The pre-tax return was a negative of 25.23% for the financial year (2001: negative of 16.82%). 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)	<u>(17.74)</u>	<u>(10.49)</u>
--	----------------	----------------

BT GLOBAL ASSET MANAGEMENT LIMITED

Directors' report for the year ended 30 June 2002

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.

Matters subsequent to the end of the financial year

On 26 August 2002, The Principal Financial Group announced the sale of substantial portions of BT Financial Group to Westpac Banking Corporation. Upon finalisation of the sale which is expected to occur by 31 October 2002, the investment manager of the Company, BT Funds Management Limited, will form part of Westpac Banking Corporation.

Except as disclosed above, no other matter or circumstance has arisen since 30 June 2002 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 the 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 BEd, LLB (Hons) ANU LLM (Geo. Washington Uni)	Corporate and commercial law	33	Chairman	9,000
R J Finley BComm NSW, ASIA	Investment banker Stockbroker	29 8		-
T C Powell BEd Sydney, FSIA	Stockbroker	35		-
H R Wallace BA Sydney	Investment banker Stockbroker	11 5		-

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

Directors' report for the year ended 30 June 2002

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 2002, and the numbers 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	8		7	Nil
R J Finley	8		6	Nil
T C Powell	8		6	Nil
H R Wallace	8		8	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 \$30,000 per annum and that of all other non-executive Directors was \$15,000 per annum per Director. The remuneration is inclusive of superannuation where applicable. The Company is compensated for these payments up to \$55,000 per annum by the investment manager who has agreed to absorb these costs by reducing its management fee by an amount equal to the sum of the payments. This arrangement applies to \$10,000 per annum of remuneration paid to the Chairman and the total remuneration paid to all other non-executive Directors of the Company. \$20,000 per annum of the remuneration of the Chairman is borne by the Company.

Name of Directors	Base fee \$	Superannuation \$	Total \$
A G Hartnell (Chairman)	30,000	-	30,000
R J Finley	15,000	-	15,000
T C Powell	-	15,000	15,000
H R Wallace	13,889	1,111	15,000

Executive of the Company

Remuneration of the Company's executive for services provided to the Company is determined and paid by the investment manager and is disclosed below.

Name of executive	Base fee \$	Superannuation \$	Total \$
M. Dermatossian	-	-	-

BT GLOBAL ASSET MANAGEMENT LIMITED

Directors' report for the year ended 30 June 2002

Insurance of Directors

During the year ended 30 June 2002, the Company paid \$35,000 liability insurance premiums relating to Director's insurance. The liabilities insured include legal 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.

The Company is, however, compensated by the investment manager for such payments. The investment manager has reduced its fee by the amount of the liability insurance premiums paid by 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.

Auditor

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
Sydney
6 September 2002

T C Powell
Director
Sydney
6 September 2002

Statement of financial position as at 30 June 2002

	Notes	2002 \$'000	2001 \$'000
Investments	2	21,308	28,009
Current assets			
Cash assets		389	1,338
Receivables	3	12	616
Current tax assets	4	434	2,047
Total current assets		835	4,001
Non-current assets			
Deferred tax assets	4	19	31
Total non-current assets		19	31
Total assets		22,162	32,041
Current liabilities			
Payables	5	86	315
Provisions	6	1,363	1,558
Total current liabilities		1,449	1,873
Non-current liabilities			
Deferred tax liabilities	7	2	406
Total non-current liabilities		2	406
Total liabilities		1,451	2,279
Net assets		20,711	29,762
Equity			
Contributed equity	8	23,004	23,004
Reserves	9 (a)	(2,304)	940
Retained earnings	9 (b)	11	5,818
Total equity		20,711	29,762

