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BT INVESTMENT MANAGEMENT LIMITED

ABN 28 126 385 822

AND ITS CONTROLLED ENTITIES

INTERIM PROFIT ANNOUNCEMENT

BT INVESTMENT MANAGEMENT LIMITED
ABN 28 126 385 822
AND ITS CONTROLLED ENTITIES

APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2015

The Directors of BT Investment Management Limited (BTIM or the Company) announce the results of the consolidated entity (BTIM Group) for the half year ended 31 March 2015 (prior corresponding period: half year ended 31 March 2014), which have been subject to review by our auditors, PricewaterhouseCoopers. The results are as follows:

Results for the half year ended 31 March 2015

	% Change	31 March 2015 \$'000
Total revenue and other income	(17.6)%	215,542
Net profit after income tax ¹	(20.9)%	61,937
Profit for the period attributable to members	(20.9)%	61,937
Interim 2015 Dividend – cents per security (40% franked ²)		17.0
Record date for determining entitlements to interim dividend		15 May 2015
Payment date for interim dividend		2 July 2015

Explanation of results:

¹ Net profit after tax (NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation of employees' equity grants, amortisation and impairment of intangible assets and fair value adjustments on equity-settled converting notes resulting from the acquisition of J O Hambro Capital Management (JOHCM). These non-cash charges are not considered by the Directors to be part of the underlying earnings of the BTIM Group and therefore the Directors believe that Cash NPAT is a more suitable measure of profitability. The adjustments made to NPAT to arrive at Cash NPAT to eliminate the impact of these IFRS adjustments are categorised as follows:

- amortisation of the equity grants less the after-tax cash costs of equity grants made in respect of the current year
- after-tax amortisation and impairment of intangible assets
- fair value adjustments on equity-settled converting notes

Cash NPAT for the half year ended 31 March 2015 was \$66,535,799 (2014: \$83,067,151) which is a decrease of 19.9% on prior year.

² The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

Dividend Reinvestment Plan

The Board has determined that the Dividend Reinvestment Plan (DRP) will remain active for the 2015 interim dividend. Shares issued under the DRP will be a zero discount to the allocation price as determined by the DRP Rules.

Shareholders who have not previously registered to participate in the DRP or who wish to alter their participation in the DRP, must complete a DRP Instruction Form and return it to BTIM's share registry, Link Market Services, by no later than 5.00pm on Monday, 18 May 2015. The DRP Instruction Form can be obtained at www.linkmarketservices.com.au.

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FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)

Other information

	31 March 2015	31 March 2014
Net tangible asset backing (cents per ordinary security)	40.9	27.3
Basic EPS (cents)	24.6	31.8
Diluted EPS (cents)	23.8	30.1
Final 2014 dividend paid during the period	\$52,891	
Dividend-linked coupon paid during the period ²	\$1,717	

² Dividend-linked coupons are payable on the converting notes issued as part of the acquisition of JOHCM.

Both the final 2014 dividend and dividend-linked coupon were paid on 19 December 2014.

Please refer to the attached 31 March 2015 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

Further information regarding BT Investment Management Limited and its business activities can be obtained by visiting the website at www.btim.com.au.

BT INVESTMENT MANAGEMENT LIMITED
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INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015

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The interim financial report was authorised for issue by the Company's Directors on 29 April 2015 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2014 and any public announcements made by BT Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015**

The Directors present their report on the consolidated entity (the BTIM Group) consisting of BT Investment Management Limited (BTIM or the Company) and the entities it controlled at the end of, or during, the half year ended 31 March 2015.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report:

James Evans
Emilio Gonzalez
Meredith Brooks
Brad Cooper
Andrew Fay
Deborah Page AM

Principal activities

The principal activity of the BTIM Group during the half year was the provision of investment management services. There has been no significant change in the nature of this activity during the half year ended 31 March 2015.

Review of operations

The BTIM Group continued to operate under two operating segments comprising of the investment management business in Australia (BTIM) and outside of Australia (BTIM UK). The statutory net profit after tax (NPAT)¹ of the BTIM Group for the half year ended 31 March 2015 was \$61,937,316 (2014: \$78,317,083).

The BTIM Group's cash net profit after tax (Cash NPAT) for the half year was \$66,535,799 (2014: \$83,067,151). The decrease on the prior half year is predominately driven by lower performance fee revenue which was \$37,984,049 compared to \$114,714,045 for the same period last year.

Average funds under management (FUM) for the half year increased 16.2 per cent on the prior half year to \$71.2 billion, assisted by positive markets which saw the average levels of the S&P/ASX 300 Index increase by 4 per cent and the MSCI ACWI (GBP) Index rise by 13 per cent when compared to the same period last year.

Base management fees increased 24% from \$137,780,263 to \$170,476,419 driven by higher average FUM and an increase in fee margins which expanded to 48 basis points from 45 basis points in the prior half year.

Total expenses of \$134,920,271 were lower than the \$159,073,500 in the prior half year largely impacted by the lower variable employee costs linked to the reduced performance fee revenue.

FUM as at 31 March 2015 was \$77.1 billion, an increase of 16.1% from the FUM of \$66.4 billion at 30 September 2014. The movement for the half year ended 31 March 2015 has been driven by net inflows of \$2.1 billion, a positive market and investment performance of \$7.2 billion, and a weaker Australian dollar relative to the Pound sterling which contributed to a positive foreign exchange movement of \$1.4 billion.

