

# **BT Global Return Fund**

ARSN 097 575 730

## **Annual report - for the year ended 30 June 2011**

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These financial statements cover BT Global Return Fund as an individual entity and the consolidated entity consisting of BT Global Return Fund and its subsidiary.

The Responsible Entity of BT Global Return Fund is BT Investment Management (RE) Limited (ABN 17 126 390 627). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

## Directors' report

The directors of BT Investment Management (RE) Limited, the Responsible Entity of BT Global Return Fund, present their report together with the financial statements of BT Global Return Fund ("the Fund") and the consolidated financial statements of the Fund and its subsidiary (collectively, "the consolidated entity") for the year ended 30 June 2011.

### Principal activities

The Fund was terminated effective 21 April 2009. The underlying assets are in the process of being realised in an orderly manner and the proceeds distributed to investors in the form of capital returns as proceeds are received from the underlying investments.

The Fund invests directly into the Grosvenor AUD Feeder Fund, Ltd ("GAFFL") in order to gain exposure to the returns of the Grosvenor Master Fund, Ltd ("GMF"). GMF invests in an international portfolio of hedge funds featuring multiple investment managers and strategies. The Fund also invests into unlisted unit trusts in accordance with the provision of the Fund's constitution.

The consolidated entity did not have any employees during the year.

Other than as noted below, there were no significant changes in the nature of the consolidated entity's activities during the year.

### Directors

The following persons held office as directors of BT Investment Management (RE) Limited during the year or since the end of the year and up to the date of this report:

B Scullin (appointed 25 September 2007, resigned 1 April 2011)  
P Stockwell (appointed 25 September 2007)  
C Williamson (appointed 4 March 2009)  
E Gonzalez (appointed 21 January 2010)

### Review and results of operations

The Fund was terminated effective 21 April 2009. The underlying assets in the Fund are in the process of being realised in an orderly manner and the proceeds distributed to investors in the form of capital returns as proceeds are received from the underlying investments. Therefore, the Fund is no longer being managed in accordance with its original investment objective.

The fee relating to the Fund was reduced from 0.50% per annum (pa) to 0.10% pa with effect from 1 December 2010. As the majority of assets have now been returned to investors, the Responsible Entity will no longer charge a fee for managing the wind down of the remaining assets. The fee of 0.10% pa is to only cover ongoing Fund expenses such as audit, registry, administration and custodial fees.

Returns of capital were paid to all unitholders of the Fund as follows:

	2011		2010	
	\$'000	CPU	\$'000	CPU
August	35,778	4.034	204,418	23.046
November	16,870	1.902	231,082	26.052
February	15,533	1.751	45,270	5.104
May	19,379	2.184	60,330	6.802
<b>Total</b>	<b>87,560</b>	<b>9.871</b>	<b>541,100</b>	<b>61.003</b>

There have been no other significant changes to the operations of the Fund since the previous financial period.

## Directors' report (continued)

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

	<b>Consolidated</b>		<b>Parent</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2011</b>	2010	<b>2011</b>	2010
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>(25,595)</u>	<u>70,491</u>	<u>(25,595)</u>	<u>70,491</u>

### *Distributions*

Distribution paid and payable (\$'000)	<u>-</u>	<u>-</u>
Distribution (cents per unit)	<u>-</u>	<u>-</u>

The table below demonstrates the performance of the Fund as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return is shown for the past five years to 30 June 2011 and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC Standard 6.0 Product Performance - calculation and presentation of returns.

	<b>Parent</b>				
	<b>2011</b>	2010	2009	2008	2007
	%	%	%	%	%
Capital growth	<b>(13.15)</b>	20.94	(26.78)	(5.07)	7.75
Distribution of income	<u>-</u>	<u>-</u>	<u>-</u>	<u>6.45</u>	<u>6.22</u>
Total return	<u><b>(13.15)</b></u>	<u>20.94</u>	<u>(26.78)</u>	<u>1.38</u>	<u>13.97</u>

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

### *Unit redemption prices*

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

	<b>Parent</b>				
	<b>2011</b>	2010	2009	2008	2007
	\$	\$	\$	\$	\$
At 30 June	<u><b>0.1176</b></u>	<u>0.2452</u>	<u>0.7757</u>	<u>1.4811</u>	<u>1.5450</u>
High during year	<u><b>0.1929</b></u>	<u>0.7757</u>	<u>1.3869</u>	<u>1.4916</u>	<u>1.5450</u>
Low during year	<u><b>0.1139</b></u>	<u>0.2287</u>	<u>0.7503</u>	<u>1.4410</u>	<u>1.3560</u>

## Directors' report (continued)

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Parent	
	30 June 2011 \$'000	30 June 2010 \$'000
Net assets for unit pricing purposes	104,318	217,473
Difference between net market value (for unit pricing) and fair value (for financial statements) of financial assets held at fair value through profit or loss	-	-
Effect of classification of net assets attributable to unitholders as liabilities	<u>(104,318)</u>	<u>(217,473)</u>
Net assets under Australian Accounting Standards	<u>-</u>	<u>-</u>

## Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

## Matters subsequent to the end of the financial year

Apart from the matter disclosed in note 15 to the financial statements relating to market volatility, no other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

## Likely developments and expected results of operations

The Fund is in the process of being wound up and the proceeds distributed to unitholders in the form of capital returns. The Directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such, the accounts have been prepared on a liquidation basis. There is no impact on the financial position of the Fund. As at 30 June 2011, the Fund has distributed approximately 95.8% of net assets (as measured by value as at 30 April 2009) and is estimated to distribute a further 2% (as measured by value as at 30 April 2009) in calendar year 2011, with the remaining capital thereafter. This is an estimate based on current information and the actual payment period may vary from this significantly, depending on when the Fund's underlying assets can be realised and the market conditions over the period.

Unit prices will continue to be calculated once a month as at the last business day of the month and are currently generally available on or around 11 business days after the end of the month. These are indicative unit prices and investors will not be able to transact on these prices.

## Indemnity and insurance of officers

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to the officers of the Responsible Entity.

## Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

## Directors' report (continued)

### Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 12 to the financial statements. From 1 December 2010, the Responsible Entity fee was reduced, recognising that while the Fund will not be managed in accordance with its original investment strategy, the Responsible Entity will continue to manage and administer the Fund during the winding up process.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 12 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the balance sheets and derived using the basis set out in note 2 to the financial statements.

### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Director



Director

Sydney  
15 September 2011



### Auditor's independence declaration

As lead auditor for the audit of BT Global Return Fund and its controlled entity for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BT Global Return Fund and the entity it controlled during the period.

A handwritten signature in blue ink, appearing to read 'SJ Smith', is written over a light blue horizontal line.

SJ Smith  
Partner  
PricewaterhouseCoopers

Sydney  
15 September 2011

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## Statements of comprehensive income

	Notes	Consolidated Year ended		Parent Year ended	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Investment income</b>					
Interest income	5	255	333	38	60
Distribution income		273	1,786	273	1,786
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	(24,588)	72,535	(25,474)	70,116
Other investment income		1	333	1	333
<b>Total net investment income/(loss)</b>		<u>(24,059)</u>	<u>74,987</u>	<u>(25,162)</u>	<u>72,295</u>
<b>Expenses</b>					
Responsible Entity's fees	12	432	1,804	432	1,804
Other operating expenses	6	1,104	2,692	1	-
<b>Total operating expenses</b>		<u>1,536</u>	<u>4,496</u>	<u>433</u>	<u>1,804</u>
<b>Operating profit/(loss)</b>		<u>(25,595)</u>	<u>70,491</u>	<u>(25,595)</u>	<u>70,491</u>
<b>Finance costs attributable to unitholders</b>					
(Increase)/decrease in net assets attributable to unitholders of the parent entity	8	25,595	(70,491)	25,595	(70,491)
<b>Profit/(loss) for the year</b>		-	-	-	-
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

## Balance sheet

	Notes	Consolidated As at		Parent As at	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>					
Cash and cash equivalents	9	523	650	73	630
Accrued income		-	3	-	3
Due from brokers - receivable for securities sold		4,894	22,952	2,050	16,950
Receivables		1	15	1	7
Financial assets held at fair value through profit or loss	10	<u>99,003</u>	<u>194,176</u>	<u>102,203</u>	<u>199,973</u>
<b>Total assets</b>		<b><u>104,421</u></b>	<b><u>217,796</u></b>	<b><u>104,327</u></b>	<b><u>217,563</u></b>
<b>Liabilities</b>					
Payables		<u>103</u>	<u>323</u>	<u>9</u>	<u>90</u>
<b>Total liabilities (excluding net assets attributable to unitholders of the parent entity)</b>		<b><u>103</u></b>	<b><u>323</u></b>	<b><u>9</u></b>	<b><u>90</u></b>
<b>Net assets attributable to unitholders of the parent entity - liability</b>	8	<b><u>104,318</u></b>	<b><u>217,473</u></b>	<b><u>104,318</u></b>	<b><u>217,473</u></b>

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

**Statement of changes in equity**

	Consolidated		Parent	
	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the financial year</b>	-	-	-	-
Profit/(loss) for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions with owners in their capacity as owners	-	-	-	-
<b>Total equity at the end of the financial year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