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

BT GLOBAL ASSET MANAGEMENT LIMITED

Statement of financial performance for the year ended 30 June 2002

	Notes	2002 \$'000	2001 \$'000
Revenue from ordinary activities		43,586	56,729
Investment income			
Dividends		317	262
Interest		43	16
Unrealised changes in the net fair value of investments		(2,995)	(1,453)
Realised losses on sale of investments		(3,961)	(4,290)
Foreign exchange (losses)/gains		(103)	3
Other		13	-
Total investment income from ordinary activities		(6,686)	(5,462)
Expenses			
Investment manager's fees	10	328	454
Audit fees	11	14	14
Other		283	286
Total expenses from ordinary activities		625	754
Loss from ordinary activities before income tax benefit		(7,311)	(6,216)
Income tax benefit	12	401	2,131
Loss from ordinary activities after income tax benefit		(6,910)	(4,085)
Net loss attributable to members of BT Global Asset Management Limited		(6,910)	(4,085)
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		(6,910)	(4,085)
		Cents	Cents
Basic earnings per share	20	(17.74)	(10.49)
Diluted earning per share	20	(17.74)	(10.49)

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 2002

	Notes	2002 \$'000	2001 \$'000
Cash flows from operating activities			
Dividends received		323	271
Interest received		48	10
Other income received		13	-
Investment manager's fees paid		(379)	(475)
Income tax refund/(paid)		1,622	(3,925)
Other expenses paid		(330)	(239)
Net cash inflow/(outflow) from operating activities	17 (a)	1,297	(4,358)
Cash flows from investing activities			
Proceeds from sale of investments		43,914	57,228
Purchase of investments		(43,720)	(47,903)
Net cash inflow from investment activities		194	9,325
Cash flows from financing activities			
Dividends paid		(2,337)	(4,673)
Net cash outflow from financing activities		(2,337)	(4,673)
Net (decrease)/increase in cash held		(846)	294
Cash at the beginning of the financial year		1,338	1,041
Effect of exchange rate changes on cash		(103)	3
Cash at the end of the financial year	17 (b)	389	1,338
Non-cash financing activities	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 2002

1. Summary of significant accounting policies

(a) Basis of accounting

This general purpose financial report has 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.

It is 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 financial 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 at reporting date. 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 denominated in a foreign currency are translated at the exchange rate applicable at the date of the transactions. Exchange gains and losses are brought to statement of financial performance and are disclosed separately on the statement of financial performance.

Foreign investments and currency, receivables and payables denominated in a foreign currency, are translated at the exchange rate applicable at the reporting date. Unrealised exchange gains and losses arising on the revaluation are included in the statement of financial performance as unrealised changes in net fair value of investment.

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Exchange differences arising on these hedged transaction are brought to statement of financial performance when the exchange rates change.

(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.

Notes to the financial statements for the year ended 30 June 2002

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 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.

Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

Income tax on accumulative timing difference 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 and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

(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

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid at the reporting date. Payables are unsecured and are usually paid within 30 days of recognition.

(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 financial year.

(m) Comparative figures

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

(n) 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.

BT GLOBAL ASSET MANAGEMENT LIMITED

Notes to the financial statements for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
2. Investments		
Listed securities	21,373	27,907
Currency hedges	(65)	102
	21,308	28,009
3. Receivables		
Current		
Accrued interest and dividends	12	23
Unsettled trades	-	593
	12	616
4. Tax assets		
Current		
Income tax refund receivable	434	2,047
Non-current		
Future income tax benefit	19	31
5. Payables		
Current		
Trade creditors	86	170
Unsettled trades	-	145
	86	315
6. Provisions		
Current		
Provision for dividend	1,363	1,558
7. Tax liabilities		
Non-current		
Deferred income tax	2	406

Notes to the financial statements for the year ended 30 June 2002

	2002		2001	
	No. '000	\$'000	No. '000	\$'000
8. Contributed equity				
Ordinary shares	38,942	23,004	38,942	23,004

	2002	2001
	\$'000	\$'000
9. Reserves		
(a) Unrealised profits and losses reserve		
Balance at the beginning of the financial year	940	6,996
Transfer to retained earnings		
Unrealised changes during the year	(2,995)	(1,453)
Prior year unrealised changes now realised	(636)	(8,252)
Deferred income tax on movement in the year	387	3,649
	(3,244)	(6,056)
Balance at the end of the financial year	(2,304)	940

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

(b) Retained earnings		
Balance at the beginning of the financial year	5,818	6,963
Transfer from unrealised profits and losses reserve	3,244	6,056
Net loss for the current year	(6,910)	(4,085)
	2,152	8,934
Dividends paid and payable for the current year	(2,141)	(3,116)
Balance at the end of the financial year	11	5,818

Notes to the financial statements for the year ended 30 June 2002

10. Investment manager

The investment manager of the Company is BT Funds Management Limited (ABN 63 002 916 458). The ultimate Australian controlling entity of BT Funds Management Limited is Principal Financial Group Holdings (Australia) Pty Limited and the ultimate controlling entity is Principal Financial Group Inc, based in Iowa, USA.