¹ NPAT includes accounting adjustments required under International Financial Reporting Standards for amortisation of employee equity grants, amortisation and impairment of intangible assets, and the fair value adjustments on equity-settled converting notes. These non-cash charges are not considered by the Directors to be part of the underlying earnings for the period and therefore the Directors believe that Cash NPAT is a more suitable measure of profitability. Cash NPAT comprises NPAT before amortisation of employee equity grants less the after-tax cash costs of grants made in respect of the current period, together with the after-tax amortisation and impairment of intangible assets recognised and the fair value adjustment on equity-settled converting notes issued as a result of the JOHCM acquisition.

**BT INVESTMENT MANAGEMENT LIMITED
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**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

Review of operations (continued)

Of the \$2.1 billion in net flows for the half year, \$2.7 billion came from the JOHCM suite of funds, largely via the higher margin wholesale channel (OEICs and US pooled funds). BTIM funds experienced net outflows of \$0.6 billion, mostly from lower margin products in the institutional channel and the legacy book.

Investment strategies in demand during the period included Global and European equities which took in net inflows of \$1.5 billion, Asian equities (+\$0.3 billion) and Fixed Income funds which saw net inflows of \$0.2 billion.

Reconciliation of statutory NPAT to Cash NPAT

	Half year ended 31 March 2015	Half year ended 31 March 2014
	\$'000	\$'000
Statutory NPAT	61,937	78,317
Add back: amortisation of employee equity grants	18,888	16,403
Deduct: cash cost of ongoing equity grants	(19,777)	(16,030)
Add back: amortisation and impairment of intangibles ²	3,970	4,713
Add back/(deduct): tax effect	1,518	(336)
Cash NPAT	66,536	83,067

Fund Linked Equity

The Fund Linked Equity (FLE) scheme is an equity scheme operated for JOHCM which rewards fund managers with BTIM equity as a result of growing their funds under management (FUM). It has been a successful part of the JOHCM business model in attracting new investment talent to the firm.

As outlined in the Remuneration Report contained in the Directors' Report for the year ended 30 September 2014, certain JOHCM fund managers have the ability to participate and receive equity grants under the FLE scheme. The FLE scheme allows fund managers to convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM ordinary shares. During the FLE scheme the fund managers have up to 7 years to grow their fee revenue and have optionality to convert into BTIM ordinary shares between years 3 and 7 based on a pre-determined formula. At the end of year 7 the fund managers must convert into BTIM ordinary shares which have a subsequent 5 year vesting period (referred to as BTT restricted shares).

The conversion formula takes into account fee revenue generated by the strategy, applies an operating margin and tax rate to provide for an after-tax return of the investment strategy, and then attributes an earnings multiple taking into account a number of factors. This creates an implied market value of the investment strategy which is then shared with the portfolio managers and delivered to them in the form of BTT restricted shares.

Upon conversion the fund managers' share of fee revenue they earn from their funds declines such that by the time of full conversion into BTT restricted shares, their share of fee revenue is 50% lower than at inception of the FLE scheme.

Subsequent to 31 March 2015, a number of JOHCM fund managers were awarded equity grants in the FLE scheme which have the ability to convert into BTT restricted shares over a period through to the year ending 30 September 2022. The fair value of the FLE grants have been independently valued and will be recognised as an expense in the Statement of Comprehensive Income over the life of the scheme.

² Amortisation and impairment of intangibles relates to fund and investment management contracts.

**BT INVESTMENT MANAGEMENT LIMITED
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**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

Review of operations (continued)

Fund Linked Equity (continued)

The FLE scheme is an equity settled scheme which is not subject to re-measurement after grant date. The value of the awards when converting into BTT restricted shares may therefore be different to the fair value of the awards determined at grant date.

As highlighted in the Remuneration Report for the year ended 30 September 2014, there were teams that at that date were contracted with their FLE awards and those that had rights to participate in the FLE scheme. Fund managers who had rights to participate in the scheme have received FLE awards subsequent to 31 March 2015 and are now active participants of the FLE scheme.

The value of BTT restricted shares that would be granted for the investment strategies now operating under the FLE scheme approximates \$167.4 million as at 31 March 2015 (\$74.6 million as at 30 September 2014).

The increase in the implied value of the FLE scheme as at 31 March 2015 as compared to 30 September 2014 can primarily be attributed to:

- a 26% increase in FUM from \$12.5 billion to \$15.9 billion ;and
- a 62% increase in the BTIM PE multiple used in the FLE conversion formula which has expanded from 14.0x to 22.7x.

The number of implied BTT restricted shares to allocate to the fund managers to meet the \$167.4 million conversion value equates to 19.1 million shares at 31 March 2015 based on a BTT Allocation Price of \$8.76 as determined by the scheme rules. This compares to 30 September 2014 where an implied allocation of 12.2 million BTT restricted shares was required to meet the \$74.6 million conversion value.

Assuming investment teams convert their revenue share into BTT shares in year 7 and BTIM meets the conversion by issuing shares, the profile of the issuance of the 19.1 million shares over the coming years can be seen in **Table 1**:

Table 1: Timing of shares required to meet FLE Conversion

Financial Years	FY15	FY16	FY17	FY18	FY19	FY20-22
Number of Shares to be issued (m)	-	-	17.4	-	1.3	0.4

The 19.1 million newly issued shares would increase the fully diluted share count by 6.4%. This compares to 4.1% as at 30 September 2014 for the issuance of 12.2 million shares in meeting the conversion value at that time.

