



**BT Investment
Management Limited**
Annual Report 2011



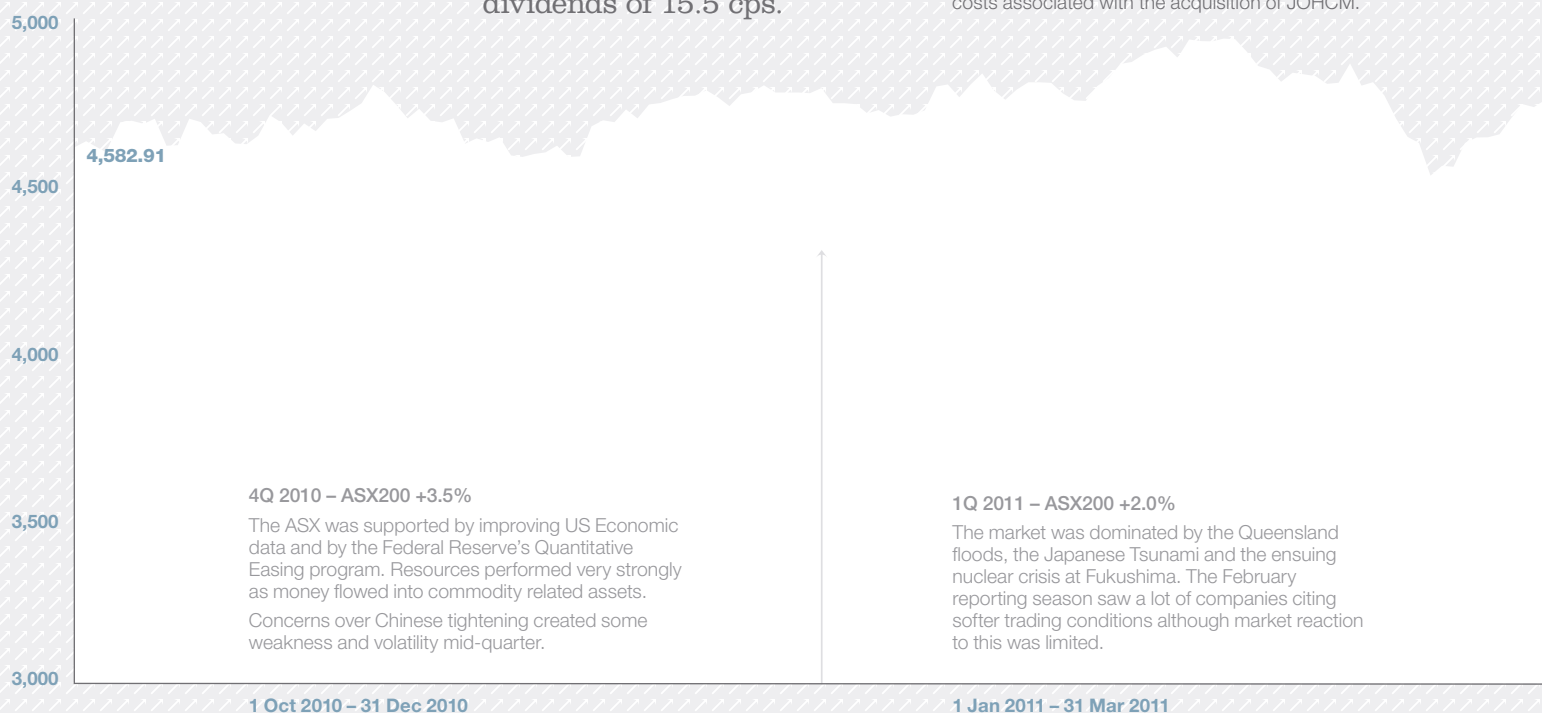
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Against a backdrop of volatile and challenging market conditions, we have delivered a normalised Cash NPAT¹ of \$30.5m, slightly below the previous year's result of \$30.9m. Importantly, during the year we made progress on a number of our strategic initiatives. The most significant was the announcement of the acquisition of JOHCM, a boutique investment manager in the UK. This is a transformational initiative for BTIM and will serve to underpin our drive for growth and diversification of the business delivering value to clients and shareholders alike.

- Cash NPAT¹ eased slightly down 1% due to revenue decline on lower average FUM and lower performance fees.
 - Successful cost control delivered a 2% decrease in cash expenses despite investment in strategic initiatives.
 - Dividends for the year totalled 16.0 cps, an increase of 3% on last year's interim and final dividends of 15.5 cps.
 - Despite challenging markets, fund performance has been strong with the majority of our flagship funds in either quartile 1 or 2 over the past 12 months.
 - During the year, we remained focused on our strategy and executed on a number of fronts, in particular the acquisition of JOHCM.
1. Cash NPAT for the 2011 Financial Year has been normalised to exclude the one-off transaction costs associated with the acquisition of JOHCM.

ASX200 Performance
1 year to 30 September 2011



Revenue

\$126.6m

Down 2% from last year

Cash Expenses

\$82.8m

Down 2% from last year

Closing FUM

\$32.7b

Down 8% from last year

Average FUM

\$35.1b

Down 1% from last year

Interim and Final Dividends

16.0 cps

Up 3% from last year

Cash NPAT

\$30.5m

Down 1% from last year

2Q 2011 – ASX200 –4.8%

The market was down as macro economic concerns dominated sentiment, with European debt worries, the strength of the US recovery and monetary tightening in China worrying investors.

Investors also contemplated the end of the Quantitative Easing program.

3Q 2011 – ASX200 –13.0%

Acceptance of a prolonged lower growth environment in the US, escalating worries over public debt levels and eroding confidence in the major political players' ability to resolve both the US and Eurozone issues severely dented investor sentiment in the final quarter of the year.

4,008.60

Brian Scullin

Chairman



The year in review

On behalf of the Board I am pleased to present BTIM's fourth annual report in a year in which management made substantial progress on our three key strategic initiatives to position BTIM as the premier investment management firm.

If we take a look at the year first, we announced a sound result with Cash NPAT on a normalised basis of \$30.5m, compared to \$30.9m in the 2010 Financial Year.

Key highlights were as follows:

	FY11	FY10
Cash NPAT (normalised)	\$30.5m	\$30.9m
Cash earnings per share	18.7 cps	19.3 cps
Fully franked dividends	16.0 cps	15.5 cps
Average FUM	\$35.1b	\$35.3b

Being inextricably linked to the performance of the equity markets, these results should be viewed against the backdrop of economic conditions, investor sentiment and equity market performance. It has certainly been another volatile year, with global issues around European sovereign debt and the strength of the US economy dominating domestic thinking.

In Australia, management of the economy has proven challenging with headwinds from the comparatively high interest rates, a strong Australian dollar and a much discussed 'two speed' economy. With the markets finishing in negative territory for the year ended 30 September 2011 (the All Ordinaries Price Index closed down 12%), retail confidence in riskier asset classes such as equities has not yet returned and retail flows were again soft during the year.

The broadly stable results for the 2011 Financial Year prove the resilience and the flexibility of the multi-boutique business model, through turbulent times. Our results are explained in more detail in the Business Update section of this annual report.

Turning to capital management, the Board has declared interim and final dividends of 6 cps and 10 cps share respectively this financial year, bringing total dividends for the year to 16 cps share, an increase of 3% on the 2010 Financial Year. The final dividend applies to all shares on record at 2 December 2011, including those issued as part of the recently completed entitlement offer. The payout ratio for the year is 127% of normalised Cash NPAT. Dividends per share approximate 85% of earnings per share. The Board intends to continue to target an annual payout ratio of between 80-90% of Cash NPAT.

J O Hambro Capital Management (JOHCM)

The major strategic initiative during the year was the acquisition of JOHCM, a boutique, investment management firm based in the United Kingdom with investment management capabilities in UK, European, global, Asian and emerging markets portfolios.

Our CEO, Emilio Gonzalez, discusses the reason for the acquisition and the benefits that JOHCM will bring to the Company, its clients and shareholders in greater depth in his report. From the Board's perspective, I want to make a few comments regarding the benefits of diversification from the deal and the matters of gearing and franking.

First, we consider that this is a landmark transaction for BTIM which will transform us into a more diversified investment management business with stronger growth prospects. The acquisition will make a meaningful contribution to the profitability of the BTIM Group over time and will be beneficial to clients and shareholders alike.

With the current level of turmoil in the markets, it is essential to provide a range of investment alternatives to our clients and diversify risk away from any individual funds, managers or strategies. The acquisition of JOHCM goes a long way towards achieving this goal of diversification and risk management. JOHCM rebalances our portfolio to give us broadly an even spread of funds under management between Australian equities, international equities, cash and other assets.

Secondly, as part of the funding for the JOHCM acquisition, BTIM entered into £52m (\$83m) of debt arrangements and drew down approximately £42m on completion of the transaction. While this introduces gearing to the BTIM balance sheet, the Directors are comfortable given the high level of interest coverage and the low gearing ratio.

Thirdly, while franking levels are expected to be sustainable for the next two years, thereafter franking levels are expected to decline significantly given the large portion of BTIM's earnings which will be generated offshore. The Board took this into consideration when assessing the merits of the acquisition and concluded that the benefits from growth and diversification outweighed the disadvantages of decreasing franking cover.

Finally, I would like to note how supportive our majority shareholder, Westpac, has been since we first approached them to support the proposal and to participate in the entitlement offer.

Board composition

At the end of September we announced the appointment of Mr Andrew Fay to the Board as an Independent Non-executive Director. Mr Fay is a non-executive director of Spark Infrastructure RE Limited. He was Chairman and a non-executive director of Deutsche Asset Management (Australia) Limited prior to taking up his position on the Board.

His executive background includes Deutsche Asset Management (Australia) Limited where he worked for 13 years, including as Chief Executive Australia from 2005 to 2008 and Chief Investment Officer Australia from 2000 to 2008. From 1998 to 2002, he was also a member of the Financial Services Council Investment Committee. With a long executive career in financial services, Mr Fay's appointment will both broaden and deepen the financial management skills on the Board.

Conclusion

In summary, we have produced a sound result for the 2011 Financial Year, against a backdrop of turbulent markets. Our fund performance held up in the volatile conditions and we have again focused on cost control while investing for growth.

Importantly, we have the strategy in place for growth and diversification, providing direction to our initiatives. The acquisition of a strongly performing and growing, overseas funds management operation in JOHCM, was the significant initiative in the financial year.

While domestic markets continue to be volatile, and uncertainty remains about the extent of the global economic recovery and the satisfactory resolution of European sovereign debt issues, one has to be cautious about the short-term outlook. However medium to long-term fundamentals still remain positive in the Australian funds management industry, supported by the compulsory superannuation guarantee.

Brian Scullin
Chairman

Emilio Gonzalez

Chief Executive Officer



As I write this year's annual CEO report, it is in the midst of considerable global uncertainty and highly volatile financial markets. Our business income is highly reliant on both market levels and investor confidence. Both have been hit hard, particularly over the second half of the year.

FY11 results

Throughout this year, we remained focused on our strategy, executed on a number of fronts, and produced a Cash NPAT of \$30.5m (before the one-off expenses associated with the acquisition of JOHCM), slightly below the previous year's result of \$30.9m. Pleasingly, our ordinary dividends were up slightly on the previous year, to 16.0 cps from 15.5 cps.

Revenue for the year was down 2.0% to \$126.6m due to net outflows of \$1.4b (mainly in the legacy retail book). We have remained vigilant on our costs with total expenses for the year declining by 2.4% despite continued investment in growth initiatives, an outcome that our people have worked hard to achieve.

You will see that our earnings per share number was lower (–3.1%) than our top line earnings (–1.3%) which reflects the capital raised from the issue of new shares for the purchase of JOHCM in the last month of the financial year. The benefit of the earnings of the acquisition will be reflected in the 2012 Financial Year. This was an important initiative in meeting our strategic objectives and I will talk about this in greater detail later on.

In this annual report, the boutique heads for Equities Strategies, Macro Strategies and Income & Fixed Interest discuss their businesses and how they manage client funds. I encourage you to take the opportunity to read these reports as it provides an insight into how the majority of our \$32.7b of FUM have been invested on behalf of clients.

As flagged in last year's annual report, all three boutiques are now on profit share arrangements, ensuring alignment of our people, clients and shareholders. Our business model is to provide an environment for talented individuals to make investment decisions supported by a commonly shared, institutional grade platform. The success of the business can then be shared as a result of delivering value to clients. I believe our model provides us with a competitive advantage in attracting talent and I regularly receive interest from individuals and teams who see our proposition as a better alternative.

Within the Income & Fixed Interest boutique, team changes and the development of a new disciplined investment process have meant that we have improved our ratings over the range of income products we offer, resulting in a number of new investment mandates. Our Equity Strategies boutique has seen outflows during the course of the year as investors have shied away from equities to

more conservative assets despite improved investment performance from our funds. We continue to build our track record in Global Macro and have developed our balanced fund process whereby we have now won our first balanced institutional mandate for some time. These are all pleasing developments in difficult market conditions.

Investment markets

Turning to markets, it has been a tale of two halves. The Australian equity market performed reasonably well in the first half of the financial year, boosted by a strong resources sector and a global economic outlook that appeared more positive. As we moved into the second half of the year and from the time of the Japanese tsunami, global macro issues such as the Eurozone debt crisis, inflationary concerns over China and signs of weakness in the US economy progressively drove equity markets downwards and with them consumer confidence. As we start a new financial year, we do so with a market that is 12.2% lower than this time last year.

In Europe, concerns about government fiscal positions and the European banking system have been a constant point of anxiety and frustration. The collapse of the euro would be in no-one's interest. The solution requires strong resolution and leadership in order to provide confidence and clarity for the recapitalisation of Europe's banks, incorporating a possible default on Greek sovereign debt. This point is not controversial and is something markets have been calling for.

Debt crises are not new and neither are defaults. They are, in fact, as old as the bond market itself. In an ironic twist of history, the original sovereign debt market was developed in northern Italy and dates back to the 12th and 13th centuries. Since either 1880 or since their independence, most European countries have defaulted in one way or another. Spain has the worst record, defaulting 13 times. Even France and Germany have defaulted up to eight times. Greece has defaulted on five previous occasions and, contrary to popular opinion, Italy has only defaulted once.

In the absence of economic growth or currency devaluation and with interest rates that can go no lower, the only alternative solutions to debt reduction are higher taxes and cutting expenditure, inflation or default. If higher taxes and cuts in expenditure (politically unpopular) and inflation (unlikely given German monetary policy and absence of currency devaluation) are not the answer, then a default is the most probable outcome. Investors must be given confidence that, in such a scenario, the weakest banks have strong recourse to capital to call upon in the event of a fallout.

It is this ongoing uncertainty and lack of an acceptable resolution by the European authorities that has resulted in speculation and unprecedented levels of market volatility. Talk to people in the marketplace and the comments are universal "I've never experienced this much volatility". The numbers bear this out.

Viewed simplistically, over the past four years the Australian market has registered 120 days of market movements greater than 2% on any single trading day. On the same measure, the figure for the previous 16 years was 61 days. This is sapping investor confidence resulting in a growing call for portfolios to reduce risk exposure, ultimately leading to smaller allocations to growth assets such as equities.

In the context of this high volatility and lacklustre performance, exposure to growth assets may well be too high in balanced portfolios. However, with valuations arguably attractive and considerable risk factored into companies' multiples, are we not falling into the trap of buying high and selling low?

This should have been the argument when valuations were trading at higher levels and following four successive years of 20% plus returns between June 2003 and June 2007. The current market multiple (price earnings ratio) on next year's consensus earnings is trading well below 12 times. Historically, if you had bought the market at any time in the past 20 years when the one year prospective price earnings multiple was below 12 times earnings, on a three year time horizon, you would have made money 80% of the time (with an average cumulative return of 41.4%), or over a five year horizon you would have made money 90% of the time (with an average cumulative return of 80.4%). This means that on a three to five year outlook, if nothing else, valuations are with you, not against you.

Further, a number of quality Australian companies' forecast dividend yields are now trading at a good margin above cash rates – some in excess of 3% above cash rates. After taking into account franking credits, on a pre-tax basis, yields are twice the current cash rate of 4.75%. An attractive proposition if you are prepared to take a three to five year view.

This is not meant to be a forecast on the market but a reminder of the opportunities when valuations contract and risk aversion rises.

In the context of the global outlook, Australia continues to grow at a faster pace than the rest of the developed world. Whilst commentators have Europe and the US growing at between 0.5%–1.0% in 2012, Australia's growth rate is forecast around the 3.0% level. Our financial system and government fiscal position are among the strongest in the western world and, being linked into the rapidly growing Chinese economy, national income is strongly rising and creating an investment boom.

The side effect has been a higher currency, which has resulted in structural changes in the economy squeezing out exporters and creating a two speed economy. This in turn has led to a divergence in profits between sectors. As a major player in the Australian equity market, we see first hand from company management the divergent levels in business confidence that exist across sectors. The threat of the "Dutch disease" is real. So too are cycles in mining booms and hence the need to manage both.

Whilst the mining boom may have some years to run, booms are not everlasting and calls to establish a sovereign wealth fund are well founded. Of course, Australia has the Future Fund but the Future Fund was established to fund the cost of the public sector superannuation liability. We are in the midst of one of Australia's greatest mining booms with record terms of trade but there is not an unlimited supply of resources. The current boom should not be wasted and consideration should be given to how the wealth of a nation's natural resources can be shared with future generations.

Despite the challenges markets have thrown at us, the performance of our funds have held up very well with 84% of our funds outperforming their benchmarks over the past 12 months. This continues our strong record of delivering value to clients over multiple cycles but with an eye on risk along the way. Our style is one of active management and we seek to take positions based on our proprietary research.

As I have previously commented, investors need to understand that investing is a game of patience that will not necessarily deliver every year. By its very nature, active investing dictates taking a position against the market. It must be undertaken with a focus on the long term, a perspective that challenges one's resolve given the volatility and short-termism in the marketplace. You can find a table of our flagship funds and their investment performance in the Business Update section.

Strategic initiatives

During the course of the year we continued to build on our key strategic initiatives to grow our exposure in the wholesale market¹, maximise our competitive advantage from being part of The Westpac Group and expand our investment capabilities. All three initiatives are important in building our revenue through both distribution and a broader set of investment capabilities to be able to offer clients. Within the wholesale market, we have boosted our sales and marketing efforts and have been able to improve our position through increased representation on approved lists and dealer group model portfolios. We have worked closely with The Westpac Group to better identify our distribution reach and presence across the different channels and we have made significant progress in improving our competitive position in the income space as well as the prospects for our diversified funds. By far the biggest initiative we undertook during the year was the acquisition of JOHCM.

Expanding our investment capabilities

The acquisition of JOHCM, announced in July, aligns with the strategy outlined in my letter to shareholders last year around growth and diversification by expanding into other investment capabilities. In considering this initiative, we looked at both organic and acquisition opportunities. We pursued the acquisition path as the initiative needed to be of a size to make a meaningful contribution to our growth and diversification aspirations. Recognising the challenges that fund managers face in any form of acquisition, the criteria for such a strategy to proceed were specific and stringent, with the key being cultural and business alignment.

Our search led us to JOHCM, a boutique, active, equity investment manager based in London with 84 employees. The acquisition brings with it around \$10b in assets under management and a broad set of equity investment strategies across UK, Europe, Global/Far East, Japan, Asia and emerging markets.

JOHCM's client base is split roughly 50:50 between retail and institutional clients, the latter including UK and overseas public and corporate pension funds. In terms of where JOHCM's clients are located, the majority are in the UK but with an increasing presence in Europe, the US and Asia.

1. The wholesale market which BTIM is targeting covers financial advisers who provide advice to retail investors (generally individuals and small businesses). This market is heavily dependent on key intermediaries including independent research houses, wrap platforms and dealer groups who facilitate fund manager access into the retail investment market.

The business has been very successful as a result of its ability to attract and retain skilful fund managers with a long-term track record of strong investment performance. Their success has been recognised with two recent premier award wins – Specialist Group of the Year in 2011 by a leading UK investment publication, and as European Asset Management Company of the Year in 2010 from the Funds Europe Awards.

JOHCM was also seeking a long-term partner as 70% of the shares were held by uninvolved shareholders who wanted to exit at some point.

Importantly, JOHCM is aligned to BTIM in terms of investment philosophy and culture. Both houses promote independent investment decision-making with investment teams acting autonomously. Importantly, investment professionals are awarded on the success of their own funds.

Post acquisition, investment autonomy within JOHCM is retained and day-to-day operations remain unchanged with no fund manager changes. The acquisition has been very well received by clients and to-date I am pleased to report that there have not been any fund redemptions triggered by the acquisition, a traditional risk in investment management M&A deals.

Pleasingly, the funds flow into the JOHCM product range has continued over the September quarter with net positive flows of £319m (\$A509m²), despite declining and volatile markets and the announcement of the acquisition.

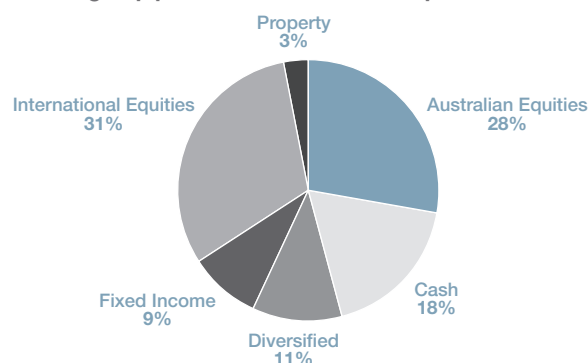
Benefits of the JOHCM acquisition

For BTIM, the acquisition will help drive growth, increase margins and enhance diversification.

Expanded growth opportunities exist through a broader set of products distributed across regions, expanding BTIM's client base. JOHCM has over \$18b of indicative capacity available across its existing strategies. JOHCM also has a policy of capping its funds to protect investment performance and clients' interests. Growth can be achieved through the addition of new strategies, either internally generated or through the addition of more teams, as well as entry into new markets and access to new clients.

BTIM margins at the group level will rise, given the higher margin business of JOHCM. JOHCM has been able to achieve revenue margins in excess of 60 bps across its portfolio due to its strong and consistent investment performance and capacity management. BTIM's base management fee margins have historically been around 34 bps due to a higher portion of the book, up to \$14.7b, in lower margin cash and fixed interest funds.

Combined group proforma FUM as at 30 September 2011 \$42.6b



The diversification benefits are several and in particular reduce BTIM's reliance on any single fund, strategy or individual. This combination creates a more balanced portfolio, with our funds under management split broadly one-third in Australian equities, one-third in international equities and one-third in cash, fixed interest and other assets. Our exposure to Australian equities revenue reduces materially from 60% to around 40% and international equities now form over 40% of the combined group revenue.

The JOHCM business will approximate 50% of the combined group earnings on a go-forward basis. This needed to be a meaningful percentage, as the employees at JOHCM need to be aligned – like BTIM employees so that they can have an impact on the value of equity. This is an important building block towards alignment.

No acquisition of course is complete unless it delivers value to shareholders. Whilst there is strategic value in a more diverse portfolio and lower revenue volatility, our focus is on delivering an outcome that is earnings per share accretive as outlined in the prospectus dated 19 August 2011.

I take this opportunity to welcome JOHCM employees as new shareholders of BTIM and very much look forward to working with our new colleagues in making this venture a success.

Although the JOHCM acquisition was significant in resource commitment, we did not lose focus on our other key strategic priorities around growing our exposure to the wholesale market and maximizing our competitive advantage as part of The Westpac Group.