On 26 August 2002, The Principal Financial Group announced the sale of substantial portions of BT Financial Group to Westpac Banking Corporation. Upon finalisation of the sale which is expected to occur by 31 October 2002, the investment manager of the Company, BT Funds Management Limited, will form part of Westpac Banking Corporation.

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 \$10,000 of the 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 and payable in respect of all the Directors of the Company.

	2002 \$'000	2001 \$'000
Base investment manager's fee	418	515
Less: Directors' fees paid to various Directors of the Company	(55)	(36)
Less: liability insurance premiums of Directors of the Company	(35)	(25)
Investment manager's fee paid and payable	328	454

	2002 \$	2001 \$
11. Auditors' remuneration		
Amounts received and receivable, by the auditor of the Company for:		
Auditing the accounts	14,450	13,660
Other services*	8,516	3,740
	22,966	17,400

* Other services consisted of taxation advice. The cost of "Other services" is included under "Other expenses" in the statement of financial performance.

Notes to the financial statements for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
12. Income tax		
(a) The income tax benefit for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:		
Loss from ordinary activities before income tax benefit	(7,311)	(6,216)
Income tax benefit calculated at 30% (2001: 34%)	(2,193)	(2,113)
Tax effect of permanent differences:		
– non-deductible expenses	15	17
– non-assessable income	(394)	(617)
– rebateable items	(13)	(42)
Income tax adjusted for permanent differences	(2,585)	(2,755)
(Under)/over provision in prior year	(10)	1
Future income tax benefit not recognised in respect of unrealised losses	1,798	–
Sundry items	396	673
Effect of lower rates of tax on future tax benefit and liability	–	(50)
Income tax benefit	(401)	(2,131)

(b) The Directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account is \$1,798,000 (2001: Nil).

This benefit for tax losses will only be obtained if:

- (i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iii) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

13. Dividends

Interim dividend paid – fully franked at 30% (2001: 34%)	778	1,558
Final dividend payable – fully franked at 30% (2001: 30%)	1,363	1,558
	2,141	3,116
Franking credits available for the subsequent financial year	11,222	13,387

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:

- (i) franking credits that will arise from the payment of income tax payable as at the end of the year;
- (ii) franking debits that will arise from the payment of dividends proposed as at the end of the year; and
- (iii) 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%, calculated under the franking rules applicable up to 30 June 2002. As at 1 July 2002, franking account balances brought forward will be required to be converted from an after tax profits basis to a tax paid basis. This means that the franking balances shown above at \$11,222,000 will be converted to \$4,809,000. It should be noted that the quantum of franking credits available remains unchanged.

From 1 July 2002, franking credits arising from tax payments will be shown at the tax amounts paid, and for dividends received and paid, the franking credits will be added or deducted from the franking account balances at the imputation tax rate applicable at the time of the transactions.

Notes to the financial statements for the year ended 30 June 2002

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

	2002 \$	2001 \$
Income paid or payable, or otherwise made available, to Directors by the Company and related parties in connection with the management of affairs of the Company	75,000	56,250

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 \$10,000 of the Chairman's fees 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:

	2002 No.	2001 No.
\$10,000 – \$19,999	3	3
\$20,000 – \$29,999	–	1
\$30,000 – \$39,999	1	–

The Directors' remuneration excludes insurance premiums 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 with Directors and Director related entities concerning shares

	2002 No.	2001 No.
Aggregate number of shares held as at 1 July	18,399	143,445
Purchase of shares	–	9,399
Sale of shares	(9,399)	(134,445)
Aggregate number of shares held as at 30 June	9,000	18,399

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

Notes to the financial statements for the year ended 30 June 2002

15. Segment information

Business segments

The Company operates solely in the business of investment management within Australia.

Geographical exposures

While the Company operates from Australia only, the Company has investment exposures in different countries. The geographic locations are outlined below.