As a consequence of the share issuance, fund managers receive a lower share of their fee revenue and shareholders share of revenue increases such that Cash earnings per share should be broadly neutral to positive provided FUM and management fee margins are maintained post conversion.

These figures will vary from year to year based on market movements, FUM growth, management fee margins, foreign currency, share price movements, and new teams participating in the FLE scheme.

**BT INVESTMENT MANAGEMENT LIMITED
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**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

Dividends

The Directors have resolved to pay a partly franked interim dividend and dividend-linked coupon of 17.0 cents (40% franked)³ per share (2014: 16.0 cents per share – 35% franked) on ordinary shares and converting notes. The amount of dividend and dividend-linked coupon which has not been recognised as a liability at 31 March 2015 is \$51.2 million (2014: \$47.7 million).

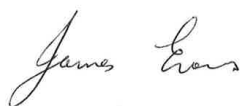
Rounding of amounts

The BTIM Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the Directors' report and financial report. Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars in accordance with that class order, unless otherwise stated.

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 9.

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



James Evans
Chairman
29 April 2015



Emilio Gonzalez
Director
29 April 2015

³ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.



Auditor's Independence Declaration

As lead auditor for the review of BT Investment Management Limited for the half-year ended 31 March 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BT Investment Management Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'V. Papageorgiou', written over the printed name.

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
29 April 2015

**BT INVESTMENT MANAGEMENT LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 MARCH 2015**

	Notes	31 March 2015 \$'000	31 March 2014 \$'000
Revenue from continuing operations			
Investment management fees	3	173,872	138,893
Performance fees	3	37,984	114,714
Property administration fees	3	-	1,719
		211,856	255,326
Other Income	4	3,686	6,404
Expenses			
Employee expenses			
Salaries and related expenses		80,295	109,146
Amortisation of employee equity grants		18,888	16,403
Fund administration		6,331	6,490
Depreciation, amortisation and impairment		4,790	5,577
Investment management		4,876	5,143
Business development and promotion		4,264	3,788
General office and administration		3,766	2,545
Professional services		3,249	2,389
Occupancy		2,723	2,236
Information and technology		3,172	2,483
Distribution		1,743	1,565
Finance costs	5	823	1,308
Total expenses		134,920	159,073
Profit before income tax		80,622	102,657
Income tax expense	6	18,685	24,340
Profit attributable to owners of BTIM		61,937	78,317
Other comprehensive income for the half year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	14	16,812	10,944
Net unrealised (loss)/gain on available-for-sale assets	14	3,808	(2,249)
Income tax relating to components of other comprehensive income	6, 14	(956)	469
Other comprehensive income, net of tax		19,664	9,164
Total comprehensive income for the half year attributable to owners of BTIM		81,601	87,481
Earnings per share for profit attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	17	24.6	31.8
Diluted earnings per share	17	23.8	30.1

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	Notes	31 March 2015 \$'000	30 September 2014 \$'000
Current assets			
Cash and cash equivalents	8	111,049	130,151
Trade and other receivables		57,708	45,935
Prepayments		4,492	4,580
Total current assets		173,249	180,666
Non-current assets			
Property, plant and equipment		1,944	2,347
Available-for-sale financial assets	9	85,321	87,560
Deferred tax assets		23,060	22,003
Intangible assets	10	597,201	586,597
Total non-current assets		707,526	698,507
Total assets		880,775	879,173
Current liabilities			
Trade and other payables		36,656	25,655
Employee benefits		61,121	82,377
Borrowings	9, 11	7,211	11,933
Converting Notes	9, 12	13,680	13,740
Lease incentive		675	599
Current tax liabilities		8,184	22,207
Total current liabilities		127,527	156,511
Non-current liabilities			
Employee benefits		6,575	19,999
Borrowings	9, 11	35,804	24,146
Converting Notes	9, 12	121	13,740
Lease incentive		-	387
Deferred tax liabilities		22,326	21,287
Total non-current liabilities		64,826	79,559
Total liabilities		192,353	236,070
Net assets		688,422	643,103
Equity			
Contributed equity	13	458,765	455,016
Reserves	14	150,208	115,967
Retained earnings		79,449	72,120
Total equity		688,422	643,103

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 MARCH 2015**

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2014		455,016	115,967	72,120	643,103
Profit for the half year		-	-	61,937	61,937
Other comprehensive income for the half year		-	19,664	-	19,664
Total comprehensive income for the half year		-	19,664	61,937	81,601
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		13,680	-	-	13,680
Treasury shares acquired		(30,956)	-	-	(30,956)
Treasury shares released	13, 14	9,471	(9,471)	-	-
Share-based payments		-	24,048	-	24,048
Dividend reinvestment plan		11,554	-	-	11,554
Dividends and dividend-linked coupons paid	7	-	-	(54,608)	(54,608)
		3,749	32,241	7,329	45,319
Balance at 31 March 2015		458,765	150,208	79,449	688,422