2. Based on an exchange rate of £0.6265/A\$1.00 as at 30 September 2011.

Growing our exposure in the wholesale market

The past year has been a difficult environment in terms of retail flows, with investors opting to sit on the sidelines as markets unfolded. Recently, I spent time meeting with a number of financial planners around Australia and the theme has been consistent. Since mid-year, the added turbulence and volatility in markets has created a lot of uncertainty and for many investors this "second episode" of the GFC has significantly dented investor confidence. The biggest concern is among retirees and those close to retiring where capital preservation is of a higher priority. Uncertainty coupled with volatility is weighing heavily on investor confidence and financial planners are spending large amounts of time educating their clients on the merits of remaining invested.

In the short term at least, there is a growing segment of the market looking for an effective income investment with less volatility. Term deposits, with rates on offer at 6.0% or higher for most of the year, have been the main beneficiary. Since March 2007 to date, term deposits have gone from \$337b to \$691b, a rise of \$351b or about \$89b per year. Until confidence returns to markets and term deposit rates decline this trend is unlikely to reverse. There is evidence, however, that term deposit rates are already falling as the competition for funds from the banks lessens.

The retail segment continues to be a significant portion of the overall market and the financial planner remains an important intermediary to the customer, although self managed superannuation funds (SMSF) are the fastest growing segment and stand at \$418.5b (June 2011). Anecdotally, from my conversations with planners, it also represents the fastest growing customer segment for planners. Within the SMSF market, whilst implying a do-it-yourself investment strategy, many are seeking professional advice as their superannuation balances grow. As one planner pointed out, people setting up a SMSF do not do so because they want to be trustees and investment specialists but simply because they want a vehicle that provides greater control, more effective tax planning and transparency.

The wholesale market continues to be an important market for our business given competitive advantages we already possess through brand, investment capabilities, product and infrastructure in place to service this market. Our focus has been on key success factors such as gaining research ratings, getting onto approved product lists and model portfolios, expanding platform representation and increasing our marketing and distribution initiatives.

In May, we reinstated the BT Investment Management Adviser Forum across the major capital cities. It represented an opportunity for advisers to hear directly from our portfolio managers and was an important initiative in building our presence. The roadshow was supported by a marketing campaign around the same time.

Key points of differentiation for BTIM in this market are the new capabilities we are offering from our Macro and Income & Fixed Interest boutiques. Last year, I pointed out that we had restructured our Income group by bringing together different capabilities into one expanded boutique headed by Vimal Gor. I am very pleased with the progress we have made during the year and the fact that, even at this early stage, we have won a number of institutional mandates.

We have also made progress on developing two income products specifically targeted at the retail market. The first is a product that competes against other cash products and term deposits for investors who have long-term cash holdings but recognise that their purchasing power is being eroded and would like to see some growth without undue risk. Our research indicates that investors in this category have a risk aversion of no more than a 2-3% capital loss but, as long-term holders, over time would like to see their capital grow. Our Income & Fixed Interest team has built a product designed to deliver that risk profile and importantly pay a monthly income that can be relied upon in line with the official cash rate whilst providing liquidity. We are very pleased that this fund in its first year has already received strong ratings.

Our other product is a more traditional composite fixed income product. We have no presence in this segment of the market and intend to compete against other established players. Both of these products will be the focus of our push in the income space in this segment.

Our Global Macro strategy is now attracting investment flows and presents an alternative to other absolute return strategies. Global Macro has been added to a number of dealer group lists and has seen improved ratings from research houses. We are now seeing flows being invested in this strategy.

Other trends of note are the continued shift to index funds and the rise in direct equities investing. This structural shift represents an opportunity as it leads to an increase in demand for more specialist funds seeking higher alpha returns that come with higher fees. Here we have a number of funds on offer from our Equity team such as our small caps fund, mid-cap fund, long/short fund and a micro cap fund. Our investment track record in Australian equities remains strong and is a clear demonstration that, over time, active management net of fees can add value. Additionally it illustrates the importance of having a well-resourced team undertaking individual stock research.

The work we have done on our diversified funds, specifically around strategic asset allocation, tactical asset allocation and re-weighting techniques, has also met with success and the diversified team under Martyn Wild has captured a \$50m mandate early in the new financial year, as well as improved ratings. As one of the largest single managers of diversified funds, this is a category we are looking to grow.

Maximising our competitive advantage from being part of The Westpac Group

Our largest client is BTFG, a subsidiary wholly owned by Westpac. Under the Master Relationship Agreement (MRA), we manage certain BTFG managed funds, superannuation funds, pooled superannuation trusts and statutory funds. The biggest piece of business is what we call the retail legacy funds, funds that are not offered on platforms and are in run-off mode.

More recently, our focus has been on identifying areas of opportunity to expand BTIM's presence within the BTFG distribution network and we are working with BTFG across different streams to maximise these opportunities. With the improvements we have made in some of our product range, a number of our funds have been added to BTFG's approved product lists as well as being included into model portfolios that are delivered to financial planners.

Our access into BTFG is varied and spans across the planning network, private client business, multi-manager products, the dealer groups, platforms, corporate super and products sold through the Westpac branch network. This represents a competitive advantage over other independent investment managers. Whilst we recognise the relationship as an advantage, we are still required to deliver competitive products and investment performance as well as quality service to compete against other offerings in the marketplace.

The combination of the multi-boutique offering and access to distribution has meant that during the course of the year we received a number of approaches from individuals and teams wanting to join our business. We welcome these discussions and are always open to opportunities to work with individuals who can demonstrate investment capability to generate returns for clients.

I close this year's report by taking the opportunity to thank our people and our clients for their support. Clients are central to our business but so are the people who deliver the performance and service to clients. It has been a significant year in terms of our business amidst extreme market volatility. We have had to manage clients in tough markets whilst remaining focused on executing on our strategy. For this, I thank our team who have worked hard all year and I look forward to facing the challenges that lie ahead with them.



Emilio Gonzalez
Chief Executive Officer

Profitability

For the year ended 30 September 2011, BTIM's Cash NPAT on a normalised basis (which excludes one-off transaction expenses associated with the acquisition of JOHCM) was \$30.5m, a 1% decline on the 2010 Financial Year. This result has been achieved in a volatile market environment where BTIM's flexible multi-boutique business model delivered a cost to income ratio of 65% in a year in which revenue has fallen.

Business overview for the year ended 30 September 2011

	FY11	FY10
Cash NPAT (normalised)	\$30.5m	\$30.9m
Revenue	\$126.6m	\$129.2m
Cash expenses	\$82.8m	\$84.9m
Average FUM	\$35.1b	\$35.3b
Closing FUM	\$32.7b	\$35.4b
Cash earnings per share	18.7 cps	19.3 cps
Fully franked dividends	16.0 cps	15.5 cps

Revenue

Total revenue for the period was \$126.6m compared to \$129.2m in the previous financial year, an overall decline of 2%. The revenue decline was driven by a reduction in performance fees of \$2m and a decline in average FUM over the year of \$0.2b to \$35.1b. Base management fee margins remained flat for the year.

FUM

Closing FUM as at 30 September 2011 was \$32.7b, which represents an 8% decrease from FUM at 30 September 2010. Over the same period, the All Ordinaries Price Index fell 12%, largely driven by the turmoil in the global markets over the last quarter of the financial year.

The \$2.7b decline in FUM resulted from \$1.3b in market related movements and \$1.4b in fund outflows. The outflows have primarily come from the legacy retail book which experienced \$1.2b in FUM outflows. There were modest declines in FUM in both the institutional and wholesale channels.

Institutional outflows were largely in domestic equities (\$0.3b) and cash (\$0.3b), offset by strong inflows into Australian fixed interest (+\$0.5b).

Investment Performance

Strongly performing funds for the year included the BT Wholesale Smaller Companies Fund, BT Wholesale MicroCap Opportunities Fund and the BT Wholesale MidCap Fund, while the cash and fixed income products also exceeded their benchmarks over the past year. The BT Wholesale Core Australian Share Fund performed well during the year and exceeds the benchmark over one, three and five years.

Expenses

Pre-tax cash expenses (excluding transaction costs associated with the acquisition of JOHCM) were \$82.8m for the 2011 Financial Year, a reduction of 2% on the prior year.

Employee costs were up slightly at \$52.0m (\$51.2m in the 2010 Financial Year) with fixed employee expenses of \$24.8m consistent with last year's expenses of \$24.6m.

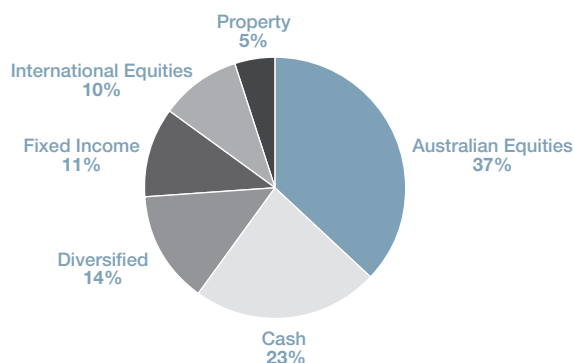
Operating expenses for the year were \$30.8m, 9% lower than the prior year. The savings were primarily the result of lower fund related expenses and tight cost control. BTIM continues to be conscious of cost control while strategically investing for growth.

Overall the cash cost to income ratio is 65% compared to 66% in 2010.

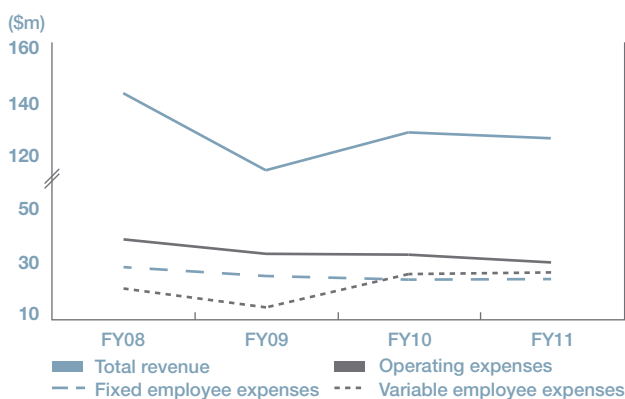
Earnings per Share

Cash earnings per share were 18.7 cents per share, 3% lower than the 19.3 cents per share in the 2010 Financial Year. The earnings per share reflect the weighted average number of shares on issue during the year.

FUM by asset class as at 30 September 2011



Revenue and Cost trends



Performance of key funds**(Total returns before fees – for period ended 30 September 2011)**

	1 year (% pa)	3 years (% pa)	5 years (% pa)
Australian Equities:			
BT Institutional Core Australian Share Sector Trust	-6.84	0.96	0.96
BT Wholesale Focus Australian Share Fund	-8.16	1.54	-0.04
BT Institutional Imputation Sector Trust	-7.27	-0.25	0.39
BT Institutional Ethical Sector Trust	-7.72	-0.95	-0.20
BT Wholesale Australian Long Short Fund	-5.85	4.93	N/A
BT Wholesale Mid Cap Fund	-6.89	7.90	N/A
BT Institutional Smaller Companies Sector Trust	-1.02	7.73	4.58
BT Wholesale MicroCap Opportunities Fund	5.60	24.52	18.70
BT Institutional Property Sector Trust	-4.80	-8.38	-9.77
S&P/ASX 300 Accumulation Index	-8.71	-0.10	-0.71
S&P/ASX Small Ordinaries Accumulation Index	-12.11	-0.14	-2.27
S&P/ASX 300 Property Accumulation Index	-6.29	-11.68	-13.59
Income and Fixed Interest:			
BT Wholesale Fixed Interest Fund	9.87	8.47	7.20
BT Government Bond Fund	9.98	8.30	7.06
BT Wholesale Enhanced Credit Fund	9.69	9.14	6.76
BT Wholesale Enhanced Cash Fund	6.46	6.25	5.86
BT Wholesale Managed Cash Fund	5.20	4.71	5.69
UBS Composite Bond Index	9.04	7.82	7.04
UBS Bank Bill Index	5.02	4.54	5.56
Macro:			
BT Wholesale Active Balanced Fund	-1.08	1.34	0.19
BT Wholesale Conservative Outlook Fund	4.30	4.65	3.60
BT Global Macro Fund	-1.23	3.16	N/A
UBS Bank Bill Index	5.02	4.54	N/A

Dividends

The Directors have declared a final fully franked dividend of 10.0 cents per share taking total dividends for the 2011 Financial Year to 16.0 cents per share. This represents a 3% increase on last year's combined interim and final dividends of 15.5 cents per share.

The final dividend applies to all ordinary shares on record at 2 December 2011 including those issued as part of the entitlement offer completed in September 2011. The payout ratio for the year is 127% of normalised Cash NPAT. Importantly, dividends per share approximates 85% of cash earnings per share.

Moving forward, the Board intends to continue to target an annual payout ratio of between 80% and 90% of Cash NPAT for the combined group.

Balance sheet

During the year, BTIM undertook a pro rata 4 for 5 entitlement offer at an issue price of \$2.15 per share to raise proceeds to partially fund the acquisition of JOHCM. The entitlement offer raised \$232m and 107,906,977 new shares were issued on 20 September 2011, increasing the shares on issue to 267,906,977. The proceeds remained on the balance sheet as cash on hand as at 30 September 2011 with the acquisition settling on 26 October 2011.

BTIM has \$233m of goodwill on the balance sheet which relates to the original purchase of BT Financial Group and Rothschild Australia Asset Management by The Westpac Group in 2002. There has been no impairment to the carrying value of goodwill during the year.

During the year, BTIM entered into £52m (A\$83m) of debt facilities with HSBC in the UK but these remained undrawn as at 30 September 2011. These facilities comprise a £27m term debt facility that is to be paid down over the next three years and a £25m two year revolving loan facility.

JOHCM business update

Positive business momentum has been maintained at JOHCM since the July announcement of the acquisition. Importantly, no funds have been put 'on hold' since the acquisition announcement and there has been no turnover of investment staff.

Funds flow into the JOHCM product range continued over the September quarter with net positive flows of £319m (\$509m¹), despite volatile markets during the period. The flows were split broadly 50:50 between public offer (OEIC) funds and Institutional mandates.

JOHCM FUM as at 30 September 2011 was £6.2b (\$9.9b¹), down from £7.1b (\$10.7b¹) as at 30 June 2011, due to the decline in global equity markets over the same period.

Performance fees accrued in the funds as at 30 September 2011 were £6.9m (\$11.0m¹). The performance fee period ends on 31 December 2011 and the recognition of the performance fees will be dependent upon fund performance between 1 October 2011 and 31 December 2011.

Reconciliation of Cash and statutory NPAT

Cash NPAT is used as the headline result in the full year ASX release, analyst presentation and annual report rather than statutory NPAT, consistent with the reporting of results in previous years.

Cash NPAT comprises statutory NPAT adjusted for the amortisation of employee equity grants required under Australian International Financial Reporting Standards. BTIM believes these non-cash charges do not form part of underlying operations for the year and instead BTIM reduces its Cash NPAT for the after-tax cash costs of equity grants made in respect of the current year.

Additionally in the 2011 Financial Year, BTIM incurred one-off transaction costs of \$12.5m associated with the acquisition of JOHCM, partially offset by \$0.2m in unrealised foreign exchange gains on hedging the transaction and \$0.5m in tax expense. These have been adjusted to produce a normalised Cash NPAT for the year.

A reconciliation of statutory NPAT to normalised Cash NPAT is set out below:

\$m	FY11	FY10
Statutory NPAT	16.9	21.8
Add back: amortisation of employee equity grants	10.4	15.4
Deduct: employee equity grants payable for the year	(8.6)	(6.3)
Add back: net after-tax expenses associated with acquisition of JOHCM	11.8	–
Normalised Cash NPAT	30.5	30.9

1. Based on an exchange rate of £0.6265/A\$1.00 as at 30 September 2011.

Financial highlights from 2012 onwards

Looking to financial year 2012 onwards, the results of JOHCM will be consolidated with those of BTIM. With respect to the financial treatment and financial impacts post acquisition, the key points to highlight are as follows:

1. Revenue and FUM

One of the main reasons for the acquisition of JOHCM has been to provide more diversity to funds under management reducing the reliance on any single fund, strategy or individual. The combination of BTIM and JOHCM broadly provides a split of funds of one-third Australian equities, one-third international equities and one-third cash and other assets.

Historically, JOHCM has consistently achieved revenue margins in excess of 60 bps across its portfolio, compared to BTIM's current base fee margin of 34 bps. Additionally, all JOHCM's investment strategies attract performance fees on top of management fees. From financial year 2012, the acquisition is expected to deliver an increase in overall fee margins and an increase in performance fees as a percentage of the total fee income.

2. Dividends

The Board intends to continue to target a payout ratio of between 80% and 90% of Cash NPAT for the combined group from the 2012 Financial Year onwards. While franking levels are expected to be sustainable for the next two years, thereafter franking levels are expected to decline significantly given that a large portion of earnings will be generated offshore by JOHCM.

3. Balance sheet

The completion of the acquisition of JOHCM has the following impact on the balance sheet of BTIM (final numbers may vary due to exchange rate and other variations):

- \$225m cash has been paid to partially fund the acquisition price plus seed capital of JOHCM
- 18 million converting notes have been issued to JOHCM staff. These are convertible into BTIM ordinary shares on certain vesting dates over the next five years
- £10m (\$16m¹) of loan notes have been issued to JOHCM staff and are redeemable over the next two years with maturity dates of up to four years

- BTIM has drawn down £42m (\$67m¹) on the debt facilities entered into of which £9m (\$14m¹) is payable within one year and £33m (\$53m¹) will be payable in subsequent years. While this introduces gearing to the BTIM balance sheet from financial year 2012 onwards, the Directors are comfortable given the high level of interest coverage, low gearing ratio and repayment schedule agreed
- intangible assets on BTIM's balance sheet will increase from \$234m to more than \$500m, from goodwill and other intangible assets acquired on the acquisition. The carrying value of the intangible assets acquired will be subject to ongoing impairment testing consistent with the intangible assets already on BTIM's balance sheet.

4. Treatment of Cash NPAT

BTIM's results will continue to be reported on a Cash NPAT basis and will include JOHCM's equity-based remuneration arrangements. For short-term equity bonuses to BTIM and JOHCM employees, the treatment will be the same as in the past and the after-tax cash costs of equity grants made in respect of the current year will be deducted from statutory profit in establishing Cash NPAT.

JOHCM also has a long-term equity program for its investment managers whereby the right to equity builds up over a number of years, as employees are rewarded for building out their FUM. Within the program, the employees can elect at certain times to receive equity at their discretion up to eight years after the commencement of their fund, after which equity is granted by the Company. In order to most accurately reflect the underlying earnings of the business, BTIM will adopt a straight-line, cash-based amortisation profile over the post grant vesting period and deduct this amount from statutory profit in establishing Cash NPAT.

1. Based on an exchange rate of £0.6265/A\$1.00 as at 30 September 2011.

Crispin Murray

Head of Equity Strategies



Boutique focus

The financial year 2010/2011 turned out to be a tough one for Australian equities investors, with the ASX 300 Accumulation Index down 8.7%. While we are disappointed not to have provided our investors with a positive overall return for the year, it is still relatively pleasing that our performance across the suite of our funds has been ahead of benchmark, with our core fund returning to top quartile performance on a 12 month basis. This highlights the efficacy of our investment process and our ability to generate sound investment ideas and consistently good risk-adjusted returns for clients. Our objective remains clear, which is to continue to deliver good consistent long-term performance for our investors.

We are always looking to improve and refine our offering and in this light we decided early in the financial year to draw a more distinct line between the role of analyst and portfolio manager in our large cap funds. This was facilitated by the depth of experience within the team; on the portfolio management side both Jim Taylor and Andrew Waddington have built strong track records over the last few years and we were pleased to reward them with the additional responsibility of running one of our flagship products, the BT Wholesale Imputation Fund. Early results have been extremely positive with Jim and Andrew managing to achieve a positive excess return in eight out of nine months in 2011. On the analyst side, we are proud to have among the best resourced, experienced and stable teams in the market; this year, we were delighted to be able to add Graeme Petroni to the team as a banks and financials analyst. Graeme has made an immediate positive impact on what is a significant component of the Australian share market.

From a distribution perspective, the environment has remained challenging in attracting new flows into equities, particularly in the retail channel. Attractive term deposit rates, coupled with a difficult global macro economic environment and lacklustre equity market returns have provided little incentive for financial advisers to direct significant new money into the asset class. However, with equity market valuations now looking attractive and the spread between fully franked dividend yields and cash yields now moving in favour of equities, there are certainly sound arguments in favour of equities, particularly if macro issues move away from the spotlight in coming months.

Given the sustained bear market in equities and the increased market volatility, there has been an understandable loss of faith in equities as an investment. In this light much of our sales effort in the retail channel has been directed towards retention, with particular focus on our largest retail fund, the BT Wholesale Imputation Fund, which we believe has strong appeal in this environment with its dual objective of delivering both yield and capital growth. Another area of focus has been our BT Wholesale MidCap Fund, run by Andrew Waddington, which in August completed its three year track record, achieving an exceptional excess return of 10.9% for the year to 30 September 2011. We are progressing well with getting research house ratings and retail shelf space and the fund remains a key area of focus in 2011/2012. Our small cap strategies continue to perform well, with our flagship BT Wholesale Smaller Companies Fund outperforming by 11.1% for the year to 30 September 2011. The team have succeeded in delivering a positive excess return 10 calendar years in a row and that looks set to continue in 2011. The Small Cap team's BT Wholesale MicroCap Opportunities Fund, run by Paul Hannan and Noel Webster, continues to deliver exceptional excess performance, providing a positive return of 5.6% against a benchmark which fell by 12.1%. Finally, our listed property funds, under the stewardship of Peter Davidson, continue to be some of the strongest performers in the market, producing best in class risk-adjusted returns in what has been a difficult environment for listed property trusts. These outcomes really are reflection of the skill, passion and teamwork that our team has demonstrated over a number of years.

In the institutional market, we were delighted to start running a mandate for a major sovereign wealth fund and also of note is our continuing success with our Long/Short strategy, run by Jim Taylor, which continues to garner good flows and interest from institutional clients.

All in all, it has been a challenging year given the environment but also a satisfying one. Our performance has been consistent and improving, our ratings from institutional asset consultants and research houses remain strong and we have the investment team, corporate structure and distribution capability that puts us in a good position for the next financial year.

Portfolio positioning

Global investor sentiment deteriorated through the last 12 months from a state of optimism early on, to levels of pessimism rivalling the lows of the post Lehman period by the end of September. The cause has been the well documented macro challenges facing all regions of the world.

In North America we have discovered that the nascent recovery was very reliant on the quantitative easing programme so as it came to an end the momentum building in the economy started to wane. This momentum was subsequently 'spear-tackled' by the farcical budget negotiations in the US, which culminated in the Standard & Poor's (S&P) downgrade to the US AAA rating. While this in and of itself was not essential, what it symbolised was a loss of confidence in policy makers to take decisive action to resolve the structural challenges facing the economy. Without this belief, cashed up corporates and reticent consumers are at risk of returning to their 'shells', triggering a renewed downturn. We are now at a key juncture as so far it is only sentiment indicators that have taken a significant turn for the worse while real activity is still holding up. Should the frustrations relating to policy makers begin to wane and the impact of the Fed's operation 'twist' kick in, then we may find that sluggish but positive growth can still prevail.

The challenges facing Europe are more intractable as at their core are the structural flaws in the way the Eurozone operates with a mismatch between supranational monetary policy and domestic fiscal policy and regulation. From an Australian equities perspective, all we really need to see is a containment of the issue within Europe and the removal of the potential contagion to other regions, which would transmit from an uncontrolled sovereign default or a banking crisis. For this to occur, we need to see the delivery of a large scale credible plan to enable government to return to a sustainable fiscal setting and to see the banking system adequately capitalised.