Country	2002 Net fair value \$'000	2002 % of total net fair value	2001 Net fair value \$'000	2001 % of total net fair value
Australia	(122)	(1)	423	1
Europe	6,644	31	7,756	26
United States and Canada	12,387	57	17,278	58
Japan	2,199	10	3,214	11
South East Asia	601	3	1,147	4
Total investments	21,709	100	29,818	100

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

The geographical exposure of investments includes investments, cash assets and accrued interest and dividends, net of unsettled trades.

Notes to the financial statements for the year ended 30 June 2002

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.

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

- (i) hedging to protect an asset of the Company against a fluctuation in market values or to reduce volatility;
- (ii) as a substitute for physical securities; and
- (iii) 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, the notional principal amounts of derivatives held by the Company were as follows:

	Notional principal amounts 2002 \$'000	Notional principal amounts 2001 \$'000
Over the counter options	-	575

(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:

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

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 the credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of items on 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.

Notes to the financial statements for the year ended 30 June 2002

16. Financial instruments (continued)

(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 2002, 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
Financial assets				
Cash assets	5.50	389	-	389
Receivables	-	-	12	12
Current tax assets	-	-	434	434
Listed securities	-	-	21,373	21,373
Currency hedges	-	-	(65)	(65)
		389	21,754	22,143
Financial liabilities				
Payables	-	-	86	86
Provision for dividend	-	-	1,363	1,363
			1,449	1,449
Net financial assets		389	20,305	20,694

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 is 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
Currency hedges	-	-	102	102
Listed securities	-	-	27,907	27,907
		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

(d) Net fair value of financial assets and liabilities

The net fair value of financial assets and financial liabilities and derivative financial instruments included in the statement of financial position approximates their carrying amount.

Notes to the financial statements for the year ended 30 June 2002

16. Financial instruments (continued)

(e) 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 stated at net fair value at reporting date in a manner consistent with the valuation of the underlying securities. The changes in net fair value of foreign exchange contracts are disclosed in the statement of financial performance as unrealised charges in net fair value of investments.

As at 30 June 2002, the Company's exposure to foreign exchange rate movements on its international security investments was as follows:

	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*	12,343	2,846	2,206	2,544	1,833	21,772
Amounts effectively hedged	-	-	(1,543)	-	-	(1,543)
Net exposure	12,343	2,846	663	2,544	1,833	20,229

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

	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*	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

* The above foreign currency exposure is net of unsettled trades. These unsettled trades are presented as receivables and payables in the statement of financial position.

Notes to the financial statements for the year ended 30 June 2002

	2002 \$'000	2001 \$'000
17. Statement of cash flows		
(a) Reconciliation of net loss from ordinary activities after income tax to net cash utilised in operating activities		
Loss from ordinary activities after income tax benefit	(6,910)	(4,085)
Non-cashflow items included in operating loss:		
Unrealised changes in the net fair value of investments	2,995	1,453
Realised losses on sale of investments	3,961	4,290
Net foreign exchange losses/(gains)	103	(3)
Change in operating assets and liabilities:		
Decrease in dividends, interest and other income receivables	11	3
Decrease/(increase) in tax assets	1,625	(2,054)
(Decrease)/increase in payables	(84)	40
Decrease in tax liabilities	(404)	(4,002)
Net cash inflow/(outflow) from operating activities	1,297	(4,358)
(b) Components of cash		
Cash at bank	389	1,338

(c) Non-cash financing activities

There were no non-cash financing activities during the financial year.

18. Events occurring after 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 2002 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.

20. Earnings per share

	2002	2001
Basic earnings per share (cents per share)	(17.74)	(10.49)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	38,942,213	38,942,213

No adjustments are made to the loss from ordinary activities after income tax benefit shown on the statement of financial performance in deriving earnings used in the calculation of basic earnings per share.

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 existed at 30 June 2002.