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2013		469,748	67,013	24,694	561,455
Profit for the half year		-	-	78,317	78,317
Other comprehensive income for the half year		-	9,164	-	9,164
Total comprehensive income for the half year		-	9,164	78,317	87,481
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		2,511	-	-	2,511
Treasury shares acquired		(40,324)	-	-	(40,324)
Treasury shares released	13, 14	8,948	(8,948)	-	-
Share-based payments		-	21,220	-	21,220
Dividend reinvestment plan		17,653	-	-	17,653
Dividends and dividend-linked coupons paid	7	-	-	(28,653)	(28,653)
		(11,212)	12,272	(28,653)	(27,593)
Balance at 31 March 2014		458,536	88,449	74,358	621,343

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 MARCH 2015**

	Notes	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
Cash flows from operating activities			
Fees and other income received		220,176	255,087
Interest received		278	233
Distributions from unit trusts		1,053	732
Expenses paid		(154,442)	(129,952)
Income tax paid		(28,991)	(12,495)
Net cash inflows from operating activities		38,074	113,605
Cash flows from investing activities			
Proceeds from sales of available-for-sale financial assets		42,541	18,855
Payments for available-for-sale financial assets		(23,792)	(42,840)
Payments for property, plant and equipment		(258)	(247)
Payments for IT development		(41)	(601)
Net cash inflows/(outflows) from investing activities		18,450	(24,833)
Cash flows from financing activities			
Payments for purchase of treasury shares		(30,956)	(40,324)
Proceeds from external borrowings		38,795	10,813
Repayment of borrowings		(33,225)	(16,327)
Interest and other financing costs		(647)	(824)
Dividends and dividend-linked coupons paid		(43,051)	(11,001)
Net cash outflows from financing activities		(69,084)	(57,663)
Net (decrease)/increase in cash and cash equivalents		(12,560)	31,109
Cash and cash equivalents at beginning of the period		130,151	83,649
Effects of exchange rate changes on cash and cash equivalents		(6,542)	(7,078)
Cash and cash equivalents at the end of the period		111,049	107,680

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2015**

1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2015

This interim financial report for the half year ended 31 March 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2014 and any public announcements made by BTIM during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

New accounting standards and interpretations

The BTIM Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. New and revised Standards and Interpretations effective for the current reporting period that are relevant to the BTIM Group include:

AASB 2014-1 Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012

In June 2014 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. Relevant amendments to the BTIM Group include:

AASB 2, Share-based payments

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

AASB 8, Operating segments

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments are effective for annual periods beginning on or after 1 July 2014.

There has been no impact on the BTIM Group's disclosures as a result of applying the amendments.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

**1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2015
(continued)**

New and revised standards not mandatory and not adopted

AASB 9 *Financial Instruments*, and IFRS 9 *Financial Instruments* (2014) (effective for annual reporting periods beginning on or after 1 January 2018).

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in AASB 139 *Financial Instruments: Recognition and Measurement* with a single model that has two classification categories: amortised cost and fair value.

The standard is not expected to have a material impact on the Company's accounting for its financial assets or related disclosures.

AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard is not expected to have a material impact on the current period or any prior period and is not likely to affect future periods.

2. SEGMENT INFORMATION

(a) Description of segments

The BTIM Group has identified two operating segments based on internal management reports that are reviewed and used by the chief operating decision-maker (CODM) in assessing performance and in determining the allocation of resources. The CODM is BTIM's Senior Management Team.¹ Segment information is provided on the basis by which the BTIM Group manages its business which is split by the BTIM Group's investment management business in Australia (BTIM) and the BTIM Group's investment management business outside of Australia (BTIM UK). BTIM UK comprise the JOHCM Group of companies together with external debt financing in the UK.

¹ BTIM's Senior Management Team comprises the Chief Executive Officer of BTIM, Chief Executive Officer of JOHCM, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Sales & Marketing, Head of Corporate Development, Head of Investment Products and Head of Human Resources.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

2. SEGMENT INFORMATION (continued)

(b) Segment information provided to the chief operating decision-maker

	BTIM		BTIM UK		Total Group	
	31 Mar 2015 \$'000	31 Mar 2014 \$'000	31 Mar 2015 \$'000	31 Mar 2014 \$'000	31 Mar 2015 \$'000	31 Mar 2014 \$'000
Revenue	70,250	67,006	145,292	194,724	215,542	261,730
Inter-segment revenue	752	240	1,607	537	2,359	777
Total segment revenue	71,002	67,246	146,899	195,261	217,901	262,507
Inter-segment expense	(1,607)	(537)	(752)	(240)	(2,359)	(777)
Depreciation and amortisation	(543)	(585)	(277)	(279)	(820)	(864)
Finance costs	(387)	(839)	(436)	(469)	(823)	(1,308)
Other operating expenses	(49,484)	(47,043)	(80,711)	(104,772)	(130,195)	(151,815)
Total segment expenses	(52,021)	(49,004)	(82,176)	(105,760)	(134,197)	(154,764)
Income tax expense	(5,962)	(5,561)	(11,206)	(19,115)	(17,168)	(24,676)
Cash NPAT	13,019	12,681	53,517	70,386	66,536	83,067
Deduct: amortisation of employee equity grants	(9,740)	(10,507)	(9,148)	(5,896)	(18,888)	(16,403)
Add back: cash cost of ongoing equity grants	6,866	6,249	12,911	9,781	19,777	16,030
Deduct: amortisation and impairment of intangibles	-	-	(3,970)	(4,713)	(3,970)	(4,713)
Deduct: loss on financial liabilities at fair value through profit & loss	-	-	-	-	-	-
Add back: tax effect	514	818	(2,032)	(482)	(1,518)	336
Statutory NPAT	10,659	9,241	51,278	69,076	61,937	78,317
Segment assets	361,124	347,982	519,651	494,028	880,775	842,010
Segment liabilities	(55,820)	(126,271)	(136,533)	(94,396)	(192,353)	(220,667)
Net assets	305,304	221,711	383,118	399,632	688,422	621,343