## Statements of cash flows

	Notes	Consolidated Year ended		Parent Year ended	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Cash flows from operating activities</b>					
Proceeds from sale of financial instruments held at fair value through profit or loss		88,663	372,001	87,196	540,200
Interest received		255	333	38	60
Distributions received		276	1,787	276	1,787
Other income received		15	340	7	346
Responsible Entity's fees received/(paid)		(513)	(1,994)	(513)	(1,994)
Payment of other expenses		(1,263)	(2,983)	(1)	-
<b>Net cash inflow/(outflow) from operating activities</b>	14(a)	<u>87,433</u>	<u>369,484</u>	<u>87,003</u>	<u>540,399</u>
<b>Cash flows from financing activities</b>					
Return of capital		(87,560)	(541,100)	(87,560)	(541,100)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(87,560)</u>	<u>(541,100)</u>	<u>(87,560)</u>	<u>(541,100)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(127)	(171,616)	(557)	(701)
Cash and cash equivalents at the beginning of the year		<u>650</u>	<u>172,266</u>	<u>630</u>	<u>1,331</u>
<b>Cash and cash equivalents at the end of the year</b>	9	<u>523</u>	<u>650</u>	<u>73</u>	<u>630</u>

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

## 1 General information

These financial statements include separate financial statements for BT Global Return Fund (“the Fund”) as an individual entity and the consolidated entity consisting of BT Global Return Fund and its subsidiary, Grosvenor AUD Feeder Fund, Ltd. The Fund was constituted on 16 July 2001.

The Responsible Entity of the Fund is BT Investment Management (RE) Limited (the “Responsible Entity”). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

The financial statements were authorised for issue by the directors on 15 September 2011. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The Fund was terminated on 21 April 2009. The financial assets and liabilities held at fair value through profit and loss are in the process of being realised in an orderly manner and the proceeds distributed to investors in the form of capital returns as quickly as is reasonably possible. The Directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such, the accounts have been prepared on a liquidation basis. There is no impact on the financial position of the Fund.

#### *Compliance with International Financial Reporting Standards*

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (b) Principles of consolidation

#### (i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BT Global Return Fund (“the parent entity”) as at 30 June 2011 and the results of all subsidiaries for the year then ended. BT Global Return Fund and its subsidiary together are referred to in these financial statements as the Fund.

Subsidiaries are all those entities (including special purpose entities) over which the Fund has the power to govern the financial and operating policies, generally accompanying a unitholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for obtaining control of subsidiaries by the Fund.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Fund.

Non-controlling interests in the results and net assets of subsidiaries are shown separately in the consolidated statements of comprehensive income and balance sheets respectively.

Investments in subsidiaries are accounted for at fair value through profit or loss in the separate financial statements of the parent entity.

## 2 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

The Fund acquires units in subsidiaries at their unit price which reflects the fair value of the units in the subsidiary.

There have been neither acquisitions nor disposals of controlled entities or other changes in the composition of the Fund during the reporting period, which would require disclosures significant to an understanding of this annual report.

#### (ii) Changes in ownership interests

The consolidated entity treats transactions with minority interests that do not result in a loss of control as transactions with equity owners of the consolidated entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in net assets attributable to unitholders and non-controlling interests.

When the Fund ceases to have control, joint control or significant influence, any retained interest in the subsidiary is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of the subsidiary are accounted for as if the Fund had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (c) Financial instruments

#### (i) Classification

The consolidated entity's and the Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, warrants, options and swaps are included under this classification. The consolidated entity and the Fund do not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted unit trusts, unlisted equity instruments and commercial paper.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the consolidated entity's and the Fund's documented investment strategy. The consolidated entity's and the Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

The consolidated entity and the Fund recognise financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the consolidated entity and the Fund have transferred substantially all risks and rewards of ownership.

## 2 Summary of significant accounting policies (continued)

### (c) Financial instruments (continued)

#### (iii) *Measurement*

#### **Financial assets and liabilities held at fair value through profit or loss**

At initial recognition, the consolidated entity and the Fund measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

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

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the consolidated entity and the Fund recognise the difference in profit or loss to reflect a change in factors, including time, which market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 4.

#### **Loans and receivables**

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statements of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statements of comprehensive income.

#### (iv) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### (d) Investments in subsidiaries

Investments in subsidiaries are measured in accordance with note 2(c).

### (e) Business combinations

Business combinations relate to the acquisition by the Fund of controlling interests in other entities. The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the consideration given plus costs directly attributable to the acquisition.

The Fund acquires units in trusts at their unit price which reflects the fair value of the units in the trust.

## 2 Summary of significant accounting policies (continued)

### (f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

### (g) Cash and cash equivalents

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, cash management trusts and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

### (h) Investment income

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis.

### (i) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statements of comprehensive income on an accruals basis.

### (j) Income tax

Under current legislation, the Fund is not subject to income tax provided the income of the Fund is distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### (k) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

### (l) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

## 2 Summary of significant accounting policies (continued)

### (m) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statements of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

### (n) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (o) Accrued income

Accrued income may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

### (p) Receivables

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

### (q) Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the balance sheets when unitholders are presently entitled to the distributable income under the Fund's Constitution.