In China, the period of strong growth seen through 2010 started to build inflationary pressure, triggering a policy tightening, the effects of which are now beginning to kick in. As Chinese growth slows, we are seeing the more speculative parts of the economy, notably property, experience a more dramatic slowdown. Inevitably, this has fuelled the fear that this will be the trigger for a bust in an economy, which saw a dramatic credit expansion over the last two years. We believe these fears are overblown, firstly, because the Chinese acted early enough in the cycle to deflate any potential bubble and secondly, due to the social housing program which has ensured that construction and therefore commodity demand has held up well.

Finally, Australia itself, in a year which started with a reasonable degree of optimism, was buffeted not only by these global issues, but also by some of the worst natural disasters the region has seen. The combination of the flooding on the east coast, cyclones and the earthquakes in New Zealand and Japan which are first and foremost human tragedies, have also affected the economy and therefore impacted many companies' operations. If this was not enough, a period of political uncertainty, plus the tightening by the Reserve Bank of Australia and the inexorable rise of the Australian dollar, has turned the last 12 months into one of the most challenging for Australian companies in the last decade.

As an active fund manager, with a process that is very much geared towards bottom-up company research across the breadth of the market, there is no doubt that we have had to adapt to an environment where both macro themes and sudden exogenous shocks have been a significant driver of risk and return. In this context we have benefited from the macro insights that the Macro Strategies and Income & Fixed Interest boutiques have been able to bring. It has also reinforced one of our core principles, which has been an emphasis on risk management. We are strong believers in avoiding unintended risks as these are what come back to haunt

you at times of market stress. Our approach of drawing upon our large research team to build portfolios positioned across a wide spectrum of ideas enables us to avoid being hit too hard by short-term exogenous shocks, facilitating more consistent long-term performance.

Ultimately, even in troubled economic times, well run, well positioned companies bought when they are cheap will in the long run generate good investment returns. A major part of our time is spent getting out visiting hundreds of companies month in month out. This provides specific understanding into the drivers of the companies that we research, which is key to our process as the best investments are built on unique insights. These trips are both domestic and overseas. By way of example, we have had several of the team visit the US to track the recovery and specific sectors. Our insights on this have enabled us to conclude that housing was not recovering and the resolve to avoid those stocks exposed to this sector. We have also been able to gain a deeper understanding of the US media industry and notably the cable sector, identifying that content was able to extract more value from distributors, which has driven our investment in News Corp.

Domestically we regularly visit companies in each state, but two areas of specific focus have been the Queensland gas industry and the Western Australian engineering and contracting sector. While the economy has faced short-term challenges the longer-term prospects, particularly in these two states, are among the brightest we have seen in years. As an example, Queensland is in the early phases of building a world scale LNG industry, requiring investment of over \$60b over the next few years; this will create thousands of jobs and a multi-billion dollar export industry that will run for many decades. We believe the long-term outlook for gas demand and prices is positive, driven by Asian demand and the need for cleaner fuels. Australian companies have a significant part to play in meeting this demand and in doing so can build significant value for shareholders. Our research has taken us, not only to see the direct companies involved such as Santos, Origin and BG, but also to meet all relevant stakeholders in the industry, including independent consultants, mining service and engineering companies, port authorities and landholder representatives, in order to give us the most broad-based and complete perspective. Having a deeper understanding of how companies manage access to land, water and gas extraction issues, gives us a far better indication of the overall risks and opportunities and enables us to build conviction into the portfolios. We have positions in various businesses exposed to this opportunity, including the energy producers themselves but also engineers, and other service companies.

Outlook

After such a challenging year for investors, it is no surprise that sentiment is at very low levels, but this in itself does provide us with some optimism for the longer term, as the pervasive pessimism brings with it far more cautious valuations. The market is sitting well below long-term trends and long-term valuations and is getting good support from dividend yields. Unlike 2008, corporate Australia has gone into a period of economic risk; with strong balance sheets, good cash flows and a healthy degree of caution manifesting itself in cost control. Should the world avoid descending into a second full-blown recession then the markets present good opportunities for investors. Our portfolios are positioned across a diverse range of stocks, with some common traits being those with sustainable yields, companies which have structural drivers of growth, and those undertaking a structural overhaul of their businesses to improve returns, all having to meet our disciplined valuation criteria. Conviction levels are high in these stocks, delivering significant additional return for investors over a longer time-frame, even in a world where economic growth is slower.

Joe Bracken

Head of Macro Strategies



Boutique focus

Global Macro

This year has been a very difficult one for investors and they have struggled to make any headway in an environment buffeted by the credit crisis, earthquakes and a general feeling of impending doom. Against this background of extreme volatility, the BT Global Macro Fund has struggled to make headway and ended the year down slightly.

For the BT Global Macro Fund, we have continued to research new ways to invest in the different asset classes to further enhance our existing strategies. To this end, we have added a new strategy to the equity sleeve of the BT Global Macro Fund and are also in the final stages of testing an additional bond strategy that we expect to add in 2012. The testing and validation of existing strategies and the addition of new ones are an important part of our ongoing research with the aim of increasing returns for every unit of risk taken.

The volatile market environment has focused investors' attention on risk and they have looked at new ways to wring risk out of their portfolios without sacrificing returns. Absolute return funds are one way to access potentially stable returns without taking on too much risk and hence there has been continued demand for these funds and for education about how to use them in portfolios. Our own absolute return product – the BT Global Macro Fund – has had success in the Australian market and has begun to win flows from the important wholesale (adviser) segment of the market as well as appealing to institutional clients.

The BT Global Macro Fund generates its returns from investing in international markets, with only modest Australian exposure. We believe that the product has appeal both to Australian investors looking to increase returns and decrease risk and also to offshore investors looking to add alternatives to their portfolios. We are also examining the creation of a separate higher-volatility version of the Global Macro Fund. This fund would be designed to appeal to those investors who are prepared to accept more risk for greater returns.

Diversified strategies

Our Diversified funds also had a productive 2011, with solid investment performance and industry recognition of team excellence under the direction of Martyn Wild, who joined BTIM in August 2010 as Senior Portfolio Manager.

Over the year, our Diversifieds team significantly enhanced their tactical asset allocation process, completed a comprehensive review of the strategic asset allocation of each fund class and supplemented the already strong risk management framework with totally new, proprietary risk management tools. We are also doing some thought-provoking research into the future of Diversified funds and examining how we can apply new ideas to building a new generation of funds.

Our Diversified funds continue to appeal to a broad investor base and, as mentioned above, have won accolades from the consultant community – in August this year, S&P nominated BTIM's Diversified suite as a finalist in their 2011 Multi-Sector Sector Award. The team looks forward to next year as the Diversified portfolios become even better positioned to outperform in the challenging environment in which we find ourselves.

Portfolio positioning

Global Macro

The Global Macro strategy generally changes and adapts to different market conditions in the bond, currency and equity markets. The strategy is market neutral in that it looks to generate returns from being long and short different markets without taking on any beta exposure, so it is not too concerned on directions of markets, but spread between markets.

Over the past year, both the bond and the currency models did well in a very difficult environment while the equity model struggled. Overall, the BT Global Macro Fund returned –1.2% for the year – significantly better than most equity markets but still disappointing.

Our bond strategy captures alpha from multiple uncorrelated sources, with an emphasis on momentum and valuation signals. Within the bond markets, buying US Treasuries and European debt generally worked as did selling UK debt. As the credit crisis rumbled on, investors sought the safety of government debt and pushed yields down to multi-year lows. Even after the downgrade of US debt by S&P, 10 year US Treasury prices soared as investors shrugged off the rating and looked for an asset class with low volatility to invest in. Our bond strategy cycled through holding US and then European debt and then back into holding US debt again. Our bond strategy has disliked Australian debt through most of the year – particularly as it traded below the cash rate. This proved to be a major detractor

as Australian debt soared over the last year and defied our dire predictions of drastic reversals for this market. Despite this, we still generated good positive returns in our debt strategies.

In currencies, we have generally been long the Australian dollar and have sold euro and pounds sterling (GBP). For some time now, we have believed that the GBP was set for a fall as the economic situation in the UK deteriorated and this is what has played out over the last year. The Bank of England recently announced more quantitative easing and this should put further pressure on the Sterling.

Our short position in euro also paid 'dividends' this year as it fell from a high of \$1.48 to the US dollar to sub-\$1.40. Again the credit crisis in Europe was a major culprit in this as investors began to question the whole idea of the euro as a viable currency. Investor confidence in the currency has not been helped by the rather poor response of European politicians to the crisis that appeared to be characterised by dithering and indecision.

We have also been buyers of the Australian dollar and this has managed to stay above US 90 cents for 2011 as investors saw Australia as an island of stability linked closely to the Chinese growth story. Overall, our Global Currency strategy managed to earn good returns in a very difficult and volatile environment.

Finally the equity markets have been exceptionally difficult to navigate. The credit crisis in Europe, the brinkmanship involved in reaching a deal on the US debt ceiling and political turmoil in the Middle East have all conspired to make equity markets difficult to trade.

Valuations make the European markets look very attractive but the fear from the credit crisis and the possible default of Greece mean that these markets have traded down for most of the year while the US has been one of the few countries to have positive returns.

Outside of the absolute return environment, returns were also somewhat subdued for the period. Market volatility and general risk aversion kept a cap on returns for the year and a surging Australian dollar meant that Australian investors struggled to generate positive returns on their international investments.

Diversified strategies

Our Diversified funds delivered solid active performance in a challenging environment, with our flagship BT Wholesale Active Balanced Fund returning -1.1% against a benchmark return of -1.6% in the year to 30 September 2011. The main contributors to this outperformance came from (in order): Australian equities, alternative assets and international equities. In the chart (below right), we track the rolling one year active returns of the BT Wholesale Active Balanced Fund since inception of the new Diversified team in August 2010.

The performance improvement we see here has resulted in all our Diversified funds being ranked either first or second quartile over all periods up to three years according to S&P. Over the new financial year, the team plans to review the strategic asset allocation for each fund class, in addition to portfolio enhancements at the sub-asset class level (such as international equities). Our team expects our Diversified portfolios to be well placed to build upon the structural and performance improvements delivered this year.

Outlook

With the credit crisis in Europe rumbling on, an increasingly bleak outlook for growth in the developed world and even signs of faltering growth in the emerging markets, the environment looks challenging for investors.

International equities continue to disappoint with negative returns for unhedged Australian investors over the last 10 years. This reflects both uneven returns in international equity markets but also the strong Australian dollar that has cut into international returns. Assuming that the credit crisis is resolved in some way, we believe that next year should see a pick-up in returns for international equities as the markets begin to factor in some modest growth prospects.

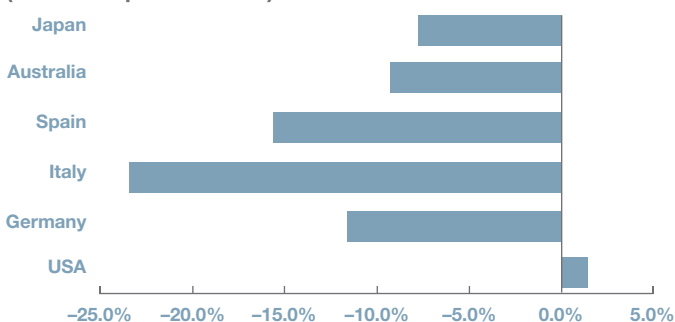
Investors in the Australian share market have fared better but have similarly been battered by disappointing returns over the last few years. Again, assuming some form of resolution to the problems in Europe, we would expect the Australian market to reflect its brighter growth prospects as China goes from strength to strength.

In contrast, bond investors have enjoyed strong returns over the past number of years as market shocks and a general lack of growth have pushed yields back to their GFC lows. If growth picks up and inflation comes back in strength, then we would expect a challenging environment for fixed income investors.

Absolute return strategies like Global Macro have enjoyed excellent returns in 2009 and 2010 and while returns this year are hardly stellar, they have managed to cut losses and manage risk well. We believe that the focus of absolute return strategies will strike a chord with Australian investors in their search for wealth building solutions.

In summary, with valuations across equity markets currently quite low we believe that investors should consider moving cautiously back into equity markets in the expectation that the credit crisis will be solved, though be prepared for some pain along the way. We are also strong believers in absolute return funds and think that this environment commands investment in vehicles that emphasise risk control and focus on preserving investor capital. Finally, we are very happy that bonds have yet again proved to be a safe-haven for investors. We think that their ability to generate income will be very important in providing retirement solutions to our aging population. However, we recognise that with yields at multi-year lows, the asset class will struggle to generate compelling returns in the near future.

European and US performance have diverged over the year (as at 30 September 2011)



BT Wholesale Active Balanced Fund – rolling one year active returns (%)



Vimal Gor

Head of Income & Fixed Interest



Boutique focus

The 2011 Financial Year for the Income & Fixed Interest boutique proved to be a very strong one as we closed the period ahead of target. This was an extremely pleasing outcome given the changes implemented during the year and the extremely volatile and dislocated markets. The team, process and product range have been through significant refinement to bring them into line with the evolving market landscape.

Through structural changes and additional recruitment, we have built out a team to reflect our new dedication to our core strengths and capabilities. In terms of personnel, two new members joined the team, Justin Davey as a Credit Portfolio Manager from Challenger and Shankar Jegasothy joined us as a Quantitative Analyst from Origin Energy. We consider the team size to be ideal now and have no plans to add any additional investment professionals in the short to medium term.

A significant body of work was conducted this year looking at our product suite and making sure it was aligned with both our core investment skills and philosophy and also the market demand. We have narrowed down our product range to four flagship funds, split equally across our wholesale (adviser) and institutional businesses and have enjoyed some initial success in the institutional space. We are now in the process of getting our funds and capabilities reviewed by both asset consultants and key researchers in order to be well placed to penetrate both the institutional and wholesale (adviser) channels. Initial feedback has been very positive, with one key Institutional asset consultant rating already achieved and an early positive rating on our flagship BT Wholesale Monthly Income Plus Fund.

In terms of the investment engine, the key focus of the team over the past year has been the rollout of the top-down global process, which was built specifically to augment the strong bottom-up skills that BTIM is well known for. This process is implemented across all our funds and has performed extremely well, enabling us to outperform the index across all our flagship products over the year. For example, the BT Wholesale Fixed Interest Fund, which is benchmarked against the UBS Composite Bond Index, returned 9.87% versus a benchmark return of 9.04% for the year ended 30 September 2011, providing outperformance of 0.83%. This places the fund as the number one performing fund in the Mercer Australian Fixed Income (Core) Survey over the last one, three and six month periods and second quartile over the last one and two years (as at 31 August 2011).

Despite the uncertain economic and market environment facing us, we look forward to the coming year with great anticipation.

Portfolio positioning

The year can almost be divided into two halves with a significant shift in themes characterised by extreme market movements and a return to severe risk aversion. At the beginning of the year, the US was the underperforming region of an otherwise booming global economy; Europe had seemingly addressed its Greek debt issues and was performing well, while Australia was still riding on the 'coat-tails' of a strong Asian region and hiking interest rates on the fear of inflationary threats caused by the mining boom mark II; inflation globally was also becoming a worry due to large commodity price rises. Latterly though, we are faced with a world where not only is the US economy underperforming but nearly all regions have experienced dramatic falls in their growth forecasts for the coming months and quarters. Behind this predominantly is the rapidly deteriorating European sovereign debt crisis which is infecting the real economy as the potential losses on sovereign debt dwarf the ability of politicians to deal with the situation. Australia is now on the verge of starting an interest rate easing cycle as the strong Australian dollar has damaged the non-mining sector of the economy and inflation concerns are being alleviated as cooling global growth has put downward pressure on commodity prices. Along with the slowing momentum of the global economy, markets have also had to deal with a loss of confidence in politicians and their ability to act decisively and in the public's best interests.

The first half of the year saw bond weakness as inflation picked up and the US regained momentum after double dip recession concerns. This was accompanied by US dollar strength, gains in global manufacturing surveys and upgrades to 2011 global economic growth forecasts. This all turned in March however, as expectations of global growth peaked, economies started slowing and as such bond yields and the US dollar started falling. Severe acceleration of this trend started in August as the sovereign concerns in Europe deteriorated rapidly. Bond yields fell below the nadir set in the depths of the GFC and the US dollar became a quasi safe-haven once again as capital fled the Eurozone. US 10 year Treasury Bonds started the year at 2.51%, hit a high of 3.74%, a recent low of 1.72% and finished the year ended 30 September 2011 at 1.92%. The size of this trading range is significant and it was mimicked by a number of other assets. The Australian 10 year Government Bond had a 1.74% range and closed the year ending 30 September 2011 0.85% lower than where it started, ending at 4.22%. The Australian dollar closed nearly identically to where it

started at 0.9662, but had a trading range of 15%. Gold, an asset which typically increases in value when people are worried about systemic risk and the collapse of the banking and monetary system, rose an unbelievable 45% over the year, but closed the year more than 14% off its high, which was only reached in early September.

Navigating these markets has been extremely difficult. Volatility has only been increasing and it ended the year just shy of the worst periods of the GFC in late 2008. Our available set of trading strategies and possible position sizing fell as this volatility increased as we sized our positions to account for the increasing systemic risk in the market. Notwithstanding the difficult trading conditions we were very pleased that our performance for the 2011 Financial Year was extremely strong across all of our flagship products.

Our flagship government bond product, the BT Government Bond Fund, performed strongly returning 9.98% for the year ending 30 September 2011 against its UBS Government Bond benchmark which returned 9.10%, delivering outperformance of 0.87%. The dominant contributor to performance was long-duration positioning, which spanned over several markets including Australia, the UK and the US. We initiated this view in January as we saw global economic growth forecasts topping out and an inevitable resumption of concerns over the debt load and underlying weakness of the entire Eurozone. Long positions in UK Gilts were held against short positions in Australian bonds and were driven by specific views on the UK economy including the effects of austerity and tax increases, high inflation and technical factors such as large expected buying in gilts to satisfy pension fund demand. In the second half of the year, as the global economic slowdown moved toward Asia, we positioned with long positions in Australian bonds as we expected them to be more affected by global themes than domestic conditions. This proved to be the case as Australian bond yields fell sharply, well before any economist started considering domestic interest rate cuts. Foreign investors have also been attracted to Australian bonds because of their higher yield and relative safety of the Australian sovereign. This bond buying exacerbated the move and sent yields to lows not seen since the GFC.

As the crisis began to unfold, we derisked our credit funds significantly and were able to outperform as volatility increased and the credit markets began to suffer and freeze up. Our portfolios were positioned with minimal exposure to European originated debt, and an underweight position in offshore financials offset with an overweight exposure to domestic utilities and infrastructure. The BT Wholesale Enhanced Credit Fund returned 9.69% for the year ended 30 September 2011 versus the UBS Non-Government Index return of 8.87%, outperforming by 0.83%. This was also well above target outperformance. A large part of the outperformance was also generated in the final two months of the year – August and September – as hedges that were implemented to protect the portfolio in case of market dislocation paid off. These trades were placed by buying protection on the Australian iTraxx Index. We finished the year with a low risk position in this portfolio.

Outlook

We strongly feel that the themes evident in the global economy and markets towards the end of this year are certainly not transient and will be with us for many years to come. The key point is that the world is too indebted, both on a private consumer level and at the government level. The required deleveraging will take time to work through, and these periods are usually characterised with slow growth and low inflation, an environment where bonds normally perform better than most other asset classes. While the global economy shifts towards this new equilibrium level of growth and leverage, it is highly likely that systemic worries will continue to arise from time to time. We have already experienced a number of those this year and fear many more in the coming months and years. These risk flares will likely result in continued downward pressure on bonds yields until such time as the cost of financing has been reduced to a level where investment will once again take the global economy out of its depressed state. This will only happen once the excesses are worked through and an equilibrium is established once again.

More specifically, the US has challenges with both its competitiveness in the global economy and its fiscal position. Europe needs to decide on what they want the Euro to look like in the future and enact policies to ensure its success. China will either need to drop its policy of running a trade surplus, thereby forcing the US into a perpetual current account deficit or proactively develop demand domestically to fill the hole of reduced exports. Australian growth will continue to be driven by China's appetite for resources and it will struggle to maintain a strong domestic economy in the face of the appreciating currency which the relationship with China surely dictates.

However, economic performance is not the only thing that will drive bond prices in the future. Yields have fallen dramatically over the last 30 years, but just because yields are low relative to where they have been in the past does not mean that they cannot fall further. Several other longer-term secular trends have appeared that will support bond prices in the years to come, these include demographics and the continuing shift towards lower risk investments.

Demographics are a very important factor. Developed nations are currently undergoing an aging of their populations as birth rates have slowed and life expectancy has increased. This will drive a greater demand for safe, stable, income generating assets. We feel that bonds in the form of government or credit are the investment of choice to provide these regular income streams.

Recent market volatility has also changed investors' perceptions of the risk and return of equity, credit and government bonds. For example, US Government Bonds have outperformed US equities on a total return basis by more than 40% over the last 10 years with only a quarter of the volatility. These return comparisons are causing a long-term shift in asset allocation from equities into bonds – a trend expected to continue.

Australian and US Government Bond yields



At BTIM, demonstrating a commitment to long-term sustainability is vital to maintain the trust and goodwill of our clients, employees and shareholders.

To do this, we need to understand the impacts of our core operations on financial markets and the wider economy, and play our role in encouraging and driving sustainability and good governance throughout corporate Australia.

Responsible investment

As an investment manager, one of BTIM’s most influential sustainability activities is our focus on responsible investment.

BTIM’s sustainable and ethical funds

BTIM offers a diverse range of products with an explicit tilt towards environmental, social and corporate governance (ESG) best practice. Options offered to clients include both best of sector and ethical screening. BTIM’s product suite with an ESG tilt includes:

- BT Wholesale Australian Sustainable Share Fund
- BT Enhanced Sustainability Australian Share Fund
- BT Institutional International Sustainability Share Fund
- BT Sustainable Conservative Fund
- BT Sustainable Balanced Fund
- BT Wholesale Ethical Share Fund.

United Nations Principles for Responsible Investment

BTIM’s affiliate, BT Financial Group, has been a signatory to the UN Principles for Responsible Investment (PRI) since 2007. Through this initiative, signatories commit to incorporating ESG principles into investment analysis and decision-making processes across the entire range of investments, as well as taking an active approach to their investments and working with other investors to improve ESG performance and practices. BTIM recognises that good governance and corporate responsibility will drive better shareholder returns in the long term. Importantly, as ESG issues are being incorporated into BTIM’s mainstream investment processes, the Company is reporting on progress via the PRI Reporting and Assessment Survey. This allows us to benchmark ourselves against our peers and identify strengths and weaknesses.

Regnan

BTIM is a client and active shareholder of Regnan – Governance Research and Engagement Pty Ltd (Regnan). Regnan represents institutional investors in their drive to improve ESG practices within the companies in which they invest. Regnan undertakes research in ESG matters and engages companies in two-way dialogue on ESG issues. Regnan’s corporate engagement role remains important following the GFC in identifying and addressing broad-based business risks.

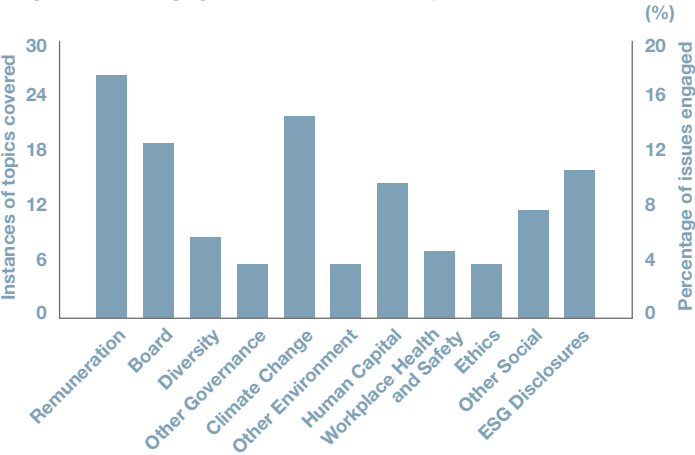
During the 2011 Financial Year, Regnan engaged 35 companies on a range of issues across the ESG spectrum, including corporate governance, executive remuneration and board composition. The full range of activities is illustrated in the chart below.