BY GLOBAL ASSET MANAGEMENT LIMITED

Directors' declaration for the year ended 30 June 2002

The Directors declare that the financial statements and notes set out on pages 19 to 33:

- (a) give a true and fair view of the Company's financial position as at 30 June 2002 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
Sydney
6 September 2002

T C Powell
Director
Sydney
6 September 2002

Independent audit report to the members of BT Global Asset Management Limited

Audit opinion

In our opinion, the financial report, set out on pages 19 to 34:

- (a) presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of BT Global Asset Management Limited as at 30 June 2002 and of its performance for the year ended on that date; and
- (b) is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the Directors of BT Global Asset Management Limited. It includes the financial statements for BT Global Asset Management Limited (the Company) for the year ended 30 June 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business or investment decisions made by the Directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory reporting requirements in Australia, and the Corporations Regulations 2001, 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 procedures included:

- (a) selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- (b) evaluating the accounting policies applied and significant accounting estimates made by the Directors in their preparation of the financial report
- (c) obtaining written confirmation regarding material representations made to us in connection with the audit
- (d) reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Company and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Company. These services are disclosed in note 11 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

D A Prothero
Partner
Sydney
6 September 2002

Members information

Substantial holders

The Company had no substantial holders as at 12 August 2002.

Distribution of securities as at 12 August 2002

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

	Number of shareholders	Number of shares held
1 – 1,000	167	85,642
1,001 – 5,000	634	2,014,237
5,001 – 10,000	602	4,667,773
10,001 – 100,000	1,032	26,244,906
100,001 and over	37	5,929,655
	2,472	38,942,213

(b) There were 116 holders of less than a marketable parcel of shares.

(c) The percentage of total holding of the 20 largest holders of ordinary shares was 10.89%.

Twenty largest holders

The names of the 20 largest holders as at 12 August 2002 are listed below:

Name	Number of shares held	%
Tothemill Pty Limited	475,450	1.22
Mr Eric Gross	455,977	1.17
Frank Hadley Pty Limited	246,180	0.63
Mr Robert Peter Charles & Mrs Marion Gertrude Charles	245,466	0.63
Penson Holdings Pty Limited	238,770	0.61
Donald Edward Yabsley	229,921	0.59
Palmerston Pty Limited	219,713	0.56
Ronald & Gertruda Edwards	211,387	0.54
JBA Investments Pty Limited	195,300	0.50
Mr William John Ellis	187,968	0.48
Ms Jan Elizabeth Burnett-McKeown	182,970	0.47
Questor Financial Services Limited	176,861	0.45
Mr Robert Frederick Hutt & Mrs Pauline Diana Hutt	175,624	0.45
Mr Bruce Allison Tidswell & Mrs Deirdre Olive Tidswell	156,238	0.40
Invia Custodian Pty Limited	149,646	0.38
Mr Stanley George Johanson & Mrs Irene Cecilia Johanson	149,464	0.38
UBS Warburg Private Clients Nominees Pty Limited	144,331	0.37
Dr Arie Rotem	139,871	0.36
Robin Yabsley	131,542	0.34
John Scott Bell	130,000	0.33
	4,242,679	10.89

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
ACN 002 916 458
Level 15, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Directors

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

Secretary

Madeline Dermatossian

Registered office

Level 15, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: (612) 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