The CODM assesses the performance of the operating segments based on a measure of Cash NPAT. This measurement basis excludes the amortisation of equity-settled share-based payments, and includes the after-tax cash costs of equity grants made in respect of the current period. Cash NPAT also excludes the after-tax amortisation and impairment of intangibles relating to fund and investment management contracts and fair value adjustment on converting notes recognised as a result of the acquisition of JOHCM. These non-cash charges are not considered by the Company to be part of the BTIM Group's underlying operations.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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3. REVENUE FROM CONTINUING OPERATIONS

	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
Management, fund and trustee fees	169,902	137,226
Performance fees	37,984	114,714
Property administration fees	-	1,719
Service fees from related parties	746	785
Expense recoveries	574	554
Transaction fees	2,205	-
Other revenue	445	328
Total revenue from continuing operations	211,856	255,326

4. OTHER INCOME

	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
Distributions from unit trusts	1,025	780
Interest revenue	278	233
Net gain on sale of available-for-sale financial assets	4,488	4,554
Net foreign exchange (loss)/gain	(2,105)	837
Total other income	3,686	6,404

5. FINANCE COSTS

	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
Interest and finance charges paid / payable for borrowings	647	824
Net foreign exchange loss on borrowings	176	484
Total other income	823	1,308

6. INCOME TAX EXPENSE

	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
(a) Income tax expense		
Current tax	14,970	21,973
Deferred tax ¹	3,717	2,411
Adjustments for current tax of prior periods	(2)	(44)
Income tax expense	18,685	24,340

¹ Deferred income tax expense/(revenue) included in income tax expense comprises:

Decrease in deferred tax assets	4,530	3,925
Decrease in deferred tax liabilities	(813)	(1,514)
Total (decrease)/increase in deferred tax	3,717	2,411

(b) Tax expense relating to items of other comprehensive income

Available-for-sale financial assets	956	(469)
	956	(469)

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6. INCOME TAX EXPENSE (continued)

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction, adjusted for temporary differences and tax relating to prior periods. The main corporate tax rates applicable for the current period are 30% (2014: 30%) on Australian taxable income and 20.5% (2014: 22%) on UK taxable income.

7. DIVIDENDS

	Half year ended 31 March 2015 \$'000	31 March 2014 \$'000
Ordinary shares		
Dividend paid during the half year	52,891	27,097
Dividend proposed and not recognised as a liability at the end of the half year	49,709	45,236
Converting notes		
Dividend-linked coupon paid during the half year	1,717	1,556
Dividend-linked coupon proposed and not recognised as a liability at the end of the half year	1,537	2,488

8. CASH AND CASH EQUIVALENTS

	31 March 2015 \$'000	30 September 2014 \$'000
Cash at bank and in hand	26,774	29,650
Deposits at call	84,275	100,501
	111,049	130,151

Deposits at call are invested in cash management trusts managed by the BTIM Group.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The BTIM Group classifies its financial assets in the following categories: receivables and available-for-sale financial assets. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets through profit or loss or loans and receivables. Management determines the classification of the BTIM Group's investments at initial recognition depending on the purpose for which the investments and other financial assets were acquired.

The BTIM Group's financial liabilities are categorised as borrowings, comprising bank debt and loan notes; and converting notes. Financial liabilities are recognised in the Consolidated Statement of Financial Position when the BTIM Group becomes party to the contractual provision of an instrument which is initially recognised at fair value plus transaction costs. Financial liabilities are recognised when an obligation arises and derecognised when it is discharged, cancelled or expires.

(a) Fair value hierarchy

The BTIM Group classifies 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.

31 March 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Carrying amount \$'000
Financial assets					
Available-for-sale assets:					
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	-	-	100	100	100
Shares in James Hambro & Partners LLP ¹	-	-	225	225	225
Units held in pooled funds ²	-	84,996	-	84,996	84,996
Units held in a listed property trust ²	-	-	-	-	-
Total financial assets	-	84,996	325	85,321	85,321
Financial liabilities					
Borrowings	43,015	-	-	43,015	43,015
Converting notes	-	13,801	-	13,801	13,801
Total financial liabilities	43,015	13,801	-	56,816	56,816

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Fair value hierarchy (continued)

31 March 2014	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Available-for-sale assets:					
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	-	-	100	100	100
Shares in James Hambro & Partners LLP ¹	-	-	209	209	209
Units held in pooled funds ²	-	77,501	-	77,501	77,501
Units held in a listed property trust ²	3,129	-	-	3,129	3,129
Total financial assets	3,129	77,501	309	80,939	80,939
Financial liabilities					
Borrowings	47,735	-	-	47,735	47,735
Converting notes	-	27,480	-	27,480	27,480
Total financial liabilities	47,735	27,480	-	75,215	75,215

¹ James Hambro & Partners LLP is an independent private asset management partnership business.