Regnan uses an active engagement process, with more than 75% of its engagements being face-to-face with company representatives. Regnan believes this is particularly important as there is no substitute for face-to-face meetings in order to change behaviour.

Moreover, in keeping with its objective of further developing capacity for influence, Regnan has significantly increased engagement at director level, with half of all engagements in the period held face-to-face with directors.

Regnan enables BTIM to work with other institutional investors on these matters to ensure a coordinated approach to important matters of market integrity. Regnan also provides specialist ESG data, analysis and research which are used in BTIM’s ESG product range as well as our mainstream funds. BTIM considers this initiative of paramount importance in our leadership of ESG principles in funds management and maintains board representation in Regnan.

Regnan ESG engagement Oct 2010 – Sep 2011



Industry initiatives

BTIM has further strengthened our leadership in responsible investment by our involvement in:

- **The Carbon Disclosure Project**
This project seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest companies.
- **The Investor Group on Climate Change (founding member)**
This group represents investors with stakes in businesses right across the economy and aims to encourage policies and investment practices that address the risks and opportunities of climate change in an economically efficient manner.

Proxy voting

BTIM regards corporate governance and the exercise of voting power as an important aspect of investment decision-making. BTIM does not involve itself in day-to-day management of the companies in which it invests but recognises it can influence company policy on matters of corporate governance by virtue of shareholdings under management. In accordance with industry practice, and the Financial Services Council guidelines in particular, BTIM uses that influence for the benefit of clients.

BTIM places great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are run in the best interests of their long-term investors. Accordingly, BTIM votes on resolutions put to shareholders and discloses its voting record on the BTIM website.

Risk management and governance

BTIM's corporate governance practices and policies as they relate to the ASX Recommendations are detailed fully in our Corporate Governance Statement. BTIM also has a number of other governance or compliance policies in place beyond those referred to in the ASX Recommendations. These include:

- Conflicts of Interest Policy
- Chinese Walls Policy
- Gifts and Hospitality Policy
- Complaints Resolution Policy
- Incident Management Policy
- Outsourcing Policy
- Whistleblower Protection Policy.

In accordance with BTIM's Annual Training Plan, all employees completed training during the year on the Conflicts of Interest Policy and other related policies. Directors also attended a training session relating to conflicts of interest. Many other employees also completed role specific training, such as those required under ASIC's Regulatory Guide 146, relating to their interactions with retail clients.

Case study – Oil Search (ASX code: OSH)

Oil Search Limited (Oil Search) is a Papua New Guinean (PNG) oil and gas producer in areas with high ecological biodiversity and disparate local cultures and traditions. To evaluate whether Oil Search's interaction with the local workforce, communities and governments meets our strict ESG best practice criteria, BTIM analysts undertake regular on-site visits – such as to areas in the PNG Highlands in which Oil Search operates – to conduct extensive stakeholder analysis and meetings with company management.

Workplace

BTIM is a people driven business. So we can attract, develop and retain the highest calibre people, the key objective of our people strategy is to provide a work environment which will enable our employees to maximise their contribution to the achievement of BTIM's strategic goals.

We offer a range of programs and policies to support the attraction and retention of high calibre people, and to recognise their achievements, including:

- paid parental leave (over and above legislative entitlements)
- superannuation on unpaid parental leave
- flexible work arrangements
- employee excellence awards
- leadership forums
- an in-house learning and development portal
- study assistance.

In the 2011 Financial Year we continued to improve the benefits and policies offered to BTIM employees, with:

- enhancements to the BTIM Superannuation Plan's death and total and permanent disability insurance
- a leadership development program for senior leaders
- the launch of the BTIM 'Contributing to Our Community' Program, which offers a more proactive and structured way for our employees to get involved with their community.

Ensuring our people enjoy a diverse workplace

In support of workforce diversity, BTIM has a range of flexible work policies that all employees can take advantage of to better balance their work and non-work responsibilities, including:

- the ability to work from home (or telecommute)
- the option to purchase up to four weeks leave in addition to the four week annual leave statutory entitlement
- for primary carers, 13 weeks paid parental leave that can be taken all at once, in blocks or flexibly
- for non-primary carers, the ability to use a variety of leave options for up to three weeks directly following birth or adoption placement
- employer superannuation contributions on up to 39 weeks unpaid parental leave
- career break
- job share.

In the 2011 Financial Year BTIM implemented additional measures to ensure we retain a diverse workforce of the highest quality. Initiatives included the introduction of:

- **The Diversity@BTIM Policy:** in recognition of what diversity means for BTIM and the value that broad diversity brings to the business, this outlines the suite of programs and initiatives that are available to support diversity in our workplace.
- **Gender diversity targets:** in consideration of the existing gender mix across BTIM, the Board and Executive Committee set the following gender diversity targets at Board and Senior Executive level to achieve by 2015:
 1. achieve a minimum level of female representation on the Board of approximately 20%.
 2. increase female representation at Senior Executive level from 20% to 30%.

These targets will be reviewed annually, with progress against them to be first reported in the 2012 annual report. BTIM is committed to the continued monitoring and support of gender diversity initiatives to attract and retain female talent of the highest calibre.

- **Amendments to the Board selection criteria:** in support of the ongoing gender diversity of the Board, the Remuneration & Nomination Committee will now have regard to the current Board diversity and the agreed Board diversity targets when considering the suitability of candidates for nomination to the Board.
- **Diversity program of work:** a program to provide a range of important learning, networking and mentoring opportunities for our employees in support of encouraging a diverse workplace.

Environment

While recognising BTIM has a relatively small carbon footprint based on the nature of its operations and employee numbers, it is important to minimise the direct impact of our operations on the environment through a range of initiatives, including:

- recycling all waste paper
- reducing landfill by segregation of waste at source
- recycling surplus office furniture, equipment and technology
- using smart lighting
- monitoring of electricity usage through National Greenhouse and Energy Reporting System (NGERS)
- participating in Earth Hour.

BTIM shareholders are also encouraged to receive investor communications electronically and to receive dividends by direct credit.

1. Introduction

This Corporate Governance Statement sets out the corporate governance practices of BT Investment Management Limited (Company or BTIM) and the extent to which those practices follow the ASX Recommendations.

Unless otherwise indicated, this statement reflects the Company's corporate governance framework, policies and procedures in place on 1 November 2011.

2. Board of Directors

2.1 Role and responsibilities of the Board

The Board is responsible for the overall governance of the Company and has adopted a Charter which reserves certain functions to the Board. Those functions include to:

- review and approve the Company's strategic plan
- review and approve the Company's annual budget and review the Company's performance against the budget
- approve significant financial transactions and borrowings
- approve significant Company policies
- appoint the CEO
- approve the half year and year end financial reports
- approve all dividends
- review the independence and performance of the external auditor
- monitor the effectiveness of the Company's risk management policies and procedures and the adequacy of the Company's internal control mechanisms
- approve any changes to the share structure of the Company and its subsidiaries.

The above responsibilities are in addition to any matters that are expressly required by law to be approved by the Board.

2.2 Delegations to management

The Board has formally delegated responsibility for the Company's day-to-day operations to the CEO and other senior management. The Board monitors the exercise of delegated authority by senior management.

2.3 Board composition

During the 2011 Financial Year, the Board was comprised of five Directors – Brian Scullin (Chairman), Emilio Gonzalez (CEO), Brad Cooper, James Evans and Carolyn Hewson. The Board appointed an additional Independent Non-executive Director, Andrew Fay, to the Board with effect from 1 October 2011, bringing the number of Directors on the Board to six.

The Remuneration & Nominations Committee is responsible for considering candidates for nomination as Directors and for making recommendations to the Board for the appointment of new Directors in accordance with the Board's policy relating to the selection, appointment and induction of new Directors.

Details of the qualifications and experience of each of the Directors is set out on pages 30 to 31 of the Directors' Report.

2.4 Director independence

During the 2011 Financial Year, two Directors – Brian Scullin and James Evans – were considered to be Independent Directors in accordance with the definition of "independence" set out in the Company's Statement on Director Independence.

The Board did not consider Brad Cooper to be an independent director given that he is an executive and an officer of Westpac. Carolyn Hewson was not considered to be an independent director as she is a director of Westpac,

BTIM did not have a majority of independent directors on its Board during the Reporting Period, as suggested by ASX Recommendation 2.1.

As noted above, Andrew Fay was appointed to the Board on 1 October 2011. The Board considers Mr Fay to be an Independent Director, thereby bringing the number of Independent Directors to three.

The Board has determined that the current composition is appropriate given the collective skills and experience of the Board and the Company's current circumstances, including the size and nature of the Company's business and the Company's relationship with Westpac.

2.5 Access to independent professional advice

Directors may obtain independent professional advice at the Company's expense. The approval of the Chairman of the Board (which must not be unreasonably withheld) must be obtained before independent advice is sought. Any advice obtained must be made available to all Directors.

2.6 Chairman of the Board

Brian Scullin is the Independent Non-executive Chairman of the Board. The Chairman is elected by the Board. Details of Mr Scullin's qualifications and experience are set out in the Directors' Report.

The role of the Chairman is to:

- chair meetings of the Board and general meetings
- provide leadership to the Board
- oversee the operation and function of the Board
- facilitate the effective contribution of all Directors to Board discussions
- oversee the process of evaluating the Board and individual Directors
- maintain an ongoing dialogue with the CEO and provide appropriate guidance and mentoring
- act as a public spokesman for the Board and the Company and
- promote good relations between the Board and management.

2.7 Board meetings

The Board met on 16 occasions during the year. Details of Director attendance at meetings are set out in the Directors' Report (see page 34).

Directors receive Board papers in relation to each item on the agenda in advance of each meeting and are entitled to request additional information should they consider it necessary to come to an informed decision.

Each Board meeting is attended by relevant senior management and the Company Secretary. The Directors regularly meet in the absence of senior management and in the absence of the CEO.

2.8 Conflicts of interest

BTIM is very conscious of potential conflicts of interest and has processes in place to manage conflicts of interests.

Directors are required to make a general disclosure of their interests and the interests of related parties. These interests are recorded in a Register of Interests which is circulated with the papers for each Board and Board Committee meeting.

The disclosure of conflicts of interest is a standing item on the agenda of each Board and Board Committee meeting. The Board Charter and the Charters of the Board Committees set out a formal process for the disclosure, recording and management of conflicts of interest.

Actual or potential conflicts of interest are managed by the relevant Director:

- absenting themselves from the meeting during the discussion of the issue
- refraining from participating in the consideration of the issue
- abstaining from voting on the issue.

In appropriate circumstances, Directors may not receive Board papers on an issue in relation to which they have a conflict of interest. In appropriate circumstances, having regard to the Director's interest and the nature of the issue being considered by the Board, the remaining Directors (those without a conflict) may decide that the Director may remain in the meeting and participate in the Board's decision. However, it would only be in exceptional circumstances that the Board would allow a Director to vote on a matter in which the Director has a material personal interest, as that term is defined in the Corporations Act.

2.9 Performance evaluation

The Board undertook a review of its performance in the 2010 Financial Year and will again review its performance during the 2012 Financial Year.

In accordance with its Charter, the Remuneration & Nominations Committee conducted a peer review of the performance of Director Carolyn Hewson, who is standing for re-election at the Company's AGM. Following the Committee's review, the Board has made a recommendation to shareholders that they vote in favour of the re-election of Carolyn Hewson. The Board's recommendation is set out in the AGM Notice of Meeting.

2.10 Company Secretary

The Board is responsible for the appointment of the Company Secretary. The Company Secretary, Chris Millard, attends all Board and Board Committee meetings and is responsible for the Company's secretariat function and in conjunction with management, for giving practical effect to the Board's decisions.

3. Board Committees

3.1 Board Committee Charters

The Board has two Committees: the Audit & Risk Management Committee and the Remuneration & Nominations Committee.

Each Committee has a formal Charter, which details its composition, role and responsibilities.

The Charters provide that all Directors may attend meetings of each Board Committee, even though they may not be a member of the Committee. All Directors receive notice of all the Committee's meetings and are provided with a copy of the papers for each meeting.

Details of the number of Committee meetings held and the attendance of Directors at those meetings are set out in the Directors' Report (see page 34).

3.2 Audit & Risk Management Committee

3.2.1 Membership of the Audit & Risk Management Committee

The Audit & Risk Management Committee has three members who were members of the Committee for the whole of the Reporting Period: James Evans (Chairman), Carolyn Hewson and Brian Scullin.

A majority of the members of the Committee – James Evans and Brian Scullin – are Independent Directors.

3.2.2 Chairman of the Audit & Risk Management Committee

James Evans is the Chairman of the Audit & Risk Management Committee and is an Independent Director as required by the Committee's Charter and suggested by ASX Recommendation 4.2.

3.2.3 Role and responsibilities of the Audit & Risk Management Committee

The role and responsibilities of the Audit & Risk Management Committee are set out in its Charter and include to:

- review the integrity of the Company's financial reporting
- satisfy itself that the Company has a sound system of risk management and financial controls
- approve the Company's risk framework and risk management policies and processes and review compliance with those policies and processes
- oversee the Company's risk profile within the risk management and governance framework.

Further details on the Committee's responsibilities as they relate to the external auditor are set on page 27.

3.2.4 Financial knowledge of Committee members

The qualifications of the members of the Committee are set out in the Directors' Report. The members of the Audit & Risk Management Committee each have appropriate financial and risk management experience and an understanding of the investment management industry.

3.3 Remuneration & Nominations Committee

3.3.1 Membership of the Remuneration & Nominations Committee

The Remuneration & Nominations Committee has three members – Brian Scullin (Chairman), Brad Cooper and James Evans.

A majority of the members of the Committee – James Evans and Brian Scullin – are Independent Directors.

3.3.2 Chairman of the Remuneration & Nominations Committee

Brian Scullin is the Chairman of the Remuneration & Nominations Committee and is an Independent Director as required by the Committee's Charter and suggested by ASX Recommendation 8.2.

3.3.3 Role and responsibilities of the Remuneration & Nominations Committee

The role and responsibilities of the Remuneration & Nominations Committee are set out in its Charter. The primary responsibilities of the Committee are to:

- review and approve executive remuneration policies
- make recommendations to the Board in relation to the recruitment, retention and termination policies and procedures for the CEO and senior executives
- review and approve performance hurdles and awards under each equity plan
- make recommendations to the Board for the appointment of new Directors, having regard to the existing mix of skills and experience on the Board
- review and make recommendations to the Board on remuneration policies for Non-executive Directors
- develop and implement a process for the performance evaluation of the Board, Board Committees and individual Directors
- make recommendations to the Board in relation to the re-election of Directors
- develop a Board succession plan.

3.4 Evaluation of senior executive performance

The Remuneration & Nominations Committee approves the annual performance objectives and measures for the CEO and those senior executives who report directly to the CEO (CEO's Direct Reports).

As part of the Company's performance management cycle, the performance of the CEO and the CEO's Direct Reports is reviewed and evaluated at the end of each financial half year and full year.

Performance is reviewed and evaluated against previously agreed objectives which are based on financial and non-financial criteria.

3.5 Induction of senior executives

The Company has an induction process in place for all new employees, including senior executives. New senior executives receive briefings on the Company's business, code of conduct, policies and procedures. Briefings focus on operational, regulatory, risk and compliance issues that are of significance to the Company.

4. Promoting ethical and responsible decision-making

4.1 Code of Conduct

The Company has a Code of Conduct which applies to directors, senior executives and employees. The Code of Conduct is based on six key principles:

- act with honesty and integrity
- respect the law and act accordingly
- respect confidentiality and do not misuse information
- value and maintain professionalism
- avoid conflicts of interest
- strive to be a good corporate citizen and achieve community respect.

All new employees receive induction training in relation to the Code of Conduct.

4.2 Diversity at BTIM

In support of diversity at BTIM, the Company recently introduced a Diversity Policy (Policy). The Diversity Policy defines what diversity means for BTIM and the value that diversity brings to the business.

A key focus this year has been on gender diversity. For the Reporting Period, the proportion of women employed at various levels across BTIM was as follows:

- Board: 20%
- Senior Executive: 20%
- BTIM workforce: 37%

The Board has established the following gender diversity targets to be achieved by 2015:

- achieve a minimum level of female representation on the Board of approximately 20%
- increase female representation at Senior Executive level from 20% to 30%

These targets will be reviewed by the Board on an annual basis. The Company will report on its progress towards achieving the above targets in its 2012 annual report.

To encourage achievement of the gender diversity target for the Board, the Company's Statement of Director Selection and Appointment Process, was recently amended to include the overall gender mix of the Board as a relevant matter to be considered when nominating future Directors.

4.3 Insider Trading Policy and Personal Account Trading Policy

Under the Company's Insider Trading Policy and Personal Account Trading Policy, Directors and any employee in possession of undisclosed materially price sensitive information are prohibited from dealing in the Company's securities.

Directors and employees are also precluded from trading in the Company's securities during 'blackout periods', which occur prior to the announcement of the Company's half year and full year results and the quarterly funds under management announcements.

Directors and employees may trade in the Company's securities outside a blackout period, but only after obtaining pre-clearance from the risk and compliance team, or in the case of Directors, from the Company Secretary.

The Policies also provide that Directors and employees may in exceptional circumstances obtain approval to trade in the Company's securities during a blackout period. Exceptions to the Policies would normally only be granted in circumstances of financial hardship, provided that the relevant person does not possess undisclosed materially price sensitive information; the trade will not affect the interests of the Company's shareholders and clients and no other conflicts of interest exist.

Employees are required to obtain approval from the CEO and Directors must obtain approval from the Chairman of the Board.

5. Shareholders

5.1 Market communications

The Company is committed to promoting investor confidence and the rights of all shareholders by complying with the disclosure obligations contained in the Corporations Act and the Listing Rules.

The Company seeks to ensure that all market announcements are presented in a factual, clear and balanced way.

The Company has a Market Disclosure Policy, which sets out how the Company communicates with its shareholders and the market. The Policy establishes a Disclosure Committee. The members of the Disclosure Committee are the CEO, the CFO, the COO, the General Counsel and the Company Secretary.

The Disclosure Committee is responsible for managing compliance with the Company's disclosure obligations. The Disclosure Committee determines what information should be disclosed to the market and the form of that information. The Disclosure Committee is also responsible for assisting the Company's employees to understand the Company's market disclosure obligations.

The Board retains responsibility for approving announcements of key significance such as:

- year end and half year financial results
- earnings updates
- mergers and acquisitions related announcements
- changes to corporate structures
- changes to senior executives or key management personnel and
- matters involving significant reputation risk e.g. regulatory issues.

5.2 Shareholder Communications

The Company is committed to ensuring that all shareholders have equal and timely access to material information concerning the Company.

The Company communicates to its shareholders directly and by the publication of all relevant Company information in the Shareholder Centre of the Company's website. Shareholders have the option to receive information from the Company either electronically or in hard copy.

5.3 Shareholder meetings

The participation of shareholders at annual general meetings is encouraged. The form and content of the notice of annual general meeting are drafted to ensure maximum participation by all shareholders.

All shareholders have the opportunity to attend the AGM and ask any questions of the Board and management. Shareholders may also ask questions of the Company's auditor in relation to the conduct of the audit, the audit report, the accounting policies adopted by the Company in preparing the financial statements and the independence of the auditor.

The Company provides all shareholders with an opportunity to submit written questions prior to the AGM. The Company seeks to provide answers to all these questions during the course of the AGM.

6. Risk management and internal controls

6.1 Risk management principles

The Company is committed to ensuring that it maintains a sound system of risk oversight and management, internal controls and an appropriate risk management culture within the business.

Risk is an inherent part of any investment management business. Risks are identified, assessed and managed within the limits of the Company's risk appetite, which is set by the Board.

The Company has identified the following categories of risk as having the potential to impact its business:

- **strategic risk** – the risk of an event occurring that will adversely affect the achievement of one of the Company's strategic objectives
- **regulatory and compliance risk** – the risk of not complying with laws, regulations, contracts, industry codes, internal standards and policies applicable to the Company's operations
- **financial and market risk** – the risk of financial loss arising from the Company's activities in the financial and investment markets
- **operational risk** – the risk arising from inadequate or failed internal processes, people or systems or from external events.

6.2 Roles and responsibilities

The Board is also responsible for approving the Company's significant risk management policies. The Audit & Risk Management Committee assists the Board in its oversight of risk and compliance matters. The Board delegates responsibility for the implementation of risk management to the CEO and the Senior Management Team.

The CEO and the Senior Management Team are responsible for the implementation of the Company's risk management policies and for establishing risk management procedures that will assure the Board, through the Audit & Risk Management Committee, that material business risks are managed appropriately.

6.3 Risk and Compliance Framework

To ensure its risk management principles are met, the Company has established a Risk and Compliance Framework. The Risk and Compliance Framework seeks to ensure that management is accountable for managing business risks, maintaining an appropriate control framework and promoting a positive risk culture.

The management of compliance risks is a key element of risk management within the Company. Certain risks faced by the Company can be managed to a level that is consistent with the Company's risk appetite. However, compliance risks must be strictly managed in accordance with the requirements of the relevant statutory or regulatory obligation.

The Risk and Compliance Framework reflects the following core principles and practices:

- compliance with regulatory standards is the responsibility of employees at every level of the business. Visibility and accountability of senior management promotes a strong compliance culture
- compliance with the letter and spirit of regulatory standards is an essential part of the Company's core values and is critical to the Company's success
- endeavouring to have the letter and spirit of regulatory standards embedded into how the Company does business, how employees conduct themselves, how the Company's systems and processes are designed and how they operate
- the role of the risk and compliance function is to guide the organisation in embedding compliance into how it does business
- actively engage with regulatory bodies and industry forums to ensure the maintenance of high standards across the industry.

6.4 Internal audit

Deloitte Touche Tohmatsu is the BTIM Group's outsourced internal auditor and:

- has all necessary access to Company information to effectively conduct their audit
- develops an internal audit plan that complements other assurance work conducted across the BTIM Group
- independently reviews the effectiveness of the Company's risk management processes and internal controls
- reports audit results to Company management and depending upon the nature of the issue being reported and the responsibility for that issue, to either the Audit & Risk Management Committee or to the board of BTIM RE.

6.5 CEO and CFO assurance

The CEO and the CFO provide a formal statement to the Board that:

- the financial statements and notes of the Company represent a true and fair view of its financial position and performance and comply with the requirements of the Accounting Standards, Corporations Act and Corporations Regulations
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively managing the Company's material business risks.

6.6 Responsible entity governance

As the responsible entity of each of the BTIM Funds, BTIM RE has a fiduciary obligation to act in the best interests of investors in the funds. These fiduciary obligations may, from time-to-time, conflict with the interests of the Company. When this occurs, the Board is required by the Corporations Act to give priority to the interests of investors. The directors of BTIM RE are conscious of their fiduciary obligations to investors and continually assess their decisions in light of these obligations.

The BTIM RE board has responsibility for the management of risks that arise from BTIM RE's duties as the responsible entity and trustee of the BTIM Funds and the provision of financial services under its Australian Financial Services Licence.

The BTIM RE board has delegated a number of its responsibilities to the CEO.

As the BTIM RE board is not comprised of a majority of external directors within the meaning of section 601JA of the Corporations Act, the board has appointed a Managed Investments Compliance Committee (MICC).