## 2 Summary of significant accounting policies (continued)

### (r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheets. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### (s) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period. Management's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010 *Amendment to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Fund has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Fund's financial statements as the Fund does not hold any available-for-sale investments.

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

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

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

## 2 Summary of significant accounting policies (continued)

### (t) New accounting standards and interpretations (continued)

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

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

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

### (u) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended), issued by ASIC, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## 3 Termination of the Fund

On 17 April 2009, the directors of the Responsible Entity approved the termination of the Fund. The Fund terminated effective 21 April 2009. The underlying assets are in the process of being realised in an orderly manner and the proceeds distributed to investors in the form of capital returns as proceeds are received from the underlying investments.

## 4 Financial risk management

The Fund was terminated effective from 21 April 2009. The underlying assets are in the process of being realised and the net proceeds, when received, returned to unitholders in the form of capital returns.

The consolidated entity's and the Fund's activities expose them to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

### **Consolidated entity**

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

### **Parent entity**

The Fund's overall risk management programme focuses on ensuring compliance with the governing documents of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may also use (or uses) derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Fund is structured as a multi-manager, multi-strategy hedge fund product (a fund of funds) and obtains its exposure via the returns of GMF, which invests in a diversified portfolio of international hedge funds featuring multiple investment managers and strategies.

As the Fund has an absolute return focus, comparison against a benchmark is not considered appropriate.

The investments of the Fund are in the process of being realised in an orderly manner and the proceeds distributed to unitholders in the form of capital returns when they are received from the underlying investments. Therefore, the Fund is no longer being managed in accordance with its original investment objective.

## 4 Financial risk management (continued)

### (a) Market risk

#### (i) Price risk

The consolidated entity's financial risk is managed by each of the investment managers of the individual unit trusts within the consolidated entity. No other risk management occurs for the consolidated entity.

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

The consolidated entity and the Fund are exposed to price risk on equity securities, unlisted entities and derivative securities. This arises from investments held by the consolidated entity and the Fund for which prices in the future are uncertain. These are classified in the balance sheets as at fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. All security investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The consolidated entity and the Fund hold units in a cash management trust which invests primarily in money market securities which are subject to less significant price risk impact. The risk associated with these securities are disclosed under interest rate risk.

The consolidated entity and the Fund invests into the GMF, a highly diversified international investment featuring hedge fund portfolio managers specialised by investment strategy. Selection of investment strategies and hedge fund managers in the GMF portfolio is performed by Grosvenor Capital Management, L.P.

The table presented in note 4(b) summarises sensitivity analysis to price risk.

#### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The consolidated entity holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk.

The Fund currently invests in hedge funds through its exposure to GMF via Grosvenor AUD Feeder Fund, Ltd and is exposed to foreign exchange risk as GMF invests into a diversified portfolio of international hedge funds. The Fund is also exposed to foreign exchange risk as the securities in GMF held by GAFFL are valued in foreign currency. The Fund's US dollar currency exposure ceased to be hedged with effect from 2 November 2009. The Responsible Entity determined that it was in the best interests of unitholders to discontinue the Fund's currency hedging program. This has allowed a quicker return of capital, as the cash held in the Fund to support the currency hedging strategy was distributed to investors as part of the return of capital in November 2009.

Exceptions to compliance with the Fund's foreign exchange policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the Fund are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance are not reported on a consolidated basis.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The consolidated entity and the Fund hold units in cash management trusts and is exposed to interest rate risk through those investments.

The consolidated entity does not have any significant direct exposure to interest rate risk.

## 4 Financial risk management (continued)

### (a) Market risk (continued)

Exceptions to compliance with the Fund's fixed interest policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the Fund are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance are not reported on a consolidated basis.

### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the consolidated entity's and the Fund's operating profit and net assets attributable to unitholders to other price risk. The analysis is based on reasonably possible movements in the benchmark with all other variables held constant and the fair value of the consolidated entity's and the Fund's portfolio moving according to the movement in the benchmark. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors, including historical levels of changes in market index, security prices and/or benchmark returns, interest rates and foreign exchange rates. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities to which the variable is exposed. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10% (2010: -10%) \$'000	+10% (2010: +10%) \$'000
<b>Consolidated</b>		
30 June 2011	(9,900)	9,900
30 June 2010	(19,418)	19,418
	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10% (2010: -10%) \$'000	+10% (2010: +10%) \$'000
<b>Parent</b>		
30 June 2011	(10,220)	10,220
30 June 2010	(19,997)	19,997

In determining the impact of an increase/decrease in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

### (c) Credit risk

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

Credit risk primarily arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved
- ensuring that transactions are undertaken with a number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

## 4 Financial risk management (continued)

### (c) Credit risk (continued)

Exceptions to compliance with the Fund's credit risk policy are reported to management on a regular basis. The investment managers of each of the subsidiary funds within the consolidated entity are responsible for monitoring compliance on an individual fund basis. Exceptions to compliance with the credit risk policy are not monitored on a consolidated basis.