Stock exchange listing

Official List of the Australian Stock
Exchange Limited

Share registry enquiries

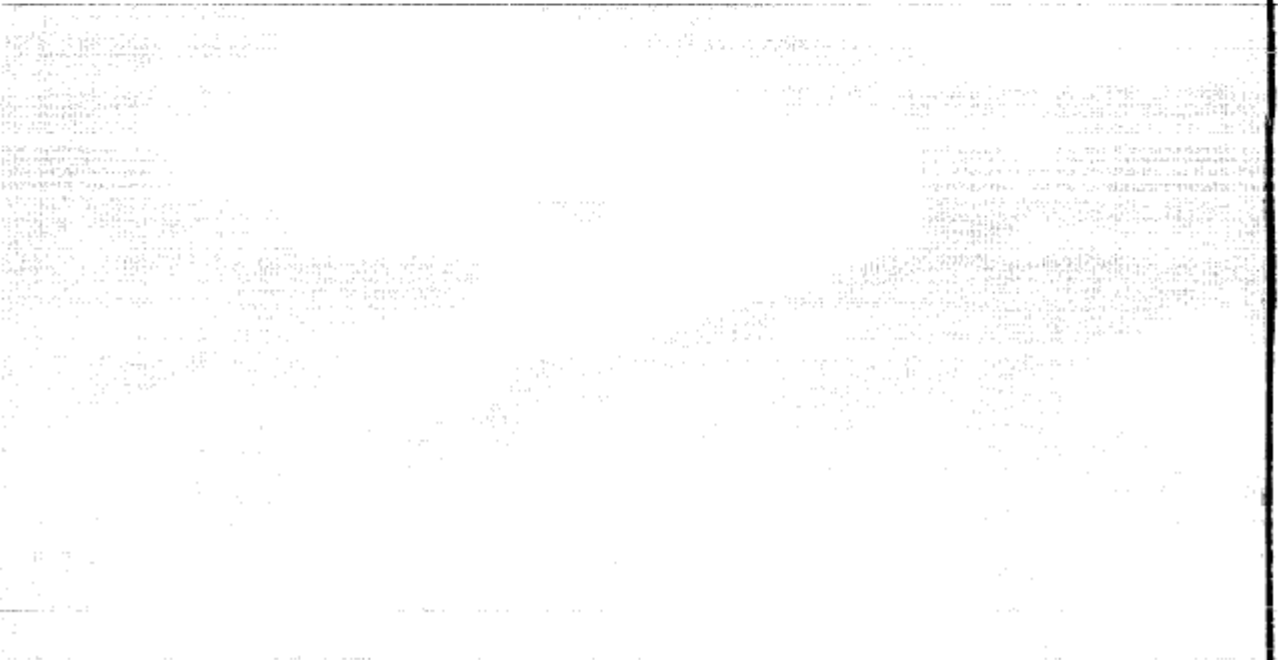
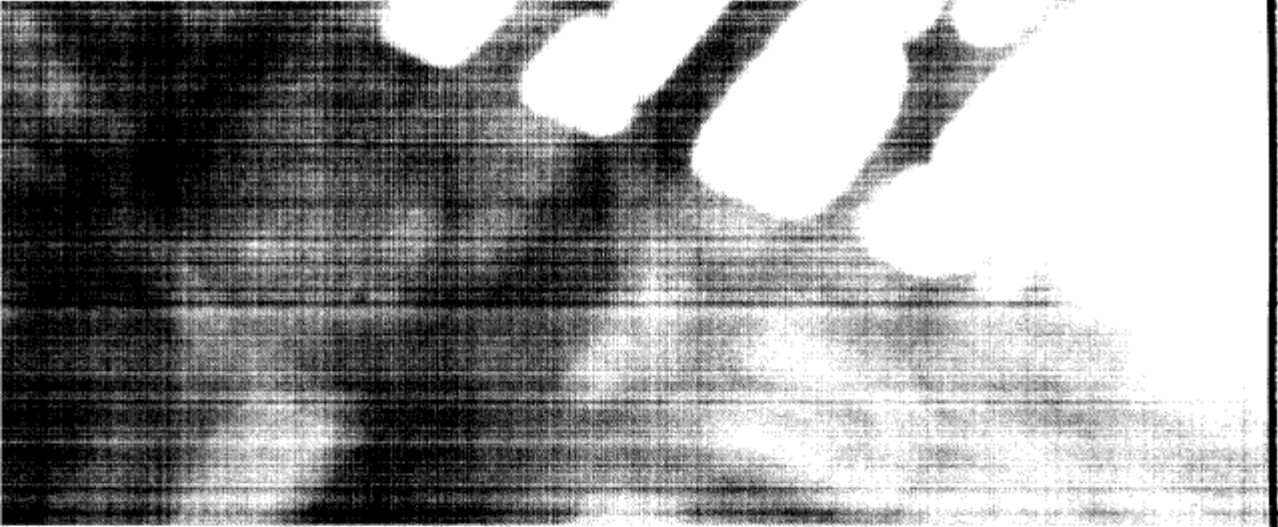
1800 810 580
(612) 8280 7166 (overseas callers)
(612) 9261 8489 (fax)
Website –
www.registrars.asxperpetual.com.au

Investment manager enquiries

132 135
(612) 9034 4900 (overseas callers)
(612) 9259 9797 (fax)
Website –
www.btonline.com.au/bt_prod/trusts.shtml

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.



xx489nw