6.7 Changes to corporate governance framework

A review of the Company's corporate governance framework was undertaken during the Reporting Period. The objectives of the review were to ensure that:

- the BTIM Group continued to maintain sound corporate governance practices
- the governance structure operated effectively and efficiently as possible
- board and committee decisions were made in an efficient manner and with appropriate consideration of fiduciary issues
- there was appropriate accountability for decisions made by the Company's senior management and appropriate reporting of those decisions to the respective boards
- the governance structure was the right size for the BTIM Group.

As a result of the review, some changes were made to the corporate governance framework and practices of the BTIM Group, primarily impacting upon the operations of BTIM RE. These changes included:

- the composition of the BTIM RE board was changed so that the board is now constituted solely by executive directors. Brian Scullin, who had previously served as the Chairman and a Director of the BTIM RE board retired from the BTIM RE board. The BTIM RE board is now comprised of the following executive directors: Emilio Gonzalez (CEO), Phil Stockwell (COO), Cameron Williamson (CFO) and Alan Artyun (Head of Investment Operations). Mr Gonzalez is the Chairman of the BTIM RE board.
- the Committees of the BTIM RE board were re-structured to avoid duplication of reporting, with the function and responsibilities of the Product & Investment Committee and the Risk Review Committee being transferred either to the BTIM RE board or delegated to the CEO.
- the BTIM RE board retains responsibility for significant decisions, including financial reporting and matters that impact upon the fiduciary obligations of BTIM RE. Other responsibilities may be referred or sub-delegated to the Executive Committee.

6.8 MICC

No changes to the structure or composition were made to the MICC as a result of the changes to the corporate governance structures.

The MICC is comprised of two external members and one internal member. The MICC has the functions and responsibilities of a compliance committee as set out in the Corporations Act.

7. External auditor

7.1 Appointment of external auditor

The Company's independent external auditor is PricewaterhouseCoopers (PwC). PwC provides an independent opinion that the Company's financial statements represent a true and fair view of the Company's financial position and performance and comply with relevant regulations.

PwC receives copies of the agenda and papers for each meeting of the Audit & Risk Management Committee. The external auditor attends the Committee's meetings when the half year and full year financial statements are being considered. The external auditor also attends other meetings when relevant items are on the Committee's agenda.

Members of the Audit & Risk Management Committee are able to contact the auditor directly at any time. Similarly, the external auditor is able to contact the Chairman of the Committee directly at any time.

The Audit & Risk Management Committee has the following responsibilities in relation to audit matters:

- evaluate the independence of the external auditor at least annually, including making an assessment whether the external auditor is independent of the Company and there are no conflicts of interest that could compromise the independence of the external auditor
- ensure that the external auditor meets the audit independence tests set out in relevant standards
- review external audit plans
- discuss any issues relating to the conduct of the audit with the external auditor
- review the findings of external audits to ensure that issues are being appropriately managed and rectified and
- periodically consult the external auditor in the absence of management in relation to the internal controls in place over financial information, reporting and disclosure and the fullness and accuracy of the Company's financial statements.

7.2 Non-audit services

Any non-audit services provided by PwC to the Company are approved by the Chairman of the Audit & Risk Management Committee.

7.3 Attendance at the annual general meeting

The Company's external auditor attends the Company's annual general meeting and is available to answer questions from shareholders in relation to the conduct of the audit, the audit report, the accounting policies adopted by the Company in preparing the financial statements and the independence of the auditor.

Shareholders are able to submit written questions to the external auditor prior to the annual general meeting.

8. Documents

Copies or a summary of the following documents referred to in this Statement are available on the Company's web-site at www.btim.com.au/corporategovernance

- Board Charter
- Audit & Risk Management Committee Charter
- Remuneration & Nominations Committee Charter
- Director Selection and Appointments Process
- Code of Conduct
- Insider Trading Policy
- Personal Account Trading Policy
- Market Disclosure Policy

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The Directors present their report and the annual financial report for the BTIM Group for the 2011 Financial Year.

Directors

The following persons were Directors during the 2011 Financial Year and up to the date of this report:

Directors	Appointment date	Period
Brian Scullin	25 September 2007	Full year
Emilio Gonzalez	22 January 2010	Full year
Brad Cooper	29 April 2010	Full year
James Evans	2 June 2010	Full year
Andrew Fay	1 October 2011	Director since 1 October 2011
Carolyn Hewson	25 September 2007	Full year
John Frechtling (Alternate Director)	22 August 2008	Part year, resigned on 15 February 2011

Details of the qualifications, experience and responsibilities of the current Directors are set out on pages 30 and 31.

Company Secretary

Chris Millard (DipLaw (SAB), GradDipAppCorpGov, ACIS) is the Company Secretary. Chris was appointed the Company Secretary in January 2008, having previously held the role of Head of Secretariat with BTFG. Chris is a qualified lawyer, having been admitted to practise in 1994. Prior to joining BTFG, he worked as a lawyer in private practice or in senior in-house counsel and company secretary roles.

Senior Management Team

During the 2011 Financial Year, the following persons were members of the Senior Management Team:

Name	Position	Joined BTIM	Appointed to current position
Emilio Gonzalez	Chief Executive Officer	2010	2010
Geraldine Bouquet	Head of Human Resources	2008	2008
Martin Franc	Head of Sales & Marketing	2007	2007
Phil Stockwell	Chief Operating Officer	2007	2007
Cameron Williamson	Chief Financial Officer	2008	2010
Brian Wright	Head of M & A and Strategy	2009	2009

Details of the qualifications, experience and responsibilities of the Senior Management Team are set out on pages 32 and 33.

Directors



Brian Scullin

BEC

Term: Appointed Non-executive Chairman in September 2007

Independent: Yes.

Board Committees: Chairman, Remuneration & Nominations Committee; Member, Audit & Risk Management Committee.

Brian Scullin is the Chairman of the Board. Brian has more than 20 years experience in the funds management industry in both Australia and Asia. Following a career in the Federal Government and politics, Brian was appointed the Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987.

In 1993, Brian joined Bankers Trust, holding a number of senior positions, including President of Japan Bankers Trust. He was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management in 1999. He retired from that full time position in 2002, although he remained a non-executive director of Deutsche Asset Management until June 2007.

Brian has held many industry positions including Vice Chairman of the Financial Services Council (previously known as IFSA), a part time member of the Federal Government's Financial Reporting Council and a panel member for the Financial Industry Complaints Service. He has also served as a non-executive director of State Super Financial Services and Spark Infrastructure Limited.

Brian is currently the Chairman of Spark Infrastructure RE Limited and a non-executive director of Dexis Property Group.

Directorships of other listed entities over the past three years: Nil.



Emilio Gonzalez

BCom (Ec), CFA

Term: Appointed Chief Executive Officer from January 2010

Independent: No.

Board Committees: Nil.

Emilio Gonzalez is the Company's Chief Executive Officer. Prior to his appointment as Chief Executive Officer of BTIM in January 2010, Emilio was Group Executive, Global Equities at Perpetual Limited. Prior to this role, he was the Chief Investment Officer for seven years. During this period, Perpetual's FUM grew from \$13 billion to a peak of \$30 billion. During his early tenure at Perpetual, Emilio was responsible for establishing and running a currency program, tactical asset allocation strategies, Perpetual's diversified and balanced funds, as well as being Head of Research.

Prior to joining Perpetual, Emilio worked as the Chief Dealer at Nikko Securities (Australia) Limited and as a retail client adviser at Norths Stockbroking Limited.

Emilio is also a director and Chairman of BTIM RE.

Directorships of other listed entities over past three years: Nil.



Brad Cooper

DipBM, MBA

Term: Appointed a Non-executive Director in April 2010

Independent: No.

Board Committees: Member, Remuneration & Nominations Committee.

Brad Cooper is the Chief Executive Officer of BT Financial Group (BTFG), having been appointed to that role on 1 February 2010. Brad joined The Westpac Group in April 2007 as Chief Executive for Westpac New Zealand. He then moved to the role of Group Chief Transformation Officer, leading the implementation of the Westpac-St George merger before taking up his current role.

Prior to joining The Westpac Group, Brad was Chairman of GE Capital Bank and Chief Executive Officer of GE Consumer Finance UK & Ireland.

Brad is a director of the Financial Services Council. Brad is also an executive director of a number of companies within The Westpac Group, including: Westpac Financial Services Group Ltd, BT Life Limited, Westpac Life Insurance Services Limited, St George Life Limited, Westpac General Insurance Limited, Westpac Lenders Mortgage Insurance Limited and St George Insurance Australia Pty Limited.

Directorships of other listed entities over past three years: Nil.

Directors



James Evans

BEC, CPA, F Fin, FAICD

Term: Appointed a Non-executive Director in June 2010

Independent: Yes.

Board Committees: Chairman, Audit & Risk Management Committee; Member, Remuneration & Nominations Committee.

James Evans has 40 years of corporate experience. His most recent executive role, which he held from 2003 to 2008, was as the Chief Risk Officer, Wealth Management with Commonwealth Bank of Australia. As part of this role, James held directorships in Commonwealth Bank's funds management, general insurance, life insurance and lease financing businesses.

James also held a number of other senior executive roles with Commonwealth Bank in the areas of finance, accounting, business development and strategy.

Before joining Commonwealth Bank in 1996, James was a senior executive with Lend Lease in the Property Investment Services Group, holding directorships of property investment and joint venture companies. Prior to that, James held senior executive positions at GEC Australia and Grace Bros.

James is also a non-executive director of Australian Infrastructure Fund Limited, the Equigroup companies, Hastings Funds Management Limited, Investa Wholesale Funds Management Limited, Macquarie Generation, SolarWinds Software Australia Pty Limited and Suncorp Portfolio Services Limited.

Directorships of other listed entities over past three years: Nil.



Andrew Fay

BAGec (Hons), A Fin

Term: Appointed a Non-executive Director from 1 October 2011

Independent: Yes.

Board Committees: Member, Remuneration & Nominations Committee.

Andrew Fay has almost 25 years in the financial services sector and was Chief Executive Australia at Deutsche Asset Management (Australia) Limited from 2005 to 2008 and Chief Investment Officer from 2000 to 2008. Prior to that, he held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2002, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew was until recently the Chairman and a non-executive director of Deutsche Asset Management (Australia) Limited, having been appointed to this role in 2008. He is a non-executive director of Deutsche Managed Investments Limited.

Andrew is also a non-executive director of Spark Infrastructure RE Limited.

Directorships of other listed entities over past three years: Nil.



Carolyn Hewson

AO, BEc (Hons), MA (Econ)

Term: Appointed a Non-executive Director in September 2007

Independent: No.

Board Committees: Member, Audit & Risk Management Committee.

Carolyn Hewson has over 30 years experience in the finance sector, having joined Schroders Australia investment bank in 1981, serving as an executive director of Schroders between 1989 and 1995.

Carolyn is currently a non-executive director of Westpac, BHP Billiton Limited and Stockland Corporation Limited and Chair of the Westpac Foundation.

Carolyn has previously served as a non-executive director of CSR Limited (1995-2005), AMP Limited (1996-2001) and The Australian Gas Light Company (1996-2006). Carolyn has also served on the boards of SA Water and the Economic Development Board of South Australia. Carolyn currently has board and advisory roles with Nanosonics Limited, the Australian Charities Fund and the Neurosurgical Research Foundation.

Directorships of other listed entities over past three years: Director, AGL Energy Limited (2006-2009).

Senior Management Team



Emilio Gonzalez

BCom (Ec), CFA

Chief Executive Officer

Refer to Directors' biographies.



Geraldine Bouquet

BCom (HRM & IR), CAHRI

Head of Human Resources

Geraldine Bouquet was appointed BTIM's Head of Human Resources in May 2008.

Geraldine is responsible for leading BTIM's human resources function as well as developing and delivering the Company's People Strategy. She is also a management representative of BTIM's Superannuation Policy Committee.

Geraldine has had a broad career spanning 14 years in human resources within a number of industry sectors, mainly within financial services in Australia and London. She joined BTIM from Westpac Institutional Bank where she held a number of senior human resources roles supporting businesses across debt markets, corporate & institutional banking and risk management.



Martin Franc

BA (Politics), GradDipAppFin, F Fin

Head of Sales & Marketing

Martin Franc joined the funds management business of BTFG (now BTIM) in 2006.

Martin's primary responsibility is the management of the Marketing, Institutional and Wholesale Sales teams within BTIM.

Prior to joining BTFG, Martin was responsible for the sales and marketing activities for Putnam Investments in Australia and New Zealand. Martin began his professional career in the funds management industry with Bankers Trust in 1994.

Senior Management Team



Phil Stockwell

MBA, BCom, BEc, FCA

Chief Operating Officer

Phil Stockwell has been Chief Operating Officer of BTIM since 2007. He has been with The Westpac Group since 2003.

As Chief Operating Officer, Phil is responsible for product development and management, trading, investment operations, client services, technology, risk and compliance, and legal and company secretariat.

Phil is a director of BTIM RE and a member of the Investment Board Committee of the Financial Services Council.

Prior to joining BTIM, Phil was with McKinsey & Company in Sydney and New York, and KPMG in Brisbane.



Cameron Williamson

BA (Accounting), CA

Chief Financial Officer

Cameron Williamson joined BTIM in January 2008 as the Company's Financial Controller and has been in the Chief Financial Officer role since May 2009.

As Chief Financial Officer, Cameron is responsible for BTIM's overall financial operations and reporting, business planning and investor relations. Cameron is a director of BTIM RE.

Prior to joining BTIM, Cameron held Chief Financial Officer and Company Secretary responsibilities at Clairvest Group, a mid-market private equity group in Toronto. His previous positions also included senior finance roles with Franklin Templeton and CIBC World Markets in Toronto, UBS in the UK and KPMG in Australia.



Brian Wright

BCom, CA

Head of M & A and Strategy

Brian Wright joined BTIM in January 2009. Brian is responsible for M & A and strategy. In March 2010, Brian was also appointed Acting Head of Alternative Assets.

Prior to joining BTIM, Brian was the Chief Financial Officer and Company Secretary of MMC Contrarian Limited between August 2007 and 2008. He also held the positions of Chief Financial Officer and Chief Operating Officer for the hedge fund, Red Centre Capital, from 2004 to 2007.

Brian was at Bankers Trust from 1990 to 2003. He held the position of Operations Manager for Equity and Currency Derivatives in the Investment Bank. In 1995, he moved to funds management where he was the Business Manager for Currency & International Bonds. In 1997, he became the Business Manager for the Australian and International Equity business.

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2011 Financial Year and the number of meetings attended by each Director during that year are set out in the following table:

Directors	Board		Audit & Risk Management Committee			Remuneration & Nominations Committee		
	A	B	A	B	C	A	B	C
Brian Scullin	16	16	4	4	–	4	4	–
Emilio Gonzalez	16	15	–	–	4	–	–	4
Brad Cooper	16	16	–	–	3	4	4	–
James Evans	16	16	4	4	–	4	4	–
Carolyn Hewson	16	14	4	4	–	–	–	3
John Frechtling ¹	0	0	0	0	0	0	0	0

A – Meetings eligible to attend as a member of the Board or Committee.

B – Meetings attended as a member of the Board or Committee.

C – Committee meetings attended by the Director although the Director is not a member of the relevant Committee.

Note to table:

1. John Frechtling resigned as an Alternate Director on 15 February 2011.

Principal activities

The principal activity of the BTIM Group during the 2011 Financial Year was the provision of investment management services.

Review of operations

The statutory net profit after tax (NPAT)¹ of the BTIM Group for the 2011 Financial Year was \$16,896,892 (2010: \$21,833,289). The BTIM Group's cash net profit after tax (Cash NPAT)² for the 2011 Financial Year was \$30,476,537 (2010: \$30,914,115).

Reconciliation of statutory NPAT to Cash NPAT

	2011 \$'000	2010 \$'000
Statutory NPAT	16,897	21,833
Add back: amortisation of employee equity grants	10,385	15,363
Deduct: after-tax cash cost of ongoing equity grants	(8,594)	(6,282)
Add back: net acquisition transaction costs ³	12,348	–
Deduct: tax effect of net acquisition transaction costs	(559)	–
Cash NPAT	30,477	30,914

- NPAT includes accounting adjustments required under International Financial Reporting Standards for amortisation of employee equity grants. These non-cash charges are not considered part of the underlying earnings for the year and therefore Cash NPAT is a more suitable measure of profitability. Cash NPAT comprises NPAT before amortisation of the employee equity grants less the after-tax cash costs of grants made in respect of the current period. Other one-off transaction expenses associated with the acquisition of JOHCM have also been adjusted to produce a normalised FY11 Cash NPAT. Unaudited Cash NPAT for the 2011 Financial Year was \$30,476,537 (2010: \$30,914,115), which is a decrease of 1.4%.
- Cash NPAT is a measure of underlying profitability comprising statutory NPAT adjusted for the amortisation of employee equity grants less the after-tax cost of equity grants made in respect of the current period.
- Included in net acquisition transaction costs are \$12,543,163 in acquisition and financing costs shown in the Statement of Comprehensive Income, partially offset by \$194,683 in realised foreign exchange gains on currency contracts. Additionally, the after-tax cash cost of \$1,474,200 in employee equity grants has also been incurred as a transaction cost which is not included in the statutory NPAT and will amortise over the vesting period in future years.

FUM as at 30 September 2011 was \$32.7 billion, a decrease of 7.6% from the FUM of \$35.4 billion at 30 September 2010. The movement of \$2.7 billion for the 2011 Financial Year has been largely driven by negative market movements and outflows in the legacy retail funds.

Dividends

The Directors have resolved to pay a fully franked final dividend of 10.0 cents per share (2010: 10.0 cents per share) on ordinary shares. The amount of dividends which have not been recognised as a liability at 30 September 2011 is \$29.1m (2010: \$16.0m). The Company paid an interim dividend of 6.0 cents per share (\$9.6m) on 4 July 2011.

Equity dividends on ordinary shares

	2011 \$'000	2010 \$'000
a. Dividends declared and paid during the 2011 Financial Year		
Final fully franked dividend for the 2010 Financial Year: 10.0 cents per share (2009 Financial Year: 4.9 cents per share)	15,944	7,837
Interim fully franked dividend paid for the 2011 Financial Year: 6.0 cents per share (2010 Financial Year: 5.5 cents per share)	9,569	8,799
Fully franked special dividend in the 2010 Financial Year: 12.5 cents per share	–	19,881
	25,513	36,517
b. Dividends proposed to be paid subsequent to the end of the 2011 Financial Year and not recognised as a liability		
Final fully franked dividend for the 2011 Financial Year: 10.0 cents per share (2010 Financial Year: 10.0 cents per share)	26,791	16,000

Equity dividends on converting notes

	2011 \$'000	2010 \$'000
Dividends proposed to be paid subsequent to the end of the 2011 Financial Year and not recognised as a liability		
Final fully franked dividend-linked coupon for the 2011 Financial Year: 12.8 cents per converting note (2010 Financial Year: 0.0 cents per converting note) ¹	2,311	–

1. Converting notes were issued on 26 October 2011 as part of the acquisition of JOHCM.

Significant changes in the state of affairs

Significant changes in the state of affairs of the BTIM Group during the 2011 Financial Year consisted of the increase in ordinary shares of 107,906,977, which increased BTIM's ordinary share capital net of transactions costs by \$227,673,607 (from \$271,833,681 to \$499,507,288) as a result of the rights issue in September 2011. The net cash received from the increase in ordinary share capital was used to fund the acquisition of JOHCM which settled after the end of the financial year. JOHCM is a London-based boutique equity investment manager.

Matters subsequent to the end of the financial year

A final fully franked dividend of 10.0 cents per share on ordinary shares for the 2011 Financial Year was declared on 31 October 2011.

On 26 October 2011, BTIM settled the acquisition of 100% of the issued share capital of JOHCM and certain assets for a total consideration of £209m (\$322m) and seed capital of £12.3m (\$18.9m). The consideration paid was funded from the proceeds of the rights issue, debt and cash resources.

Except for the new acquisition discussed above, no other matter or circumstance has arisen since 30 September 2011 that has significantly affected, or may significantly affect:

- the BTIM Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the BTIM Group's state of affairs in future financial years.

Likely developments and expected results of operations

As a result of the acquisition, the expanded BTIM Group will have exposure to new markets, resulting in foreign currency revenue flow and an impact on franking credits. BTIM's acquisition of JOHCM will help drive growth, increase margins and revenue and enhance diversification. BTIM has acquired assets, liabilities, earnings and cash flows denominated in foreign currency and will therefore be exposed to foreign currency fluctuations. Net earnings in foreign currency may also have an impact on BTIM's ability to continue to fully frank dividends.

Other than the impacts of the acquisition, information on likely developments in the operations of the BTIM Group and the expected results of operations have not been included in this financial report because the Directors believe it would be likely to result in unreasonable prejudice to the BTIM Group.

Environmental regulations

The operations of the BTIM Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory thereof.

The BTIM Group has not incurred any liability (including rectification costs) under any environmental legislation.

Indemnities and insurance

In accordance with the provisions of the Corporations Act, the BTIM Group has an insurance policy covering directors' and officers' liability for the BTIM Group. Under the terms of the policy, disclosure of the amount of cover and premium paid is prohibited.

A message from the Chairman of the Remuneration & Nominations Committee

BTIM is a talent driven business and our multi-boutique strategy is designed to incentivise people and harness their entrepreneurial drive, while achieving synergies by sharing a common infrastructure. The way in which we remunerate our people is therefore core to our business model and our success. Our remuneration model is based on a contracted revenue sharing arrangement with investment boutiques and equity incentives for all our employees that drive alignment between our employees and shareholders.

The central principles of our remuneration approach are to:

- position our remuneration at a level that will attract and retain people of the highest calibre while maintaining and growing shareholder value
- structure our remuneration arrangements in a way that delivers long term alignment between shareholders and employees.

Our remuneration policies balance the need to appropriately reward our people and deliver returns to shareholders. We do this by having a significant variable component of total remuneration linked to BTIM's profitability for our key people. While we believe that stability in our remuneration structure is important, where modifications can be made to better achieve this balance, they will be actively considered and implemented.

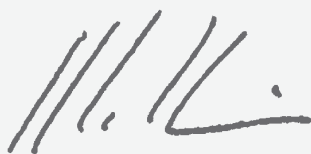
During the 2011 Financial Year, the Remuneration & Nominations Committee (Committee) made a number of decisions in relation to remuneration arrangements, including:

- approving remuneration arrangements to secure key employees of JOHCM
- reviewing the boutique remuneration structure
- determining the corporate variable reward pool
- approving Senior Executive fixed remuneration
- reviewing BTIM's remuneration policies and the Committee's Charter for compliance with new regulatory requirements and alignment to industry practice including the Committee's engagement of external remuneration consultants

The Committee is confident that BTIM's remuneration practices are in line with shareholder and community expectations and will continue to support improved operational performance and financial results. The Board believes that the remuneration framework that is in place is robust and appropriate to the Company's circumstances and industry setting, such that adjustments during the year, despite extensive review, constitute fine tuning and enhancement rather than significant change.

The Committee remains focused on reviewing BTIM's remuneration practices in light of legislative, regulatory and market developments. This process of ongoing review is pivotal to making sure that our plans effectively deliver alignment of interests between shareholders and employees.

The Committee will continue to use careful and rigorous judgement in assessing performance, and to communicate our method of assessment in a clear way to shareholders.



Brian Scullin

Chairman, Remuneration & Nominations Committee

Remuneration Report

The Remuneration Report provides a description of BTIM's remuneration practices and forms part of the Directors' Report.

The information provided in this Remuneration Report has been audited by the Company's auditor, PricewaterhouseCoopers, as required by section 308(C) of the Corporations Act.

Remuneration philosophy and principles

BTIM is committed to attracting, rewarding and retaining people of the highest calibre who contribute to the value of the business by achieving strong individual and team outcomes.