### (d) Liquidity risk

Liquidity risk is the risk that the consolidated entity and the Fund may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Investments in hedge funds are typically in assets with limited liquidity. This limited liquidity may also extend to any swap transaction, structured security or derivative contract which provides exposure to a hedge fund return.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

Exceptions to the above are reported to management on a regular basis.

The Fund is in the process of being wound up and the proceeds distributed to unitholders in the form of capital returns when they are received from the underlying investments. As at 30 June 2011, the Fund has distributed approximately 95.8% of its net assets (as measured by value as at 30 April 2009) and is estimated to distribute a further 2% (as measured by value as at 30 April 2009) in the financial year ended 30 June 2012, which completes the capital returns. This is an estimate based on current information and the actual payment period may vary from this significantly, depending on when the Fund's underlying assets can be realised and the market conditions over the period.

The table below analyses the consolidated entity's and the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the end of the reporting period. The amounts in the table are contractual undiscounted cash flows.

<b>Consolidated</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>Greater than 3 months</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2011</b>			
Payables	103	-	-
Net assets attributable to unitholders	-	7,920	96,398
Total financial liabilities (excluding net settled derivatives)	<u>103</u>	<u>7,920</u>	<u>96,398</u>
Consolidated	Less than 1 month	1-3 months	Greater than 3 months
<b>At 30 June 2010</b>			
Payables	323	-	-
Net assets attributable to unitholders	-	35,778	181,695
Total financial liabilities (excluding net settled derivatives)	<u>323</u>	<u>35,778</u>	<u>181,695</u>

## 4 Financial risk management (continued)

### (d) Liquidity risk (continued)

Parent	Less than 1 month \$'000	1-3 months \$'000	Greater than 3 months \$'000
<b>At 30 June 2011</b>			
Payables	9	-	-
Net assets attributable to unitholders	<u>-</u>	<u>7,920</u>	<u>96,398</u>
Total financial liabilities (excluding net settled derivatives)	<u>9</u>	<u>7,920</u>	<u>96,398</u>
Parent	Less than 1 month	1-3 months	Greater than 3 months
<b>At 30 June 2010</b>			
Payables	90	-	-
Net assets attributable to unitholders	<u>-</u>	<u>35,778</u>	<u>181,695</u>
Total financial liabilities (excluding net settled derivatives)	<u>90</u>	<u>35,778</u>	<u>181,695</u>

### (e) Fair value estimation

The carrying amounts of the consolidated entity's and the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statements of comprehensive income.

#### (i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The consolidated entity and the Fund value their investments in accordance with the accounting policies set out in note 2. For the majority of their investments, the consolidated entity and the Fund rely on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the consolidated entity and the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the consolidated entity and the Fund hold derivatives with offsetting market risks, they use mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

## 4 Financial risk management (continued)

### (e) Fair value estimation (continued)

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the consolidated entity and the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the consolidated entity and the Fund hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds.

### Consolidated entity

Monthly valuations continue to be issued by Grosvenor Capital Management Limited ("Grosvenor") for GMF. As a result the fair value of the investments in the GMF used in the financial statements of the consolidated entity is the valuation issued by Grosvenor effective as at 30 June 2011.

### Parent entity

The fair value of the investments in Grosvenor AUD Feeder Fund, Ltd ("GAFFL") used in the financial statements of the parent entity is the valuation issued by Grosvenor effective as at 30 June 2011.

Monthly valuations continue to be issued by Grosvenor for GAFFL, these are based on the underlying investments held by GAFFL in GMF.

### (f) Fair value hierarchy

#### (i) Classification of financial assets and financial liabilities

The consolidated entity and the Fund classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## 4 Financial risk management (continued)

### (f) Fair value hierarchy (continued)

The table on page sets out the consolidated entity's and the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010.

Consolidated - as at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted investments	-	-	99,003	99,003
<b>Total</b>	<u>-</u>	<u>-</u>	<u>99,003</u>	<u>99,003</u>

Consolidated - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted investments	-	-	194,176	194,176
<b>Total</b>	<u>-</u>	<u>-</u>	<u>194,176</u>	<u>194,176</u>

Parent - as at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted investments	-	-	102,203	102,203
<b>Total</b>	<u>-</u>	<u>-</u>	<u>102,203</u>	<u>102,203</u>

Parent - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted investments	-	-	199,973	199,973
<b>Total</b>	<u>-</u>	<u>-</u>	<u>199,973</u>	<u>199,973</u>

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active unlisted unit trusts, active listed equities, exchange traded derivatives, currency contracts, money market securities, government bonds and listed corporate debt.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain unlisted corporate debt and floating rate notes, warrants, swaps, certain unlisted unit trusts and certain listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

## 4 Financial risk management (continued)

### (f) Fair value hierarchy (continued)

The consolidated entity invests into GMF through holdings in Class B and Class D shares. The consolidated entity and the Fund hold \$A28.1 million (US\$26.2 million) of Class B shares and A\$70.9 million (\$US66.0 million) of Class D shares as at 30 June 2011.