² These securities represent shares held in offshore unlisted pooled funds managed by the BTIM Group and units held in a listed property trust and are measured at fair value. The fair value of the listed property trust is measured with reference to the quoted market price.

(b) Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and do not rely on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3, as is the case for unlisted equity securities.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, the BTIM Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Specific valuation techniques used to value financial instruments include:

Pooled funds

JOHCM has two open-ended investment companies (OEICs), domiciled in the United Kingdom and Ireland, and two investment trusts domiciled in the United States of America responsible for the JOHCM mutual fund range and Delaware statutory trusts. The investment vehicles have a single price directly linked to the value of the funds' underlying investments. Each investment vehicle acts as an umbrella scheme over various sub-funds each with their own investment strategies. The fair value of investments is measured with reference to the underlying net asset values of the pooled funds.

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9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Borrowings

The borrowings held by the BTIM Group comprise a revolving loan facility with Westpac Banking Corporation and loan notes issued to JOHCM employees in October 2011. Both are denominated in GBP with the loan expiring on 30 September 2016 and the loan notes redeemable over a two year period, maturing over a period of two to four years. The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the BTIM Group for similar financial instruments. The fair value of non-current borrowings approximates the carrying amount, as the impact of discounting is not significant.

Converting notes

The converting notes were issued to JOHCM employees in October 2011 and subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided certain conditions are met. The value of the converting notes represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. Fair value is determined by using option pricing models which incorporate the BTIM share price, time to conversion, dividend yield and volatility in the BTIM share price and is measured with reference to the fair value of BTIM ordinary shares at the date at which they were granted. The fair value has been adjusted to reflect the number of converting notes that are expected to convert into BTIM ordinary shares.

(c) Unobservable inputs

The following table represents the movement in level 3 financial instruments:

	Shares in Regnan \$'000	Shares in James Hambro & Partners LLP \$'000	Total fair value – Level 3 \$'000	Carrying amount \$'000
Balance at the beginning of the financial period	100	209	309	309
Effects of foreign exchange movements	-	16	16	16
Balance at the end of the financial period	100	225	325	325

Level 3 securities are measured at cost, which approximates the fair value of the shares held based on the net assets of the company at balance date.

The finance department of the BTIM Group performs the valuations for level 3 fair values for financial reporting purposes. The valuations are carried out half-yearly in line with the BTIM Group's reporting dates.

Changes in level 2 and 3 fair values are analysed at each reporting date and there were no transfers between levels 2 and 3 during the financial period.

(d) Fair value of other instruments

The BTIM Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to the short-term nature of the current receivables, current payables and current borrowings, the carrying amount is assumed to approximate their fair value.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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10. INTANGIBLE ASSETS

	31 March 2015 \$'000	30 September 2014 \$'000
Goodwill		
Cost	493,526	483,038
Accumulated impairment	-	-
Net carrying value	493,526	483,038
Fund and investment management contracts		
Cost	144,184	138,373
Accumulated amortisation and impairment ¹	(41,598)	(36,021)
Net carrying value	102,586	102,352
IT development and software		
Cost	2,181	2,139
Accumulated amortisation	(1,092)	(932)
Net carrying value	1,089	1,207
Total intangible assets		
Cost	639,891	623,550
Accumulated amortisation and impairment	(42,690)	(36,953)
Net carrying value	597,201	586,597

¹ The impairment loss of \$182,532 (2014:\$1,025,871) due to the remeasurement of the fund and investment management contracts to the lower of their carrying value or their recoverable amount is included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Reversal of impairment losses are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Fund and Investment management contracts were acquired via the business combination with JOHCM and are made up as follows:

	31 March 2015 \$'000	30 September 2014 \$'000
<i>Fund management contracts</i>		
OEIC fund management contracts	88,759	88,383
<i>Investment management contracts</i>		
Segregated mandates	13,827	13,969
Total fund and investment management contracts	102,586	102,352

The recoverable amount of each fund and management contract has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections (post tax) is 13% (2014:13%), based on the cost of capital.

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**NOTES TO THE FINANCIAL STATEMENTS
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10. INTANGIBLE ASSETS (continued)

Goodwill has been derived from the following business combinations:

	31 March 2015 \$'000	30 September 2014 \$'000
Purchase of the investment management business from Westpac Banking Corporation on 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	260,226	249,738
Total goodwill	493,526	483,038

Goodwill is allocated to the BTIM Group's cash-generating units (CGUs) identified according to operating segments (refer Note 2). Goodwill attributable to BTIM and BTIM UK is \$233,300,000 and \$260,226,175 respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost to sell' methodology that utilises cash flow projections (post tax) based on management's best estimates over a 5 year period and then applying a terminal value in perpetuity of 3%. The discount rate used to discount the cash flow projections for BTIM and BTIM UK are 11.5% and 13% (2014: 11.5% and 13%) respectively based on the cost of capital (post tax) for each of these CGU's.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 31 March 2015.