Our approach to remuneration is central to the BTIM business model. Our remuneration policy and practices aim to create a strong link between company performance and levels of individual remuneration.

Key principles of our remuneration policy

The guiding principles of BTIM's remuneration policy for all employees, including KMP, are to:

- provide competitive remuneration to attract, reward and retain highly-skilled people
- link remuneration to achievement of performance measures, both financial and non-financial, including appropriately managing risk
- differentiate total remuneration outcomes on the basis of performance
- ensure performance measures are based on drivers of long-term value to BTIM's shareholders
- benchmark individual remuneration against peers who compete for talent and clients
- apportion 'at risk' remuneration according to the responsibility and criticality of each role.

Oversight of remuneration

Role of the Remuneration & Nominations Committee

The Committee provides oversight of remuneration and incentive policies. This includes specific recommendations on remuneration packages and other terms of employment for Executive Directors, Senior Executives, NEDs and investment managers. Further detail on the role and responsibilities of the Committee is contained in the Corporate Governance Statement.

Engagement of remuneration consultants

In response to the changes in regulation, the Committee has made amendments to its Charter that acknowledge the recent changes to the Corporations Act in respect to remuneration advice or remuneration recommendations in relation to KMP. This includes:

- requiring Committee approval to appoint any remuneration consultant to advise in relation to KMP remuneration
- any advice from the remuneration consultant must be provided directly to the Chairman of the Committee and not to management
- precludes dialogue between KMP and the remuneration consultant
- remuneration consultants must provide, with their report, both a declaration of their independence from the KMP to whom their recommendations relate, and also confirmation that the Committee's conditions of engagement have been observed.

By observing these requirements, the Committee and the Board will receive assurance that the remuneration advice and recommendations provided by remuneration consultants are independent from management.

These requirements will apply to requests for remuneration advice or recommendations for KMP remuneration made after 2011 Financial Year.

Remuneration advice received in 2011

To ensure that BTIM's remuneration practices remained competitive and relevant in the current employment environment, the Board and management obtained remuneration advice, services and market data from the following organisations during the year:

Mercer Consulting – review of remuneration practices and arrangements for sales employees including benchmarking and remuneration mix advice

Hay Group – CEO benchmarking data

Financial Institutions Remuneration Group (FIRG) – Senior Executive remuneration benchmarking data

McLagan – Senior Executive remuneration benchmarking data.

Remuneration review and approvals

The CEO assesses the performance and remuneration outcomes for other Senior Executives. The Committee reviews and approves these outcomes for other Senior Executives on recommendation of the CEO. The Committee reviews and approves the performance of, and outcomes for, the CEO.

Structure of remuneration for all employees

The remuneration paid and payable to employees comprises fixed and 'at risk' variable components. The way these components are determined and their alignment to BTIM's performance are outlined below.

Fixed remuneration

Fixed remuneration consists of base compensation (and includes any fringe benefits tax charges related to employee benefits) as well as employer contributions to superannuation. The level of fixed remuneration is determined based on competitor market data for each role and in some cases independent advice.

While fixed remuneration is an important part of an employee's total remuneration, it is the variable remuneration that provides significant financial upside. Further, the equity component of variable remuneration provides alignment with BTIM and its shareholders.

Variable remuneration

Variable remuneration is governed by either the Corporate Variable Reward Scheme or the Boutique Variable Reward Scheme. Both schemes include a cash component and in some cases a deferred 'at risk' equity component, and are designed to motivate employees to meet and exceed their financial and non-financial performance measures. The VR target for each individual employee is set annually and is based on regular analysis of competitor market data for each role. It is important to note the 'at risk' component will typically be greater at higher levels of total remuneration.

Corporate Variable Reward (VR) Scheme

The Corporate VR Scheme has been designed specifically for employees who work within the corporate support teams and investment employees in the Alternatives team who are not on profit share.

The Corporate VR Scheme is linked to the performance of the Company through the creation of a VR pool from which employees are paid their VR outcomes. The size of the VR pool for the Corporate VR Scheme is based on the Company's performance against its financial objectives (see Table 3 below for examples of Senior Executive objectives).

Boutique Variable Reward (VR) Scheme

The Boutique VR Scheme is a scheme specifically for investment employees who are in boutiques on a profit share arrangement. For the 2011 Financial Year, the Equity Strategies, Macro Strategies and Income & Fixed Interest boutiques operated under their own contracted arrangements, as per the Boutique VR Scheme. The VR pool for each boutique is based on an agreed formula that accounts for revenue share and expenses.

Other employee share schemes

In addition to the key components of the remuneration structure other employee share schemes on offer to employees include the Employee Share Plan – General Reward Plan and the Annual CEO Award.

Employee Share Plan (ESP) – General Reward Plan

The ESP – General Reward Plan is a reward scheme that allows certain eligible employees to participate in BTIM's success by receiving an offer of BTIM shares. The ESP – General Reward Plan has been established to enable all employees to have a greater involvement and share in the future growth and profitability of BTIM. Our aim is to create a stronger link between employee reward and long-term shareholder value.

The award is at the discretion of the Committee and takes into consideration BTIM's overall financial performance, measured by a relative increase in cash earnings achieved versus the prior year. The maximum value of shares each employee can receive is \$2,000 per annum.

Each share grant allocated under the ESP – General Reward Plan vests at the end of three years. Employees are required to be employed by the Company on the date of vesting, to be eligible to receive shares granted to them. Dividends are paid from the date shares are allocated.

If an employee resigns prior to the vesting date, they forfeit their entitlement to the shares. All ESP – General Reward Plan shares vest on redundancy or retirement in line with the ESP Rules. Employees will not be eligible to participate in the plan if they have received equity under any other arrangement in the 12 months prior to the ESP – General Reward Plan invitation (excluding shares allocated as part of the CEO Award).

Annual CEO Award

The Annual CEO Award forms part of the BTIM Excellence Awards Program.

The Annual CEO Award provides recognition to an employee who has made an outstanding contribution to BTIM throughout the year and who is a positive role model across their immediate business unit and the wider company. Nominees are required to demonstrate achievement towards one or more of the following criteria:

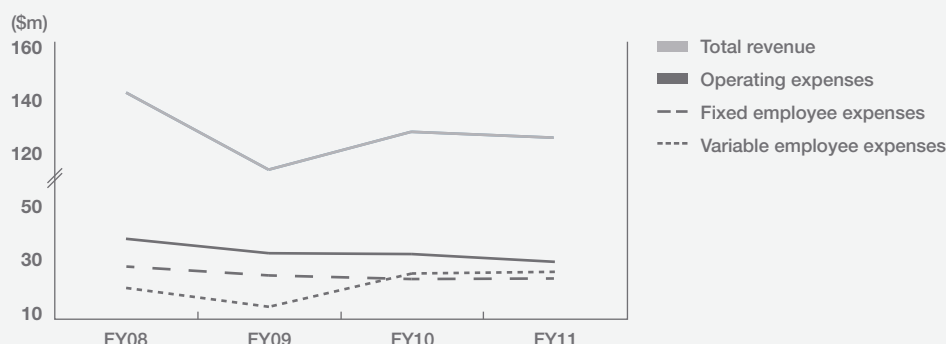
- innovation
- teamwork
- client focus

The CEO determines the winner of the Annual CEO Award and grants them BTIM shares to the value of \$10,000. The shares vest at the end of 12 months and dividends are payable from the date of allocation. Employees awarded this grant are required to be employed by the Company on the date of vesting to be eligible to receive the shares. If the employee resigns prior to the vesting date, then they forfeit their entitlement to the shares. All shares vest in the instance of redundancy or retirement in line with the Equity Plan Rules.

Link between company performance and overall remuneration

Total variable remuneration paid to BTIM employees has varied in line with BTIM revenue over time. Chart 1 demonstrates the linkage between company performance (total revenue) and overall remuneration outcomes (variable reward expenses and fixed employee costs) over the last four years. For the 2011 Financial Year the increase to variable employee expenses is largely attributable to adjustments made to Boutique remuneration arrangements while overall fixed employee expenses remain flat.

Chart 1: Revenue and Cost trends



Investment manager remuneration

Equity Strategies, Macro Strategies and Income & Fixed Interest boutiques

For the 2011 Financial Year, all boutiques (including Equity Strategies, Macro Strategies and Income & Fixed Interest) operated under the Boutique VR Scheme and their respective contracted arrangement. The Board approves which boutiques are eligible to participate in the scheme on the recommendation from the CEO.

The pool is allocated to eligible boutique employees based on the overall business outcomes and individual performance and contribution to boutique profit as assessed by the head of the boutique and approved by the Board.

For the 2011 Financial Year, the VR payments for members of the Equity Strategies, Macro Strategies and Income & Fixed Interest boutiques are based on a share of the revenue less direct expenses attributable to the respective boutique. The payment to investment managers and/or employees under the Boutique VR Scheme consists of a combination of cash and equity. To the extent the VR includes shares, those shares (ongoing equity grants) are purchased throughout the year by the trustee of the Employee Equity Plan on behalf of employees and have certain vesting restrictions. The purchases have been undertaken by a trust established for this purpose and are funded by the Company on an ongoing basis.

Non-executive Director remuneration

Non-executive Director fees

NEDs receive a fixed fee and superannuation payments that are made in accordance with legislative requirements. NEDs do not receive performance-based remuneration and are not eligible to participate in any share plan or other incentive arrangements.

Fees for NEDs were set shortly before the Company's listing in December 2007, having regard to market data. There has been no increase in the fixed fees payable to NEDs since December 2007.

Following the Initial Public Offer (IPO) in 2007, Brian Scullin was appointed a Director and Chairman of the BTIM RE board. As noted in the Corporate Governance Statement, Brian Scullin retired from the BTIM RE board, following a review of the BTIM Group's corporate governance framework. As a result, Brian Scullin's annual fees were reduced from \$270,000 to \$220,000 plus superannuation.

The fixed fees paid to NEDs during the year are set out in Table 1:

Table 1: NED fees

Fixed fees	
Chairman ¹	\$245,000 + superannuation
Other NEDs	\$90,000 + superannuation
Additional fees	
Audit & Risk Management Committee – Chairman	\$40,000 + superannuation
Audit & Risk Management Committee – member	\$20,000 + superannuation
Remuneration & Nominations Committee – Chairman	No additional fee
Remuneration & Nominations Committee – member	No additional fee

1. The fees for Chairman represent the annual fee taking into account a pro rata of six months at \$270,000 and six months at \$220,000 plus superannuation.

Non-executive Director remuneration

Fee pool

A maximum fee pool for NEDs of \$800,000 was set prior to the Company's listing. Any increase in this amount must be approved at a general meeting of BTIM's shareholders. The total fees actually paid to NEDs since listing has been approximately \$550,000 per year. In the 2011 Financial Year, the total fees paid to NEDs was approximately \$525,000.

Retirement allowances

No allowance is payable on the retirement of NEDs. Superannuation payments are made in line with legislative requirements.

Senior Executive remuneration and performance

The structure of Senior Executive remuneration is designed to achieve the following objectives to:

- reward performance
- attract and retain highly-skilled people
- align remuneration with returns delivered to shareholders.

The key components of Senior Executive remuneration which support these objectives, including target remuneration mix for the 2011 Financial Year, are summarised below:

Components of Senior Executive remuneration

Table 2 details the key components of Senior Executive remuneration and their strategic purpose.

Table 2: Components of Senior Executive remuneration

Component	Policy	Strategic purpose and link to performance
Fixed remuneration	<ul style="list-style-type: none"> – Includes base salary and employer contribution to superannuation – Based on regular analysis of competitor market practice for each role and in some cases independent advice – Reviewed annually – No guaranteed increases in contracts – Includes fringe benefits tax charges 	<ul style="list-style-type: none"> – Attracts and retains high quality people
Cash component of Variable Remuneration	<ul style="list-style-type: none"> – Includes payments made under the Corporate VR Scheme. Eligibility depends on role and outcomes are paid annually – Defined VR target for each Senior Executive based on regular analysis of relevant market remuneration data for role – Also includes sign-on and retention-based payments 	<ul style="list-style-type: none"> – Rewards performance and balances short and long-term results – Aligns remuneration with shareholders' interests – Retains high quality people
Equity – Deferred Variable Remuneration	<ul style="list-style-type: none"> – Equity is granted annually – Is the 'at risk' component of total remuneration – Up to 50% of VR is granted in equity if the Senior Executive meets minimum performance requirements (refer to Table 3) – All equity allocations vest over five years – Shares can be held in the ESP for up to 10 years from the date of grant – Forfeiture generally applies to unvested shares on cessation of employment – All shares rank equally with BTIM ordinary shares and have full voting, dividend and bonus issue rights – While shares are unvested, the Senior Executive has voting and dividend rights, but cannot transfer, borrow against, hedge or otherwise deal with the shares 	

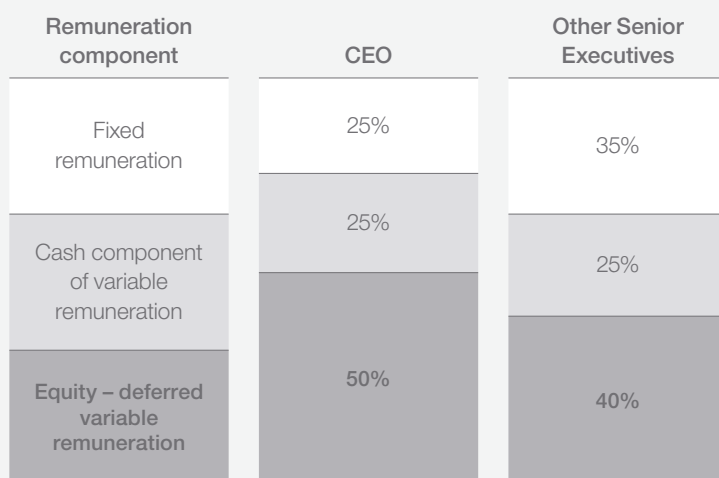
Target remuneration mix for Senior Executives

The Committee takes into account a target remuneration mix in determining the level of each remuneration component. In determining total remuneration levels for the 2011 Financial Year, the Committee:

- reviewed fixed remuneration effective from 1 January 2011 as outlined in Tables 7a, b and c;
- set VR outcomes based on a target remuneration mix as outlined in Chart 2. Actual VR outcomes including cash payments and allocation of deferred equity are expected to be provided to Senior Executives in December 2011 prior to the AGM.

Chart 2 illustrates the target remuneration mix for the CEO and other Senior Executives. Details of the remuneration components for 2011 Financial Year, for the CEO and other Senior Executives are included in Table 7c.

Chart 2: Senior Executives – target remuneration mix



Performance

Each year, the CEO considers the appropriate VR target and performance measures for each other Senior Executive, depending on the accountabilities of the role and impact on the boutique or BTIM performance. Each Senior Executive has a performance scorecard generally made up of four to six agreed performance measures. The performance measures reflect the Company's strategic priorities and are both financial and non-financial in nature, with significant weight given to the overall financial performance of BTIM and the achievement of strategic goals.

The CEO is responsible for assessing whether the performance measures have been reached as part of the annual performance review process. VR payments are adjusted up or down in line with under or over achievement against the target performance levels.

Some of the key measures for Senior Executives in the 2011 Financial Year are outlined in Table 3 below:

Table 3: Senior Executive key performance objectives

Key Performance Objectives FY11

FINANCIAL

Area of focus	Description of objective and performance measures	Weighting	Achievement
Financial and investment performance	Our primary financial measure is cash earnings because the Committee believes that it is the best measure of returns and of value created for shareholders.	20–60%	Cash earnings decreased by 1% or by \$0.4m. There has been tight cost control and overall expenses have been reduced.

NON-FINANCIAL

Area of focus	Description of objective and performance measures	Weighting	Achievement
Strategy	Drive and execute BTIM's business strategy, with a focus on growth and diversification, progressing on wholesale strategy and building on the strong alliance with The Westpac Group.	20–75%	The successful acquisition of JOHCM that enhances the growth profile of BTIM with a much more diversified portfolio. Initiatives were put in place that enhance the profile of BTIM in the financial planning market as well as continuing to build off the broader Westpac Group distribution.
People	The category primarily focuses on the identification, attraction and leadership of talent across the business. It also focuses on creating and maintaining a performance culture that encourages continuous improvement, innovation and collaboration.	10–60%	Despite a challenging year, a number of initiatives were delivered this year which will assist in the continued success of the Company: <ul style="list-style-type: none"> – design and implementation of a Leadership & Culture Program focusing on the development of our leaders – review of our sales remuneration structure – introduction of new and changes to existing, employee benefits, to further enhance our employment offering. Employee participation for the 2011 Employee Engagement Pulse Survey was 85%. We achieved up to an 8% increase on 5 out of 9 drivers of engagement that were assessed.

Risk management	Robust management of regulatory and operational risk including:	5–15%	Unqualified statutory audits of the financial and key control environment.
	– execution of comprehensive audit program		Significant review of governance framework, leading to increased efficiencies of management time.
	– embed and reinforce three lines of defence governance model.		Robust set of policies maintained and kept up to date which have resulted in key regulatory, contractual and operational risk being actively monitored and managed.

CEO remuneration

The CEO's remuneration structure was disclosed to the ASX on 21 October 2009 upon confirmation of his appointment, and includes the following components:

Fixed remuneration

The CEO receives a fixed remuneration package of \$600,000 per annum including base salary (includes any fringe benefits tax charges related to employee benefits) as well as employer contributions to superannuation. The fixed remuneration package has been determined based on analysis of competitor market data and independent advice.

The CEO's fixed remuneration package is reviewed annually to ensure it is competitive with the market. There are no guaranteed base remuneration increases included in the CEO's employment agreement.

Variable remuneration

The CEO is also eligible to be considered for a VR payment under the Corporate VR Scheme, on recommendation of the Committee for each financial year, and in accordance with the terms of the Corporate VR Scheme. The VR payment is approved annually by the Board. Under the current terms of the Corporate VR Scheme, up to 50% of VR is received as equity, subject to vesting over five years.

The CEO's VR for the 2011 Financial Year has been structured as follows:

- a VR target of \$1.8m
- the CEO's VR target is directly linked to performance measures that are set annually by the Board, as part of the annual performance review cycle. For 2011 the Board had the absolute discretion to vary the CEO's VR outcome up or down based on first meeting financial performance outcomes and then the CEO's overall performance
- the CEO's VR outcome for the 2011 Financial Year remained at \$1.8m and was determined after taking into consideration financial performance, achievement of strategic milestones, mentoring and developing key personnel, risk management controls, employee engagement, and the ability to attract and retain key talent
- for the 2011 Financial Year, a greater proportion of the CEO's VR outcome has been issued as equity compared to the 2010 Financial Year. This provides greater alignment between executives and the success of the business in light of the JOHCM transaction.

Disclosure of Director and Senior Executive remuneration

BTIM is required by the Corporations Act and the Australian Accounting Standards to make specific disclosures in relation to the remuneration of KMP.

The Corporations Act also requires BTIM to make specific disclosures of the remuneration of the five highest-paid Company executives. In the 2011 Financial Year, the five highest-paid company executives were all members of the Senior Management Team and their remuneration details are disclosed under KMP disclosures.

Remuneration for NEDs

Listed below (refer to Table 5) are details of the nature and amount of each major element of remuneration for each of the NEDs.

For the 2011 Financial Year, Mr Scullin's fees were adjusted down due to Mr Scullin retiring from the BTIM RE board.

NEDs for the 2011 Financial Year are shown in Table 4:

Table 4: Non-executive Directors

Name

Brian Scullin

Brad Cooper

James Evans

Carolyn Hewson

The fees paid to NEDs in the 2011 Financial Year are shown in Table 5:

Table 5: 2011 & 2010 Non-executive Director remuneration

		Notes	Fees	Superannuation	Total
			\$	\$	\$
Non-executive Directors					
Brian Scullin	2011	1	248,467	15,273	263,740
	2010		269,674	14,668	284,342
Rob Coombe	2011		0	0	0
	2010	2	0	0	0
Brad Cooper	2011	3	0	0	0
	2010	3	0	0	0
James Evans	2011		129,502	12,087	141,589
	2010		40,843	3,676	44,519
Carolyn Hewson	2011		109,579	10,486	120,065
	2010		109,867	9,888	119,755
Gavin Walker	2011		0	0	0
	2010	4	90,000	8,100	98,100
Total	2011		487,548	37,846	525,394
	2010		510,384	36,332	546,716

Notes to Table 5

1. Brian Scullin's fees have decreased due to his retirement from the BTIM RE board.
2. Rob Coombe resigned as a Director on 29 April 2010, but has been included in Table 5 to reflect an accurate account of the 2010 Financial Year fees paid.
3. Brad Cooper is an employee of Westpac and did not receive additional remuneration as a Director.
4. Gavin Walker resigned as a Director on 31 May 2010, but has been included in Table 5 to reflect an accurate account of the 2010 Financial Year fees paid.

KMP remuneration

The Senior Management Team during the 2011 Financial Year is listed in Table 6:

Table 6: Senior Management Team

Name	Title
Emilio Gonzalez	Chief Executive Officer
Geraldine Bouquet	Head of Human Resources
Martin Franc	Head of Sales & Marketing
Phil Stockwell	Chief Operating Officer
Cameron Williamson	Chief Financial Officer
Brian Wright	Head of Mergers & Acquisition Strategy

Senior Executive remuneration details

Listed below are details of the nature and amount of the major elements of remuneration for the Senior Executives, including the five Company executives who received the highest remuneration during the 2011 Financial Year.

For the 2011 Financial Year, Senior Executive remuneration was structured to be more focused on longer term value creation. This resulted in a higher proportion of remuneration 'at risk' and delivered in the form of equity. More specifically, the Committee made one-off equity payments to certain Senior Executives for their contribution on the JOHCM transaction which was central to the strategic objective of growth and diversification. This provides for alignment in the success of the business. These equity payments have been captured under share-based payments in Table 7c and vest over three years, with the exception of the CEO's allocation which vests at three, four and five years.

For the benefit of understanding and to clarify the value of Senior Executive remuneration during the 2011 Financial Year, a voluntary disclosure of the actual remuneration received by the Senior Executives has been included in this report. Table 7a is prepared in accordance with Australian Accounting Standards which includes actual remuneration and amortisation of an estimate of future share-based remuneration that might be earned under the Corporate VR Scheme, if target performance is achieved. Because the Australian Accounting Standards remuneration table contains estimates as well as actual payments, this does not reflect the actual amounts received by Senior Executives in the year. Table 7b illustrates the vesting schedule of equity-based remuneration. While this is not required under Australian Accounting Standards (and not audited to Australian Accounting Standards requirements), it more accurately reflects the total remuneration received by Senior Executives during the period.