The consolidated entity has requested the full redemption of its holdings of Class B and Class D shares. Receipt of the Class B and Class D share redemption proceeds is subject to the redemption terms of the respective referable underlying assets.

The fair values of the Class B and Class D shares are determined by the GMF investment manager. Based on estimates provided by the GMF investment manager, redemption payments are expected to be received on a quarterly basis throughout calendar year 2011 with remaining amounts paid over an additional few years. Actual redemption receipts may vary with respect to forecast timing and the current estimate of fair value. GMF is subject to annual independent audit by its auditor, PricewaterhouseCoopers. The audit for the year ended 31 December 2010 was completed in April 2011.

#### (ii) Transfers between levels

There have been no transfers between levels for the year ended 30 June 2011 and 30 June 2010.

#### (iii) Movement in level 3 instruments

The following table presents the movement in level 3 instruments for the year ended 30 June 2011 by class of financial instrument.

Consolidated As at 30 June 2011	Opening balance \$'000	Purchases \$'000	Sales \$'000	Transfers into/(out of) level 3 \$'000	Gains and losses recognised in the statements of comprehensive income \$'000	Closing balance \$'000	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year \$'000
Unlisted investments	194,176	-	(71,249)	-	(23,924)	99,003	(23,924)

  

Parent As at 30 June 2011	Opening balance \$'000	Purchases \$'000	Sales \$'000	Transfers into/(out of) level 3 \$'000	Gains and losses recognised in the statements of comprehensive income \$'000	Closing balance \$'000	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year \$'000
Unlisted investments	199,973	-	(72,296)	-	(25,474)	102,203	(25,474)

#### 4 Financial risk management (continued)

##### (f) Fair value hierarchy (continued)

The following table presents the movement in level 3 instruments for the year ended 30 June 2010 by class of financial instrument.

Consolidated As at 30 June 2010	Opening balance \$'000	Purchases \$'000	Sales \$'000	Transfers into/(out of) level 3 \$'000	Gains and losses recognised in the statements of comprehensive income \$'000	Closing balance \$'000	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year \$'000
Unlisted investments	396,916	-	(226,965)	-	24,225	194,176	24,225

Parent As at 30 June 2010	Opening balance \$'000	Purchases \$'000	Sales \$'000	Transfers into/(out of) level 3 \$'000	Gains and losses recognised in the statements of comprehensive income \$'000	Closing balance \$'000	Total gains/(losses) for the year included in the statements of comprehensive income for financial assets and liabilities held at the end of the year \$'000
Unlisted investments	687,007	-	(557,150)	-	70,116	199,973	70,116

#### 5 Interest income

The following table details the interest income earned by the consolidated entity and the Fund during the year:

	Consolidated Year ended		Parent Year ended	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Interest income from financial assets that are not at fair value through profit or loss:				
Cash and cash equivalents	255	333	38	60
Total interest income	<u>255</u>	<u>333</u>	<u>38</u>	<u>60</u>

## 6 Other operating expenses

	Consolidated Year ended		Parent Year ended	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
External management fee	1,049	2,487	-	-
Other	<u>55</u>	<u>205</u>	<u>1</u>	-
	<u>1,104</u>	<u>2,692</u>	<u>1</u>	-

### Consolidated

Auditor's remuneration for auditing the consolidated financial statements of \$29,420 (2010: \$24,922) and other services of \$1,357 (2010: \$760) were paid by the Responsible Entity.

### Parent

Auditor's remuneration for auditing the financial statements of \$17,547 (2010: \$12,752) and other services of \$1,357 (2010: \$760) were paid by the Responsible Entity.

## 7 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Consolidated Year ended		Parent Year ended	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Net unrealised gains/(losses) on financial instruments held for trading	-	(2,629)	-	-
Net unrealised gains/(losses) on financial instruments designated as at fair value through profit or loss	(13,578)	43,439	(28,180)	22,064
Net realised gains/(losses) on financial instruments held for trading	(664)	50,809	-	-
Net realised gains/(losses) on financial instruments designated as at fair value through profit or loss	<u>(10,346)</u>	<u>(19,084)</u>	<u>2,706</u>	<u>48,052</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>(24,588)</u>	<u>72,535</u>	<u>(25,474)</u>	<u>70,116</u>

## 8 Net assets attributable to unitholders of the parent

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

	Parent		Parent	
	30 June 2011 No. '000	30 June 2010 No. '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders of the parent entity</b>				
Opening balance	887,009	887,009	217,473	688,082
Return of capital	-	-	(87,560)	(541,100)
Increase/(decrease) in net assets attributable to unitholders	-	-	(25,595)	70,491
Closing balance	<u>887,009</u>	<u>887,009</u>	<u>104,318</u>	<u>217,473</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

### Capital risk management

The Fund was terminated effective 21 April 2009 and during the winding up period, no redemptions or applications will be accepted. The Fund is in the process of being wound up. As the proceeds from the sale of the underlying assets are received, these will be distributed to unitholders in the form of capital returns.