There has been no impairment of goodwill during the half year ended 31 March 2015. The amount of goodwill relating to the JOHCM acquisition has been translated from the British pound to Australian dollar using the spot rate at 31 March 2015.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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11. BORROWINGS

	31 March 2015 \$'000	30 September 2014 \$'000
Current	7,211	11,933
Non-current	35,804	24,146
Total borrowings	43,015	36,079

Details of borrowings, including accrued interest, are as follows:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
As at 31 March 2015					
Bank loans					
Revolving loan facility	148	35,804	-	-	35,952
Loan notes	7,063	-	-	-	7,063
Total Borrowings	7,211	35,804	-	-	43,015
As at 30 September 2014					
Bank loans					
Revolving loan facility	57	24,146	-	-	24,203
Loan notes	11,876	-	-	-	11,876
Total Borrowings	11,933	24,146	-	-	36,079

Bank Loans

The BTIM Group has an \$87 million (£45 million) revolving loan facility with Westpac Banking Corporation which is denominated in GBP and expires on 30 September 2016.

An amount of \$ 35.8 million (£18.5million) (2014: \$24 million (£13 million)) is drawn and \$51.3million (£26.5million) (2014: \$60 million/ £32 million) remains undrawn at 31 March 2015. BTIM is the guarantor on the borrowing facility. Interest on draw-downs has been fixed for between 1 and 12 months.

Loan notes

Loan notes are denominated in GBP and were issued to JOHCM employees in October 2011. The loan notes are redeemable over a two year period and mature over a period of two to four years. Interest accrues at a fixed rate per annum payable annually.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. CONVERTING NOTES

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
31 March 2015					
Converting notes	13,680	121	-	-	13,801
30 September 2014					
Converting notes	13,740	13,740	-	-	27,480

The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided certain conditions are met. The value of the converting notes represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The fair value of the converting notes at balance date has been determined with reference to the BTIM share price at 31 March 2015, which has resulted in no charge being recognised in the Consolidated Statement of Comprehensive Income during the financial period (period to 31 March 2014:\$nil).

The dividend-linked coupon payment dates and distribution rates on converting notes will be the same as those dividends declared on ordinary shares.

On 31 October 2014 6,314,377 converting notes converted into 6,314,377 BTIM ordinary shares (refer Note 13).

13. CONTRIBUTED EQUITY

	31 March 2015 \$'000	30 September 2014 \$'000
Ordinary shares	584,600	559,366
Treasury shares	(125,835)	(104,350)
Total contributed equity	458,765	455,016

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13. CONTRIBUTED EQUITY (continued)

	31 March 2015 Shares ('000)	31 March 2015 \$ ('000)	30 September 2014 Shares ('000)	30 September 2014 \$ ('000)
Movements in ordinary shares during the period				
Balance at the beginning of the period	284,385	559,366	282,727	548,584
Converting notes converted into ordinary shares	6,314	13,680	-	-
Dividend reinvestment plan	1,709	11,554	1,658	10,782
Balance at the end of the period	292,408	584,600	284,385	559,366
Movements in treasury shares during the period				
Balance at the beginning of the period	(35,482)	(104,350)	(33,767)	(90,048)
Treasury shares acquired	(4,758)	(30,956)	(2,115)	(15,818)
Treasury shares released	4,469	9,471	400	1,516
Balance at the end of the period	(35,771)	(125,835)	(35,482)	(104,350)
Total contributed equity	256,637	458,765	248,903	455,016

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of BTIM shareholders.

(b) Treasury shares

Treasury shares are those shares issued through the Initial Public Offer, and purchased as necessary, in order to meet the obligations of the BTIM Group under its employee share plans. These represent shares either held by the employee benefit trusts for future allocation or shares held by employees within BTIM Group share plans, subject to restrictions. These are recorded at cost and when restrictions on employee shares are lifted, the cost of such shares is written back to treasury shares. The corresponding offset is reflected in the share-based payment reserve. Details of the balance of treasury shares at the end of the half year were as follows:

	31 March 2015 Shares ('000)	31 March 2015 \$ ('000)	30 September 2014 Shares ('000)	30 September 2014 \$ ('000)
Unallocated shares held by trustee	17,053	83,300	15,746	70,973
Shares allocated to employees	18,718	42,535	19,736	33,377
Balance at the end of the period	35,771	125,835	35,482	104,350

(c) Capital management

The BTIM Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and maintain an optimal capital structure.

The Board monitors NPAT, cash, tax and other financial factors in order to maintain or adjust the capital structure. The BTIM Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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13. CONTRIBUTED EQUITY (continued)

The BTIM Group has two employee benefit trusts, the trustees of which purchase BTIM shares, intended to be used to satisfy the BTIM Group's obligations under the employee share plans.

BTIM operates two discrete legal entities for its funds management business in Australia. BT Investment Management (Fund Services) Limited (BTIM FS) acts as responsible entity of the BTIM registered and unregistered trusts, and BT Investment Management (Institutional) Limited (BTIMI) provides investment management services to institutional clients as well as to all of BTIM's registered and unregistered trusts.

Both BTIM FS and BTIMI are required to maintain minimum capital requirements as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions. Both entities have complied with all conditions during the half year ended 31 March 2015.

J O Hambro Capital Management Limited is also required to maintain minimum capital requirements as part of its licencing requirements with the Financial Conduct Authority in the UK. JO Hambro Capital Management Limited has complied with all capital requirements during the half year ended 31 March 2015.