Table 7a: 2011 and 2010 Senior Executive remuneration – prepared in accordance with Australian Accounting Standards

Employment benefits										
	Short term				Long term		Other	Share-based payments		
	Salary and fees \$	Superannuation benefits ⁹ \$	Total fixed remuneration ⁴ \$	Cash component of VR ¹ \$	Non-monetary benefits ⁶ \$	Long service leave ⁸ \$	Termination benefits \$	Equity ^{2b,3 & 7} \$	Total	\$
Senior Executives										
Emilio Gonzalez ⁵	2011	567,494	25,000	592,494	600,000	9,282	6,915	0	1,007,577	2,216,268
	2010	378,299	33,535	411,834	900,000	5,498	4,321	0	1,267,029	2,588,682
Geraldine Bouquet	2011	192,126	17,188	209,314	88,000	0	5,570	0	33,418	336,302
	2010	171,698	15,355	187,053	80,000	0	3,048	0	0	270,101
Martin Franc	2011	321,109	25,000	346,109	156,135	9,282	4,942	0	113,086	629,554
	2010	318,934	27,125	346,059	370,020	9,282	3,681	0	131,315	860,357
Phil Stockwell	2011	275,368	24,681	300,049	169,951	0	5,134	0	101,361	576,495
	2010	260,062	23,307	283,369	350,715	0	3,981	0	119,735	757,800
Cameron Williamson	2011	248,847	22,293	271,140	156,135	0	3,478	0	45,341	476,094
	2010	248,197	22,239	270,436	238,767	0	3,558	0	36,299	549,060
Brian Wright	2011	224,236	20,078	244,314	156,135	0	3,500	0	45,932	449,881
	2010	212,615	18,578	231,193	153,340	0	2,337	0	0	386,870
Total KMP remuneration	2011	1,829,180	134,240	1,963,420	1,326,356	18,564	29,539	0	1,346,715	4,684,594
	2010	1,589,805	140,139	1,729,944	2,092,842	14,780	20,926	0	1,554,378	5,412,870

Table 7b: 2011 Senior Executive remuneration – based on the vesting schedule

Employment benefits										
2011	Short term				Long term		Other	Share-based payments		
	Salary and fees \$	Superannuation benefits ⁹ \$	Total fixed remuneration ⁴ \$	Cash component of VR ¹ \$	Non-monetary benefits ⁶ \$	Long service leave ⁸ \$	Termination benefits \$	Equity ^{2b,3 & 7} \$	Total	\$
Senior Executives										
Emilio Gonzalez ⁵	567,494	25,000	592,494	600,000	9,282	6,915	0	866,784	2,075,475	
Geraldine Bouquet	192,126	17,188	209,314	88,000	0	5,570	0	14,385	317,269	
Martin Franc	321,109	25,000	346,109	156,135	9,282	4,942	0	162,759	679,227	
Phil Stockwell	275,368	24,681	300,049	169,951	0	5,134	0	142,320	617,454	
Cameron Williamson	248,847	22,293	271,140	156,135	0	3,478	0	20,000	450,753	
Brian Wright	224,236	20,078	244,314	156,135	0	3,500	0	19,867	423,816	
Total KMP remuneration	1,829,180	134,240	1,963,420	1,326,356	18,564	29,539	0	1,226,115	4,563,994	

Notes to Tables 7a and 7b

- The cash component of VR includes payment for performance made during the 2011 Financial Year. These projected amounts were determined on 24 October 2011, after performance reviews were completed, and approved by the Remuneration & Nominations Committee. It should be noted there may be immaterial changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- Equity-based remuneration in Tables 7a and 7b are represented differently and as follows:
 - equity-based remuneration in Table 7a represents the amortisation of 'fair value' at grant over the vesting period (five years) of all grants allocated up to the year ended 30 September 2011, and does not represent the vested portions of the grant (see Table 10). 'Fair value' is defined by accounting standards as 'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged. Accounting standards set out specific requirements in relation to the calculation of fair value of equity-based remuneration. BTIM complies with all relevant requirements.
 - equity-based remuneration in Table 7b represents the actual portion of equity allocations that have vested in the 2011 Financial Year.
- The equity component of the VR outcome for KMP for the 2011 Financial Year is not included in Tables 7a and 7b as the equity was not granted in the 2011 Financial Year and will be reported in the 2012 Financial Year. Table 10 includes equity that vested on 1 October 2011.
- The CEO's total fixed remuneration for the 2010 Financial Year was prorated to reflect a 21 January 2010 commencement date.
- The CEO VR for the 2010 Financial Year has not been prorated to reflect partial service in that financial year as a result of recognising entitlements foregone and as contractually agreed prior to commencement.
- The non-monetary benefit for Emilio Gonzalez and Martin Franc is a salary sacrifice benefit which is accessible to all employees and includes but is not limited to car parking, novated leases and/or computers etc.
- The equity component represented in Tables 7a and 7b includes the IPO grant as well as the equity grants as a component of VR made subsequent to the IPO for Martin Franc and Phil Stockwell.
- Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued during the financial year in accordance with actuarial-based valuation methodologies.
- Emilio Gonzalez and Martin Franc have chosen to cap their superannuation at \$25,000 and exercised superannuation variation and taken the remaining employer superannuation contribution as cash (i.e. which is captured under the total fixed remuneration).

Table 7c: Actual remuneration awarded to Senior Executives in 2011

The actual remuneration presented below provides the remuneration that Senior Executives have been awarded in relation to their performance in the 2011 Financial Year. This demonstrates alignment between 'at risk' remuneration and the performance of the BTIM Group. This voluntary disclosure includes fixed remuneration, cash VR awarded as well as any deferred VR that has been awarded for the 2011 Financial Year.

Remuneration details are provided in accordance with the Australian Accounting Standards and are included in Table 7a.

Employment benefits							
2011	Short term					Share-based payments	
	Salary and fees \$	Superannuation benefits ⁴ \$	Total fixed remuneration \$	Cash component of VR ¹ \$	Non-monetary benefits ³ \$	Equity ² \$	Total \$
Senior Executives							
Emilio Gonzalez	567,494	25,000	592,494	600,000	9,282	1,200,000	2,401,776
Geraldine Bouquet	192,126	17,188	209,314	88,000	0	66,000	363,314
Martin Franc	321,109	25,000	346,109	156,135	9,282	47,865	559,391
Phil Stockwell	275,368	24,681	300,049	169,951	0	270,049	740,049
Cameron Williamson	248,847	22,293	271,140	156,135	0	443,865	871,140
Brian Wright	224,236	20,078	244,314	156,135	0	443,865	844,314
Total	1,829,180	134,240	1,963,420	1,326,356	18,564	2,471,644	5,779,984

Notes to Table 7c

- The cash component of VR includes payment for performance made during the 2011 Financial Year. These projected amounts were determined on 24 October 2011, after performance reviews were completed, and approved by the Remuneration & Nominations Committee. It should be noted there may be immaterial changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- Equity-based remuneration in Table 7c represents the actual equity awarded for performance for the 2011 Financial Year. These projected amounts were determined on 24 October 2011, after performance reviews were completed, and approved by the Remuneration & Nominations Committee. It should be noted there may be immaterial changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- The non-monetary benefit for Emilio Gonzalez and Martin Franc is a salary sacrifice benefit which is accessible to all employees and includes but is not limited to car parking, novated leases and/or computers etc.
- Emilio Gonzalez and Martin Franc have chosen to cap their superannuation at \$25,000 and exercised superannuation variation and taken the remaining employer superannuation contribution as cash (i.e. which is captured under the total fixed remuneration).

Table 8: 2011 and 2010 fixed and variable components of total remuneration

Table 8 illustrates the relative proportions of remuneration (based on Australian Accounting Standards Table 7a) as a percentage of total remuneration that are linked to performance, IPO, sign on, retention and those that are fixed as follows:

Senior Executives	Fixed remuneration as a percentage of total remuneration ²		Cash VR as a percentage of total remuneration		Equity as a percentage of total remuneration ¹	
	FY11	FY10	FY11	FY10	FY11	FY10
Emilio Gonzalez	27%	16%	27%	35%	46%	49%
Geraldine Bouquet	64%	69%	26%	31%	10%	0%
Martin Franc	57%	42%	25%	43%	18%	15%
Phil Stockwell	53%	38%	29%	46%	18%	16%
Cameron Williamson	57%	50%	33%	43%	10%	7%
Brian Wright	55%	60%	35%	40%	10%	0%

Notes to Table 8

1. The equity component represented in this table includes the equity component of VR for the 2011 and 2010 Financial Years.

2. Non-monetary benefits and long service leave have been included in the fixed remuneration calculation.

Share based payments**Table 9: Senior Executive equity allocations**

Details of the shares in BTIM, granted as compensation to the CEO and the other Senior Executives under the Employee Equity Plan during the Reporting Period are set out in Table 9.

	Date of grant	Number of shares granted during FY11 ¹	Number of shares granted during FY10 ¹	Value per share at grant date (\$)	Number of shares vested 1 Oct 2011 ¹	Number of shares vested 1 Oct 2010 ¹
Senior Executives						
Emilio Gonzalez	10 Mar 10	0	762,650	2.98	228,795	228,795
	2 Dec 10	326,809	0	2.83	65,362	0
Geraldine Bouquet	2 Dec 10	26,144	0	2.83	5,083	0
Martin Franc	7 Dec 07	0	0	4.80	16,667	16,667
	14 Feb 08	0	0	3.57	14,000	14,000
	4 Dec 08	0	0	2.09	3,742	3,742
	3 Dec 09	0	13,927	3.06	2,786	2,786
	2 Dec 10	29,042	0	2.83	5,809	0
Phil Stockwell	7 Dec 07	0	0	4.80	14,583	14,584
	14 Feb 08	0	0	3.57	11,199	11,200
	4 Dec 08	0	0	2.09	3,706	3,706
	3 Dec 09	0	16,920	3.06	3,384	3,384
	2 Dec 10	25,158	0	2.83	5,032	0
Cameron Williamson	4 Dec 08	0	0	2.09	0	0
	11 Jun 09	0	0	2.04	4,909	4,909
	22 Feb 10	0	16,148	3.10	3,230	3,230
	2 Dec 10	18,603	0	2.83	3,721	0
Brian Wright	2 Dec 10	35,825	0	2.83	7,020	0

Note to Table 9

1. The shares issued for IPO, Deferred VR, Sign on and retention vest over five years with vesting dates of 1 October each year.

Table 10: Components of variable remuneration

Table 10 outlines the cash VR and VR deferred to equity awarded to Senior Executives with an associated vesting schedule for the 2011 Financial Year. No part of the cash bonuses are payable in future years. The shares vest over a period of up to five years, provided the vesting conditions are met. No shares will vest if the vesting conditions are not satisfied, hence the minimum value of the shares yet to vest is nil. The maximum value of the shares yet to vest has been determined as the market value of the shares at grant, reflected as follows:

2011	Cash component of VR	Date of grant	Value of shares at grant \$	Minimum total value of grant yet to vest \$	Equity				
					Maximum total value of grant and financial year in which shares vest ^{1,2}				
Senior Executives	\$		\$	\$	FY12 \$	FY13 \$	FY14 \$	FY15 \$	FY16 \$
Emilio Gonzalez	600,000	10 Mar 10	2,272,697	Nil	681,809	340,906	340,903	227,270	0
		2 Dec 10	924,869	Nil	184,974	184,974	184,974	184,974	184,973
Geraldine Bouquet	88,000	2 Dec 10	73,988	Nil	14,385	14,385	14,388	16,442	14,388
Martin Franc	156,135	7 Dec 07	400,000	Nil	80,000	80,000	0	0	0
		14 Feb 08	249,853	Nil	49,978	49,978	0	0	0
		4 Dec 08	39,102	Nil	7,821	7,821	7,818	0	0
		3 Dec 09	42,617	Nil	8,525	8,522	8,522	8,522	0
		2 Dec 10	82,189	Nil	16,439	16,437	16,437	16,437	16,439
Phil Stockwell	169,951	7 Dec 07	350,000	Nil	70,000	70,000	0	0	0
		14 Feb 08	199,913	Nil	39,984	39,984	0	0	0
		4 Dec 08	38,730	Nil	7,746	7,746	7,746	0	0
		3 Dec 09	51,775	Nil	10,355	10,355	10,355	10,355	0
		2 Dec 10	71,197	Nil	14,240	14,240	14,240	14,239	14,238
Cameron Williamson	156,135	4 Dec 08	1,894	Nil	1,894	0	0	0	0
		11 Jun 09	50,000	Nil	10,000	10,000	10,000	0	0
		22 Feb 10	50,000	Nil	10,000	10,000	10,000	10,000	0
		2 Dec 10	52,646	Nil	10,530	10,530	10,530	10,530	10,526
Brian Wright	156,135	2 Dec 10	101,385	Nil	19,867	19,867	19,866	21,921	19,864

Notes to Table 10

1. The shares issued vest over five years with vesting dates of 1 October each year.
2. The vesting schedule for the sign-on equity allocation for Emilio Gonzalez (granted in March 2010) differs from the standard vesting schedule, whereby shares vest equally over five years.

Table 11: Director and Senior Executives shareholdings

Table 11 represents all shareholdings, including shareholdings not yet vested. For vesting, see Table 10.

	Date of grant	Type of equity based instrument	Balance 1 October 2010	Number of shares acquired	Granted as remuneration	Net change other	Balance 30 September 2011 ¹
Brian Scullin		Ordinary	87,014	76,682	0	0	163,696
Carolyn Hewson		Ordinary	15,385	12,552	0	0	27,937
James Evans		Ordinary	0	5,000	0	0	5,000
Brad Cooper		Ordinary	0	0	0	0	0
Emilio Gonzalez		Ordinary	0	280,000	0	0	280,000
	10 Mar 10	Sign on	762,650	0	0	0	762,650
	2 Dec 10	Deferred VR	0	0	326,809	0	326,809
Total for Directors			865,049	374,234	326,809	0	1,566,092
Geraldine Bouquet	2 Dec 10	Deferred VR	0	0	25,418	0	25,418
		Employee Share Plan	0	0	726	0	726
Martin Franc	7 Dec 07	Ordinary	83,333	0	0	0	83,333
	14 Feb 08	Deferred VR	69,998	0	0	0	69,998
	4 Dec 08	Deferred VR	18,709	0	0	0	18,709
	3 Dec 09	Deferred VR	13,927	0	0	0	13,927
	2 Dec 10	Deferred VR	0	0	29,042	0	29,042
Phil Stockwell		Ordinary	5,730	0	0	0	5,730
	7 Dec 07	Ordinary	72,916	0	0	0	72,916
	14 Feb 08	Deferred VR	55,998	0	0	0	55,998
	4 Dec 08	Deferred VR	18,531	0	0	0	18,531
	3 Dec 09	Deferred VR	16,920	0	0	0	16,920
	2 Dec 10	Deferred VR	0	0	25,158	0	25,158
Cameron Williamson		Ordinary	0	48,162	0	0	48,162
	4 Dec 08	Employee Share Plan	906	0	0	0	906
	11 Jun 09	Incentive	24,545	0	0	0	24,545
	22 Feb 10	Incentive	16,148	0	0	0	16,148
	2 Dec 10	Deferred VR	0	0	18,603	0	18,603
Brian Wright	2 Dec 10	Deferred VR	0	0	35,099	0	35,099
	2 Dec 10	Employee Share Plan	0	0	726	0	726
Total for Senior Executives			397,661	48,162	134,772	0	580,595

Payments to persons before taking office

There have been no payments made to Directors or Senior Executives prior to taking office.

Employment agreements**Non-executive Director agreements**

On appointment to the Board, all NEDs enter into an employment agreement with BTIM in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of the Non-executive Director.

Executive agreements

Remuneration and other terms of employment for the Senior Executives are also formalised in employment agreements. Each of these agreements takes into consideration the provision of a fixed remuneration package (which is reviewed annually), performance based cash bonuses, other benefits, and participation, when eligible, in the Employee Equity Plan. The employment agreements for the Senior Executives are open ended permanent full time common law employment agreements.

Other significant provisions of the agreements relating to remuneration are set out in Tables 12 and 13.

Table 12: Summary of notice periods

Name	Notice period
Emilio Gonzalez	6 months
Martin Franc	3 months
Phil Stockwell	3 months
Cameron Williamson	3 months
Geraldine Bouquet	1 month
Brian Wright	1 month

Table 13: Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez, CEO	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration as at the date of termination of employment – accrued but unused annual leave and long service leave as at the termination date – all vested shares relating to the initial grant as at the date of notice of termination – all unvested shares will be determined by the Board at its discretion – any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion – BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the termination date – accrued but unused annual leave and/or long service leave as at the termination date – any payment of VR in the year of termination, including cash and/or equity, and all unvested equity entitlements relating to grants as at the termination date will be determined in accordance with the relevant plan rules – BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
Termination for cause	Emilio Gonzalez, CEO	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the date of termination of employment (termination date) – accrued but unused annual leave and long service leave as at the termination date – no entitlement to any VR for the year in which termination occurs or to any unvested equity grants
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the date of termination of employment (termination date) – accrued but unused annual leave and long service leave as at the termination date – any payment of a variable reward in the year of termination, including cash and/or equity, and all unvested equity entitlements relating to grants as at the termination date will be determined in accordance with the relevant plan rules

Post employment restraint

Employment agreements for Senior Executives include a post employment restraint clause which provides that for a period of six months (in the case of Emilio Gonzalez and Geraldine Bouquet) and three months (in the case of Martin Franc, Phil Stockwell, Cameron Williamson and Brian Wright) after cessation of employment, there is a prohibition during that period on soliciting staff or clients of the Company.

Non-audit services

The Company may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the BTIM Group are important.

Details of the amounts paid or payable to the external auditor, PricewaterhouseCoopers (PwC), for audit and non-audit services provided during the year are set out below.

The Directors have considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the financial year, the following fees were paid for non-audit services provided by the auditor of the BTIM Group, its related practices and non-related audit firms in relation to the acquisition of JOHCM:

	2011 \$
Other assurance services	
PricewaterhouseCoopers firm:	
Due diligence services	450,000
Advisory services	454,000
Prospectus related services	430,000
Total remuneration for non-audit services	1,334,000

Rounding of amounts

The BTIM Group is of a kind referred to in Class Order 98/0100, issued by 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.

Loans to Directors and Senior Executives

There were no loans made to, nor are there any outstanding loans with, Directors or Senior Executives.

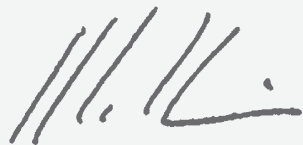
Auditor's independence declaration

PwC continues in office in accordance with section 327 of the Corporations Act. A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 51.

No officers are former auditors

No officer of the BTIM Group has been a partner of PwC, whilst PwC has been the auditor of the BTIM Group.

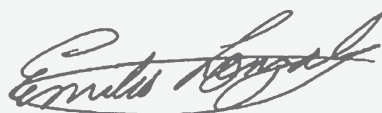
This report is made in accordance with a resolution of Directors.



Brian Scullin

Director

31 October 2011



Emilio Gonzalez

Director

31 October 2011



Auditor's Independence Declaration

As lead auditor for the audit of BT Investment Management Limited for the year ended 30 September 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 the BT Investment Management Limited and the entities it controlled during the period.

A handwritten signature in dark ink that reads 'A J Loveridge'.

A J Loveridge

Partner

PricewaterhouseCoopers

Sydney

31 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the financial year ended 30 September 2011

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	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations			
Management fees and other income	4	128,606	131,466
Expenses			
Employee expenses			
Salaries and related expenses		42,548	44,238
Amortisation of employee equity grants	28	10,385	15,363
Investment management		5,437	7,448
Fund administration		10,301	11,466
Business development and promotion		4,368	3,932
Occupancy		2,273	2,497
Depreciation and amortisation		1,820	2,460
Information and technology		3,119	3,039
Professional services		2,257	2,052
General office and administration		2,936	2,992
Acquisition transaction costs	5	11,835	–
Finance costs	5	708	–
Total expenses		97,987	95,487
Profit before income tax		30,619	35,979
Income tax expense	6	13,722	14,146
Profit attributable to owners of BTIM		16,897	21,833
Other comprehensive income for the financial year			
Gain on cash flow hedge		9,834	–
Total comprehensive income for the financial year attributable to owners of BTIM		26,731	21,833
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of BTIM			
Basic earnings per share	27	11.7	15.2
Diluted earnings per share	27	11.5	14.6

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

Consolidated Statement of Financial Position

As at 30 September 2011

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	Notes	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	7	283,703	54,787
Trade and other receivables	8	18,462	22,960
Prepayments	9	1,838	1,635
Total current assets		304,003	79,382
Non-current assets			
Property, plant and equipment	10	3,618	5,096
Available-for-sale financial assets	11	100	100
Deferred tax assets	12	7,630	7,360
Intangible assets	13	233,614	233,672
Total non-current assets		244,962	246,228
Total assets		548,965	325,610
Current liabilities			
Trade and other payables	14	17,587	11,871
Employee benefits	15	21,155	21,425
Lease liabilities		350	264
Current tax liabilities		1,977	5,086
Total current liabilities		41,069	38,646
Non-current liabilities			
Employee benefits	15	794	759
Lease liabilities		1,928	2,254
Deferred tax liabilities	16	2,651	1,906
Total non-current liabilities		5,373	4,919
Total liabilities		46,442	43,565
Net assets		502,523	282,045
Equity			
Contributed equity	17	464,558	254,709
Reserves	18	33,432	14,187
Retained earnings		4,533	13,149
Total equity		502,523	282,045

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

Consolidated Statement of Changes in Equity

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For the financial year ended 30 September 2011

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2010		254,709	14,187	13,149	282,045
Profit for the financial year		–	–	16,897	16,897
Other comprehensive income for the financial year		–	9,834	–	9,834
Total comprehensive income for the financial year		–	9,834	16,897	26,731
Transactions with owners in their capacity as owners:					
Rights issue (less costs)	17	227,674	–	–	227,674
Treasury shares acquired	17	(18,799)	–	–	(18,799)
Treasury shares released	17	974	(974)	–	–
Share-based payments	18	–	10,385	–	10,385
Dividends paid	19	–	–	(25,513)	(25,513)
		209,849	9,411	(25,513)	193,747
Balance at 30 September 2011		464,558	33,432	4,533	502,523

Balance at 1 October 2009		260,264	20,359	7,952	288,575
Profit for the financial year		–	–	21,833	21,833
Other comprehensive income for the financial year		–	–	–	–
Total comprehensive income for the financial year		–	–	21,833	21,833
Transactions with owners in their capacity as owners:					
Treasury shares acquired	17	(7,209)	–	–	(7,209)
Treasury shares released	17	1,654	(1,654)	–	–
Share-based payments	18	–	15,363	–	15,363
Dividends paid	19	–	(19,881)	(16,636)	(36,517)
		(5,555)	(6,172)	(16,636)	(28,363)
Balance at 30 September 2010		254,709	14,187	13,149	282,045

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

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Fees and other income received		142,070	144,346
Interest received		853	733
Distributions from unit trusts		1,504	1,591
Expenses paid		(91,358)	(84,258)
Income tax paid		(16,358)	(13,568)
Net cash inflows from operating activities	26	36,711	48,844
Cash flows from investing activities			
Payments for property, plant and equipment		(129)	(93)
Payments for IT development		(154)	(168)
Net cash outflows from investing activities		(283)	(261)
Cash flows from financing activities			
Proceeds from rights issue less costs	17	227,674	–
Payments for shares acquired by BT Investment Management Limited Employee Equity Plan Trust		(18,799)	(7,208)
Interest and other financing costs		(708)	–
Dividends paid	19	(25,513)	(36,517)
Net cash inflows/(outflows) from financing activities		182,654	(43,725)
Net increase in cash and cash equivalents		219,082	4,858
Cash and cash equivalents at the beginning of the financial year		54,787	49,929
Effects of exchange rate changes on cash and cash equivalents		9,834	–
Cash and cash equivalents at the end of the financial year	7	283,703	54,787

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

Note 1. Summary of significant accounting policies

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

a. Basis of accounting

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the Corporations Act.

BTIM's consolidated financial statements and notes also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board (IASB).

This financial report was authorised for issue by the Board on 31 October 2011.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by applying fair value accounting to available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates and judgements. The most significant estimates are the impairment review of goodwill as disclosed in Note 13 and the acquisition costs, including accruals, in relation to the completion of the JOHCM purchase as disclosed in Note 5.

Comparative revisions

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

b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of BTIM as at 30 September 2011 and the results of the subsidiaries for the financial year then ended. BTIM and its controlled entities together are referred to in this financial report as the BTIM Group.