## 9 Cash and cash equivalents

	Consolidated		Parent	
	As at		As at	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank	456	26	6	6
Cash management trusts	<u>67</u>	<u>624</u>	<u>67</u>	<u>624</u>
	<u>523</u>	<u>650</u>	<u>73</u>	<u>630</u>

## 10 Financial assets held at fair value through profit or loss

	As at Consolidated		As at Parent	
	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000	30 June 2011 Fair value \$'000	30 June 2010 Fair value \$'000
<b>Designated at fair value through profit or loss</b>				
Unlisted investments	<u>99,003</u>	194,176	<u>102,203</u>	199,973
Total designated at fair value through profit or loss	<u>99,003</u>	<u>194,176</u>	<u>102,203</u>	<u>199,973</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>99,003</u>	<u>194,176</u>	<u>102,203</u>	<u>199,973</u>
<b>Comprising:</b>				
<b>Unlisted investments</b>				
Units in Grosvenor Master Fund, Ltd	99,003	194,176	-	-
Units in Grosvenor AUD Feeder Fund, Ltd	-	-	<u>102,203</u>	<u>199,973</u>
Total unlisted investments	<u>99,003</u>	<u>194,176</u>	<u>102,203</u>	<u>199,973</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>99,003</u>	<u>194,176</u>	<u>102,203</u>	<u>199,973</u>

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 4.

## 11 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Fund may borrow to enhance liquidity. Neither the Fund nor the GMF uses leverage for investment purposes. However leverage may be used by certain hedge fund investments strategies in which the GMF invests, by using borrowed funds, selling short or through the use of derivatives.

As at the end of the reporting period, there were no derivative financial instruments held by the consolidated entity and the Fund (2010: \$Nil).

## 12 Related party transactions

### Parent entities

The parent entity within the group is BT Global Return Fund.

### Subsidiaries

Interests in subsidiaries are set out in note 13.

### Responsible Entity

The Responsible Entity of the Fund is BT Investment Management (RE) Limited (ABN 17 126 390 627), a wholly owned subsidiary of BT Investment Management Limited (ABN 28 126 385 822). The ultimate parent entity is Westpac Banking Corporation (ABN 33 007 457 141). The registered office of the Responsible Entity and the Fund is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW, 2000.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of BT Investment Management (RE) Limited at any time during the financial year as follows:

B Scullin (appointed 25 September 2007, resigned 1 April 2011)

P Stockwell (appointed 25 September 2007)

C Williamson (appointed 4 March 2009)

E Gonzalez (appointed 21 January 2010)

#### (b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

### Responsible Entity's/manager's fees and other transactions

For the period 1 July 2010 to 30 November 2010, the Responsible Entity received a fee of 0.50% (inclusive of GST, net of RITC available to the Fund) per annum. This fee was reduced to 0.10% (inclusive of GST, net of RITC available to the Fund) from 1 December 2010. For the year ended 30 June 2010, the Responsible Entity received a fee of 0.50% (inclusive of GST, net of RITC available to the Fund) per annum.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are fully borne by the Responsible Entity.

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

	<b>Consolidated</b>		<b>Parent</b>	
	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
Management fees for the year paid/(received) by the Fund to/(from) the Responsible Entity	<u>432</u>	<u>1,804</u>	<u>432</u>	<u>1,804</u>
Administration expenses incurred by the Responsible Entity which are reimbursed in accordance with the Fund's Constitution	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	<u>9</u>	<u>90</u>	<u>9</u>	<u>90</u>

## 12 Related party transactions (continued)

### Related party schemes' unitholdings

Parties related to the Fund (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity), held units in the Fund as follows:

Unitholder	2011					
	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units transferred in (000's Units)	Number of units transferred out (000's Units)	Distributions paid/payable by the Fund (\$'000)
Schemes related to the Responsible Entity*	230,206	230,091	25.94	1,687	(1,802)	-
Companies related to the Responsible Entity*	26,995	5,152	0.58	21,843	(43,686)	-
Retirement Wrap	-	42,900	4.84	43,698	(798)	-
Total	<u>257,201</u>	<u>278,143</u>	<u>31.36</u>	<u>67,228</u>	<u>(46,286)</u>	<u>-</u>

\* No individual unitholder holding greater than 20%

Unitholder	2010					
	Number of units held opening (000's Units)	Number of units held closing (000's Units)	Interest held (%)	Number of units transferred in (000's Units)	Number of units transferred out (000's Units)	Distributions paid/payable by the Fund (\$'000)
Schemes related to the Responsible Entity*	230,226	230,206	25.95	-	(20)	-
Companies related to the Responsible Entity*	26,995	26,995	3.04	-	-	-
Total	<u>257,221</u>	<u>257,201</u>	<u>28.99</u>	<u>-</u>	<u>(20)</u>	<u>-</u>

\* No individual unitholder holding greater than 20%

### Key management personnel unitholdings

At 30 June 2011 no key management personnel held units in the Fund (2010: Nil).