14. RESERVES

	31 March 2015 \$'000	30 September 2014 \$'000
Common control reserve		
Balance at the beginning of the financial period	(25,472)	(25,472)
Balance at the end of the financial period	(25,472)	(25,472)
Share-based payment reserve		
Balance at the beginning of the financial period	80,636	64,162
Share-based payments expense	18,888	15,967
Deferred tax	5,160	2,023
Treasury shares released	(9,471)	(1,516)
Dividend and dividend-linked coupon paid	-	-
Balance at the end of the financial period	95,213	80,636
Foreign currency translation reserve		
Balance at the beginning of the financial period	56,070	46,039
Currency translation difference arising during the year	16,812	10,031
Balance at the end of the financial period	72,882	56,070
Available-for-sale-financial assets reserve		
Balance at the beginning of the financial period	4,733	3,720
Revaluation	3,683	805
Exchange differences	125	58
Deferred tax	(956)	150
Balance at the end of the financial period	7,585	4,733
Total reserves	150,208	115,967

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14. RESERVES (continued)

Common control reserve

The common control reserve relates to the BTIM purchase of the investment management business from a number of wholly owned subsidiaries of Westpac Banking Corporation effective 19 October 2007. Any difference between the cost of acquisition (fair value of consideration paid), and the amounts at which the assets and liabilities are recorded, has been recognised directly in equity as part of a business combination under the common control reserve.

Share-based payment reserve

The share-based payment reserve comprises the amortised portion of the fair value of equity instruments granted to employees for no consideration, recognised as an expense. Deferred tax in relation to amounts not recognised in the Consolidated Statement of Comprehensive Income is also recognised in the share-based payment reserve. The balance of the share-based payment reserve is reduced by the payment of certain dividends not paid from retained earnings, where the requirements of the Corporations Act are met.

Foreign currency translation reserve

Exchange differences arising on the translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Available-for-sale financial assets reserve

The available-for-sale financial assets reserve represents changes in the fair value and exchange differences arising on translation of investments, classified as available-for-sale financial assets. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

15. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The BTIM Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 31 March 2015 as they are not able to be estimated or measured reliably and may change significantly. All fees are exposed to significant risk associated with the funds' performance, including market risks (such as price risk, interest rate risk and foreign exchange risk) and liquidity risk.

UK tax liability

The BTIM Group is currently in discussions with the UK tax authorities regarding the treatment of certain prior period tax deductions. The amount which is currently being disputed approximates \$12.6 million (£6.5 million), plus any interest and/ or penalties. Under the terms of the Share Purchase Agreement (SPA) BTIM is indemnified by the sellers.

Guarantee on bank loans

BTIM has entered into a guarantee with Westpac Banking Corporation in relation to the debts of its subsidiary BTIM UK Limited.

Capital guarantee

BTIM has guaranteed the obligations of BTIMI to its institutional clients. The effect of the guarantee which is capped at \$5 million will provide recourse to capital exceeding the minimum regulatory capital required to be maintained by BTIMI.

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 31 March 2015, none of those contingent obligations are anticipated to result in any material loss.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

16. SUBSEQUENT EVENTS

Subsequent to end of the interim period a number of JOHCM fund managers were awarded equity grants under the Fund Linked Equity (FLE) scheme. Details of the scheme are outlined in the review of operations contained in the Directors' Report.

No other matter or circumstance which is not otherwise reflected in this Financial Report has arisen subsequent to the end of the interim period, which has significantly affected or may significantly affect the operations of the BTIM Group, the results of those operations or the state of affairs of the BTIM Group in subsequent financial periods.

17. EARNINGS PER SHARE (EPS)

	31 March 2015 Cents per share	31 March 2014 Cents per share
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of BTIM	24.6	31.8
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of BTIM	23.8	30.1
(c) Reconciliation of earnings used in calculating earnings per share	31 March 2015 \$'000	31 March 2014 \$'000
<i>Basic earnings per share</i>		
Profit attributable to owners of BTIM used in calculating basic earnings per share	61,937	78,317
<i>Diluted earnings per share</i>		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	61,937	78,317

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AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2015 (CONTINUED)**

17. EARNINGS PER SHARE (continued)

(d) Weighted average number of shares used as the denominator	31 March 2015 Number of shares '000	31 March 2014 Number of shares '000
Weighted average number of ordinary shares on issue	290,591	281,004
Treasury shares	38,802	34,642
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	251,789	246,362
<i>Adjustment for calculation of diluted earnings per share</i>		
Weighted average number of converting notes ¹	8,532	13,732
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	260,321	260,094

¹ Converting notes issued on 26 October 2011, totalling 9,039,225 at 31 March 2015, are considered potential ordinary shares and have been included in the determination of diluted earnings per share from their issue date.

Options totalling 9,309,455 and performance share rights totalling 3,469,117 issued to staff of the BTIM Group have not been included in the calculations of diluted EPS for the period ended 31 March 2015. This is because ordinary shares will be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 MARCH 2015**

In the Directors' opinion:

(a) the financial statements and notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the BTIM Group's financial position as at 31 March 2015 and of its performance, for the half year ended on that date; and

(b) there are reasonable grounds to believe that BT Investment Management Limited will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board.



James Evans
Chairman



Emilio Gonzalez
Director

Sydney, 29 April 2015

Independent auditor's review report to the members of BT Investment Management Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BT Investment Management Limited, which comprises the consolidated statement of financial position as at 31 March 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for BT Investment Management Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BT Investment Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BT Investment Management Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year ended on that date;
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou
Voula Papageorgiou
Partner

Sydney
29 April 2015