### Key management personnel compensation

Key management personnel are paid by BT Investment Management Limited. Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

### Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

## 12 Related party transactions (continued)

### Investments

The Fund held investments in the following schemes which are also managed by the Responsible Entity or its related parties:

2011	Fair value of investment (\$'000)	Interest held (%)*	Consolidated Distributions received/ receivable (\$'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Institutional Liquidity Management Trust	67	-	273	87,543	(88,100)

\*Less than 0.005%.

2011	Fair value of investment (\$'000)	Interest held (%)*	Parent Distributions received/ receivable (\$'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Institutional Liquidity Management Trust	67	-	273	87,543	(88,100)

\*Less than 0.005%.

2010	Fair value of investment (\$'000)	Interest held (%)	Consolidated Distributions received/ receivable (\$'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Institutional Liquidity Management Trust	624	0.02	1,786	542,480	(543,182)

2010	Fair value of investment (\$'000)	Interest held (%)	Parent Distributions received/ receivable (\$'000)	Units acquired during the year (000's Units)	Units disposed during the year (000's Units)
BT Institutional Liquidity Management Trust	624	0.02	1,786	542,480	(543,182)

Distributions received/receivable includes the following amounts which remain unpaid at the end of each reporting period:

	Distributions receivable			
	As at Consolidated		As at Parent	
	30 June 2011 \$'000**	30 June 2010 \$'000	30 June 2011 \$'000**	30 June 2010 \$'000
	BT Institutional Liquidity Management Trust	-	3	-

\*\*Less than \$500.

The principal activity of the fund is denoted by the name of the fund.

## 12 Related party transactions (continued)

### Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

## 13 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b). Subsidiaries are recorded in the parent entity within financial assets held at fair value through profit or loss.

Name of entity	Country of domicile	Fair value		Equity holding **	
		2011 \$'000	2010 \$'000	2011 %	2010 %
Grosvenor AUD Feeder Fund, Ltd	Cayman Island	102,203	199,973	100.00	100.00

\*\* The proportion of ownership interest is equal to the proportion of voting power held, in respect of decisions to alter the composition of the board. Voting rights in respect of all other decisions reside with the ordinary shareholders (Grosvenor Capital Management, L.P.).

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

	Consolidated Year ended		Parent Year ended	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Operating profit/(loss) for the year	(25,595)	70,491	(25,595)	70,491
Proceeds from sale of financial instruments held at fair value through profit or loss	88,663	372,001	87,196	540,200
Net (gains)/losses on financial instruments held at fair value through profit or loss	24,588	(72,535)	25,474	(70,116)
Net change in accrued income and receivables	17	5	9	14
Net change in payables	(240)	(478)	(81)	(190)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>87,433</b>	<b>369,484</b>	<b>87,003</b>	<b>540,399</b>

## 15 Events occurring after the reporting date

The Fund invests directly or indirectly in equities/property trusts and is consequently exposed to the market risk associated with these investments.

Since the end of the reporting period, share markets have experienced a period of significant volatility, impacting on the valuation of the investment portfolio.

As the investments are measured at their 30 June 2011 fair values in the financial report, this volatility in value is not reflected in the statement of comprehensive income or the balance sheet. Any volatility in the value of investments is reflected in the unit price of the Fund on a daily basis, and in the Fund's net assets for the relevant accounting period.

There were no other significant events which have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the balance sheet as at 30 June 2011 or on the results and cash flows of the Fund for the year ended on that date.

## 16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 33 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2011 and of its performance for the financial year ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director



Director

Sydney  
15 September 2011



## **Independent auditor's report to the unitholders of BT Global Return Fund**

### **Report on the financial report**

We have audited the accompanying financial report of BT Global Return Fund, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both BT Global Return Fund ("the Fund") and BT Global Return Fund Group ("the consolidated entity"). The consolidated entity comprises the Fund and the entity it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Fund comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the annual report to determine whether it contains any material inconsistencies with the financial report.

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion on the financial report*

In our opinion:

- (a) the financial report of BT Global Return Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a).

*Emphasis of Matter - going concern no longer appropriate*

Without qualifying our opinion, we draw attention to the following matter. As indicated in note 2(a) to the financial statements, the Trustees have resolved to terminate the Fund. As a result, the financial statements have been prepared on a liquidation basis and not on a going concern basis.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'SJ Smith'.

SJ Smith  
Partner

Sydney  
15 September 2011