Subsidiaries are all those entities over which the BTIM Group has the power to govern the financial and operating policies, generally accompanying a shareholding 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 BTIM Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the BTIM Group. They are de-consolidated from the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between BTIM Group entities are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

The BTIM Group has formed a trust to administer the BTIM Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the BTIM Group. Shares held by BT Investment Management Limited Employee Equity Plan are disclosed as treasury shares and deducted from contributed equity.

c. Parent entity financial information

The financial information for the parent entity, BTIM, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements of the BTIM Group.

d. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the BTIM Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is BTIM's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

e. Revenue recognition

Fee income

Fees and commissions are generally recognised on an accrual basis over the period during which the service is performed. Management, fund and trustee fees are recognised based on the applicable service contracts, usually on a time proportionate basis. Management fees related to investment funds are recognised over the period the service is provided. Performance fees are recognised in the accounting period in which the performance hurdles have been met.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

Distribution income

Distributions are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

f. Expense recognition

Interest expense

Interest expense is recognised in the Statement of Comprehensive Income for all financial liabilities using the effective interest method.

Rights issue and acquisition transaction costs

Costs directly attributable to the rights issue are recognised in equity. Those costs in relation to the acquisition are recognised in the Statement of Comprehensive Income in the period during which the related service is incurred.

Other fees

All commissions and other fees are recognised in the Statement of Comprehensive Income over the period which the related service is consumed.

g. Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and any adjustment to tax payable in respect of previous periods.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided on temporary differences arising between the tax bases of asset and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the original recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, or differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted for each jurisdiction by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current and deferred income tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Except as noted above, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Tax consolidation legislation

BTIM and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation.

The head entity, BTIM, and the controlled entity in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 6.

Non-Australian subsidiaries are not subject to tax consolidation legislation; however, they are each subject to taxation in the applicable jurisdiction as separate taxpayers.

h. Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the BTIM Group as lessee are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease, net of any incentives received from the lessor which are deducted from the lease liability in the Statement of Financial Position.

Leases in which the BTIM Group has substantially all the risks and rewards of ownership are classified as finance leases. The BTIM Group had no finance leases as at 30 September 2011.

i. Investments and other financial assets

The BTIM Group classifies its investments and other financial assets in the following categories: receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments and other financial assets were acquired. Management determines the classification of the BTIM Group's investments at initial recognition.

Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the BTIM Group provides goods or services directly to a debtor with no intention of selling the receivable.

Trade and other receivables are recognised at fair value and collectability is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment for receivables is established when there is objective evidence that the BTIM Group will not be able to collect all amounts due.

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 receivables.

Purchases and sales of available-for-sale financial assets are recognised on trade date, being the date on which the BTIM Group commits to purchase or sell the asset. Financial assets at fair value through profit or loss are initially recognised at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the BTIM Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale assets are recognised directly in equity, until the financial asset is de-recognised at which time the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income when the right to receive a payment is established.

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.

Note 1. Summary of significant accounting policies (continued)

Impairment

The BTIM Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale assets, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments classified as available-for-sale financial assets are not reversed through the Statement of Comprehensive Income.

j. Non-financial assets

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Impairment is recognised as part of operating expenses in the Statement of Comprehensive Income.

Computer software is capitalised at cost and classified as property, plant and equipment where it is integral to the operation of associated hardware.

Depreciation and amortisation is calculated using the straight-line method to allocate the cost of assets less any residual value over their estimated useful lives, as follows:

– computer hardware	3-7 years
– office furniture and fittings	5 years
– computer software	3 years
– leasehold improvements	7 years

The residual value and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying value, and are included in the Statement of Comprehensive Income.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of service and are recognised as intangible assets. Amortisation is calculated on a straight-line basis over a three year period.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BTIM Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment

losses. The carrying value of goodwill as at 30 September 2011 was \$233,300,000.

Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. The CGU represents the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. To determine if goodwill is impaired, the carrying value of the identified CGU to which the goodwill is allocated, including the allocated goodwill, is compared to its recoverable amount. Recoverable amount is the higher of the CGU's fair value or its value-in-use.

Value-in-use is the present value of expected future cash flows from the CGU. Fair value is the amount obtainable for the sale of the CGU in an arm's length transaction between knowledgeable, willing parties.

k. Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or the BTIM Group. Trade payables other than those owing to related entities are normally settled within 30 days. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

l. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as finance costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Comprehensive Income as other income or finance costs.

Borrowings are classified as current liabilities, unless the BTIM Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

m. Borrowing costs

All borrowing costs are expensed as Finance costs.

n. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in provisions in respect of employee services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled. No provision is made for non-vesting sick leave.

Long service leave

Liabilities for long service leave, expected to be settled within 12 months of the balance date, are recognised in the provision for long service leave and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave expected to be settled more than 12 months from the balance date are recognised in the provision for long service leave and are measured at the present value of future payments expected to be made in respect of services provided by employees up to the

balance date. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted to their net present value using market yields at the balance date on national government bonds with terms that match, as closely as possible, the estimated timing of future cash flows.

Share-based payments

Share-based payment compensation benefits are provided to employees via employee share schemes. Information relating to these schemes is set out in Note 28.

The fair value of shares granted to employees for no consideration under the employee share schemes is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. The fair value of shares granted without market-based vesting conditions approximates the listed market price of the shares on the ASX at the date of grant. The fair value of shares granted with market-based vesting conditions has been determined using option-equivalent valuation methodologies.

BTIM has formed a trust to purchase shares for future allocation to employees and to hold any shares forfeited by employees until they are reallocated at a later date. Shares held by the trust as a result of purchases for future allocations to employees, forfeitures not yet reallocated to employees and those held in the name of the employee which are yet to satisfy certain holding restrictions are treated as treasury shares and deducted from shareholders' equity.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. BTIM recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Employee benefits on-costs

A liability is also carried for on-costs, including payroll tax, in respect of provisions for certain employee benefits which attract such costs.

o. Equity

Ordinary shares

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs.

Treasury shares

Where BTIM or other entities of the BTIM Group purchase shares in BTIM, the consideration paid is deducted from total shareholders' equity and the shares treated as treasury shares. When restrictions on the sale of shares granted to employees are lifted from the Employee Share Plan (ESP), the cost of such shares is treated as a reduction in treasury shares. The corresponding offset is reflected in the share-based payment reserve.

p. Reserves

Common control reserve

The differences, if any, between the cost of acquisition (fair value of consideration paid), and the amounts at which the assets and liabilities are initially recorded has been recognised directly in equity as part of a business combinations under common control reserve.

Share-based payment reserve

Share-based payment reserve comprises the fair value of performance share rights and shares, granted to employees for no consideration, recognised as an expense. The share-based payment reserve is a separate component of equity. 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 2001* are met.

Cash flow hedge reserve

The effective portion of changes in the fair value of instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, that is, when the forecast sale that is hedged takes place. When the forecast transaction that is hedged results in the recognition of a non-financial asset, such as fixed assets or an investment in a subsidiary, the gains and losses previously recognised in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts in relation to non-financial assets are ultimately recognised in profit or loss as impairment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

q. Provision for dividends

Provision is made for the amount of any dividend declared, determined or recommended by the Directors and approved by shareholders before or at the end of the financial period but not distributed at balance date.

r. Funds management and trust activities

A controlled entity within the BTIM Group conducts investment management and other fiduciary activities as RE, trustee or manager on behalf of individuals, trusts, retirement benefit plans and other institutions. These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

Where the controlled entity, as RE or trustee, incurs liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. To the extent these assets are sufficient to cover liabilities, and it is not probable that the controlled entity will be required to settle them, the liabilities are not included in the consolidated financial statements.

s. Earnings per share

Basic earnings per share is determined by dividing net profit after tax attributable to equity holders of the Company, excluding costs of servicing other equity instruments, by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price over the financial period.

t. Cash

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and with maturities of three months or less that are readily convertible to known amounts of cash.

Note 1. Summary of significant accounting policies (continued)

u. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

v. Rounding of amounts

In accordance with Australian Securities and Investments Commission Class Order 98/100, all amounts have been rounded to the nearest thousand dollars, unless otherwise stated.

w. Segment reporting

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision maker (CODM). As a result, the BTIM Group has determined it has one operating segment, being the provision of investment management services in Australia.

x. New accounting standards

New and revised standards and interpretations effective and adopted

The BTIM Group has adopted all of the new and revised standards and interpretations issued by the 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 Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

The adoption of these new and revised Standards and Interpretations has not affected amounts recognised in the financial statements for the current period.

New and revised standards not mandatory and not adopted

Certain new and revised accounting standards have been published that are not mandatory for 30 September 2011 reporting periods. They are available for early adoption but have not been applied in preparing this financial report. The BTIM Group's assessment of the impact of these new standards is set out below:

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013). If the standard is not adopted early by BTIM, it will be effective from 1 October 2013.

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 unlikely to have material impact on the BTIM Group's accounting for its financial assets or related disclosures. The BTIM Group has not yet adopted AASB 9.

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 eliminating inconsistencies from the definition, including identifying a subsidiary and an associate with the same investor as related parties of each other; no longer including certain significantly influenced entities as related parties; and clarifying the identification of related parties in relation to joint control.

The BTIM Group will apply the amended standard from 1 October 2011. When the amendments are applied, the BTIM Group will continue to disclose any transactions between its subsidiaries and its associates and there will be no impact on any of the amounts recognised in the financial statements.

IFRS 10 *Consolidated Financial Statements* (effective 1 January 2013).

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The BTIM Group does not expect the new standard to have a significant impact on its composition.

IFRS 13 *Fair Value Measurement* (effective 1 January 2013).

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures.

The BTIM Group does not expect any of its current measurement techniques will have to change as a result of the new guidance. The BTIM Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 September 2014.

Revised IAS 1 *Presentation of Financial Statements* (effective 1 July 2012).

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future.

It will not affect the measurement of any of the items recognised in the Statement of Comprehensive Income or Statement of Financial Position in the current period. The BTIM Group intends to adopt the new standard from 1 October 2012.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013).

In July 2011, the AASB decided to remove the individual KMP disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements.

The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

Note 2. Financial risk management

The key financial risks faced by the BTIM Group are market (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Board is responsible for the establishment and oversight of an effective system of risk management. The Board delegates authority to management to conduct business activity within the limits of the approved business plans, policies and procedures.

The BTIM Group held the following financial instruments as at 30 September:

	2011 \$'000	2010 \$'000
Financial assets		
Cash and cash equivalents	283,703	54,787
Trade and other receivables	18,462	22,960
Available-for-sale financial assets	100	100
	302,265	77,847
Financial liabilities		
Trade and other payables	17,587	11,871
	17,587	11,871

a. Market risk

The BTIM Group may take on exposure to market risks which include securities price and interest rate risk due to the nature of its investments and liabilities. The key direct risks are driven by investment and market volatility which have a resulting impact on the FUM. A reduction in FUM will reduce the management fee income as this is calculated as a percentage of FUM and subsequently a reduction in NPAT. The BTIM Group estimates the potential movements in overall FUM covering all its asset classes and its impact on NPAT as follows:

	2011		2010	
	10% increase	10% decrease	10% increase	10% decrease
Impact on:				
FUM (\$ billion)	3.3	(3.3)	3.5	(3.5)
NPAT (\$'000)	5,262	(5,008)	6,325	(6,307)

The sensitivity calculation is made on the basis of the FUM as at 30 September increasing or decreasing by 10.0%. The NPAT sensitivity calculation is derived by holding net flows and market movements flat for 12 months and flowing the revenue result through the current operating cost parameters and/or assumptions. Depending on the extent and duration of an actual FUM movement, management would respond with appropriate measures which would change the parameters and/or assumptions and potentially reduce or improve the calculated NPAT impact.

i. Price risk

The BTIM Group is exposed to equity securities price risk. This arises from both FUM and investments directly held by the BTIM Group. The majority of the BTIM Group's revenue consists of fees derived from FUM. Exposure to equity securities price risk could result in fluctuations in FUM that would impact the BTIM Group's fee revenue which has been highlighted in market risk.

The exposure to price risk from directly held securities is not significant. The directly held securities are shares in an unlisted company, Regnan – Governance Research and Engagement Pty Limited, which is developing best practice sustainability reporting. At this time, cost approximates the fair value of this investment.

ii. Interest rate risk

The BTIM Group is also subject to interest rate risk, a subset of market risk, which impacts both the BTIM Group's FUM (highlighted in (a. Market risk)), and the BTIM Group's cash and cash equivalents. This risk is managed through asset/liability management strategies that seek to limit the impact arising from interest rate movements.

Fair value sensitivity analysis

The BTIM Group does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not result in a change of fair value affecting profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 50 bps in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. A change in interest rates would be applicable to the BTIM Group's cash and cash equivalents and borrowings. This analysis assumes that all other variables remain constant.

Note 2. Financial risk management (continued)

	Profit or loss		Other components of equity	
	50 bps increase \$'000	50 bps decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
30 September 2011				
Cash and cash equivalents	1,419	(1,419)	–	–
30 September 2010				
Cash and cash equivalents	274	(274)	–	–

iii. Foreign exchange risk

The BTIM Group makes payment for certain services in foreign currencies, and had cash at bank and liabilities for amounts owing to creditors denominated in foreign currencies at 30 September 2011. The BTIM Group has an international subsidiary which is exposed to foreign exchange risk, primarily in GBP.

The BTIM Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2011 GBP \$'000	2010 GBP \$'000
Cash at bank	233,071	–

b. Credit risk

Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counterparty. The major counterparties are Westpac and its controlled entities (The Westpac Group), HSBC Bank Australia Limited and the funds for which BT Investment Management (RE) Limited (BTIM RE) is the responsible entity. Exposure to credit risk arises on the BTIM Group's financial assets which are disclosed at the beginning of this Note.

The credit quality of financial assets that are neither past due nor impaired, which can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates, is AA (2010: AA).

Credit risk further arises in relation to financial guarantees given to certain parties (refer to Note 29). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

c. Liquidity risk

Liquidity risk is the risk that the BTIM Group may not be able to meet its financial obligations in a timely manner at a reasonable cost. The BTIM Group maintains sufficient cash and working capital in order to meet future obligations and the licensing conditions of BTIM RE.

Maturities of financial liabilities

The table below analyses the BTIM Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Current \$'000	> 30 days to < = 60 days \$'000	> 60 days to < = 90 days \$'000	> 90 days \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
30 September 2011						
Trade and other payables	17,587	–	–	–	17,587	17,587
30 September 2010						
Trade and other payables	11,871	–	–	–	11,871	11,871

Financing arrangements

The BTIM Group has committed to, but undrawn, borrowing facilities denominated in GBP to fund the acquisition of JOHCM. Details of these at balance date were as follows:

- Facility A – £27 million term debt facility expiring 29 September 2014
- Facility B – £25 million revolving loan facility expiring 29 September 2013

BTIM is the guarantor on the above facilities and at 30 September 2011 both facilities were undrawn.

d. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities 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.

Note 3. Segment information

AASB 8 *Operating Segments* requires a 'management approach' to reporting on the financial performance, under which segment information is presented on the same basis as that used for internal reporting to the CODM. The CODM is BTIM's executive committee which is made up of Key Management Personnel (refer to Note 20).

a. Description of segments

The BTIM Group operates in one segment which is the provision of investment management services in Australia. The operating segment has been determined based on reports reviewed by the CODM that are used to make decisions about resources to be allocated to the segment and assess its performance.

b. Segment information provided to the CODM

The segment information provided to the CODM for the reportable segment for the financial year ended 30 September 2011 was as follows:

	2011 \$'000	2010 \$'000
Total segment revenue	128,606	131,466
Cash NPAT	30,477	30,914
Total segment assets	548,965	325,610
Total segment liabilities	46,442	43,565

The CODM assesses the performance of the operating segment based on a measure of Cash NPAT. Cash NPAT is a measure of underlying profitability comprising statutory NPAT adjusted for the categories as follows:

- amortisation of employee equity grants less the after-tax cost of equity grants made in respect of the current year
- material items that key decision makers believe do not reflect ongoing operations.

A reconciliation of Cash NPAT to statutory NPAT for the financial year is provided as follows:

	2011 \$'000	2010 \$'000
Cash NPAT	30,477	30,914
Deduct: amortisation of employee equity grants	(10,385)	(15,363)
Add back: after-tax cash cost of ongoing equity grants	8,594	6,282
Deduct: net acquisition transaction costs ¹	(12,348)	–
Add back: tax effect of net acquisition transaction costs	559	–
NPAT	16,897	21,833

1. Included in net acquisition transaction costs are \$12,543,163 in acquisition and financing costs shown in the Statement of Comprehensive Income, partially offset by \$194,683 in realised foreign exchange gains on currency contracts.

Note 4. Revenue from continuing operations

	2011 \$'000	2010 \$'000
Management, fund and trustee fees	117,815	118,351
Realised performance fees	6,161	8,192
Distributions from unit trusts	1,516	1,626
Service fees from related parties	1,406	1,380
Expense recoveries	451	901
Interest revenue	858	733
Other income	204	283
Realised foreign exchange gains on currency contracts	195	–
Total revenue from continuing operations	128,606	131,466

Note 5. Acquisition transaction and finance costs

The following costs are transactions costs relating to the acquisition of JOHCM on 26 October 2011:

	2011 \$'000
Due diligence and other professional costs	9,089
UK transaction taxes	1,662
Other costs	1,084
Total acquisition transaction costs	11,835
Finance costs	708
Total acquisition transaction and finance costs	12,543

Note 6. Income tax expense

	2011 \$'000	2010 \$'000
a. Income tax expense		
Current tax	13,253	16,234
Deferred tax ¹	475	(2,095)
Adjustments for current tax of prior periods	(6)	7
Income tax expense	13,722	14,146
1. Deferred income tax expense/(revenue) included in income tax expense comprises:		
Increase in deferred tax assets	(270)	(2,390)
Increase in deferred tax liabilities	745	295
Total increase/(decrease) in deferred tax	475	(2,095)
b. Numerical reconciliation of income tax expense to prima facie tax payable		
Profit	30,619	35,979
Income tax calculated at 30% (2010: 30%)	9,186	10,794
Tax effect of amounts which are not deductible in calculating taxable income:		
Employee equity grant amortisation	1,245	3,264
Acquisition transaction costs	3,145	–
Sundry non-deductible items	152	81
Income tax expense	13,728	14,139
Adjustments for current tax of prior financial year	(6)	7
Income tax expense in the Statement of Comprehensive Income	13,722	14,146

c. Tax consolidation legislation

BTIM and its wholly-owned Australian entity have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(g).

The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entity in the case of a default by the head entity, BTIM.

The entities have also entered into a tax funding agreement under which the wholly-owned entity fully compensates BTIM for any current tax payable assumed and is compensated by BTIM for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entity's financial statements.

The amounts receivable/payable under the tax funding agreement are due when advised by the head entity, which occurs when a tax liability is due and payable by the head entity. The funding amounts are recognised as current inter-company receivables or payables.

Note 7. Cash and cash equivalents

	2011 \$'000	2010 \$'000
Cash at bank and in hand	249,985	15,716
Deposits at call	33,718	39,071
Balance as per Consolidated Statement of Cash Flows	283,703	54,787

Included in cash at balance date are funds for the acquisition of JOHCM.

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

Interest rate risk exposure

The BTIM Group's exposure to interest rate risk is disclosed in Note 2.

Note 8. Trade and other receivables

	2011 \$'000	2010 \$'000
Trade receivables	18,462	22,960

Trade receivables are expected to be cleared within one to three months.

a. Related party receivables

Related party receivables are disclosed in Note 24(e).

b. Impaired receivables and receivables past due

None of the trade receivables is impaired or past due but not impaired.

c. Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the BTIM Group and the credit quality of its trade receivables.

Note 9. Prepayments

	2011 \$'000	2010 \$'000
Prepayments	1,838	1,635

Prepayments substantially relate to prepaid information and technology related expenses.

Note 10. Property, plant and equipment

	2011 \$'000	2010 \$'000
Computer Hardware		
Cost	1,665	1,666
Accumulated depreciation	(1,478)	(1,309)
Net carrying value	187	357
Office Furniture and Fittings		
Cost	1,899	1,902
Accumulated depreciation	(1,205)	(674)
Net carrying value	694	1,228
Computer Software		
Cost	1,724	1,719
Accumulated depreciation	(1,722)	(1,488)
Net carrying value	2	231
Leasehold Improvements		
Cost	3,829	3,827
Accumulated depreciation	(1,094)	(547)
Net carrying value	2,735	3,280
Total property, plant and equipment		
Cost	9,117	9,114
Accumulated depreciation	(5,499)	(4,018)
Net carrying value	3,618	5,096

Note 10. Property, plant and equipment (continued)

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	2011 \$'000	2010 \$'000
Computer Hardware		
Balance at beginning of the financial year	357	852
Additions	127	40
Disposals	(128)	–
Depreciation	(169)	(535)
Balance at end of the financial year	187	357
Office Furniture and Fittings		
Balance at the beginning of the financial year	1,228	1,902
Additions	–	–
Depreciation	(534)	(674)
Balance at end of the financial year	694	1,228
Computer Software		
Balance at the beginning of the financial year	231	812
Additions	–	–
Depreciation	(229)	(581)
Balance at the end of the financial year	2	231
Leasehold Improvements		
Balance at the beginning of the financial year	3,280	3,774
Additions	2	53
Depreciation	(547)	(547)
Balance at the end of the financial year	2,735	3,280
Total property, plant and equipment		
Balance at the beginning of the financial year	5,096	7,340
Additions	129	93
Disposals	(128)	–
Depreciation	(1,479)	(2,337)
Balance at the end of the financial year	3,618	5,096

Note 11. Available-for-sale financial assets

	2011 \$'000	2010 \$'000
Unlisted securities ¹		
Shares in Regnan – Governance Research and Engagement Pty Limited	100	100

1. These securities are measured at cost, as it approximates the fair value of the shares at this time (refer to Note 2).

Note 12. Deferred tax assets

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	6,582	6,754
Initial Public Offer transaction costs	(787)	(590)
Accrued expenses	352	(6)
Lease expenses	(129)	(50)
Property, plant and equipment	628	268
	6,646	6,376
Amounts recognised directly in equity		
Initial Public Offer transaction costs	984	984
Net deferred tax assets	7,630	7,360
Deferred tax assets to be settled after more than 12 months	7,630	7,360
Movement in temporary differences during the financial year:		
Balance at the beginning of the financial year	7,360	4,970
Credited to profit or loss	270	2,390
Balance as at the end of the financial year	7,630	7,360

Note 13. Intangible assets

	2011 \$'000	2010 \$'000
Goodwill		
Cost	233,300	233,300
Accumulated impairment	–	–
Net carrying value	233,300	233,300
IT development and software		
Cost	689	536
Accumulated amortisation	(375)	(164)
Net carrying value	314	372
Total intangible assets		
Cost	233,989	233,836
Accumulated amortisation	(375)	(164)
Net carrying value	233,614	233,672

Reconciliations of the carrying amount of goodwill and IT development and software are set out below:

	2011 \$'000	2010 \$'000
Goodwill		
Balance at the beginning of the financial year	233,300	233,300
Balance at the end of the financial year	233,300	233,300
IT development and software		
Balance at the beginning of the financial year	372	327
Additions	153	168
Amortisation	(211)	(123)
Balance at the end of the financial year	314	372

There has been no impairment of goodwill during the financial year.

There is only one cash generating unit (CGU) operating within the BTIM Group. The recoverable amount of the CGU is determined using a fair value less costs to sell calculation which applies a capitalisation multiple to maintainable earnings before interest and taxes (EBIT) and adjusts for the value of surplus assets.

Capitalisation multiples are determined with reference to factors such as EBIT multiples of comparable listed fund managers, the relative market position of the CGU and current economic and market conditions. Maintainable EBIT is based on recent historical earnings and management forecasts of future earnings, adjusted for non-recurring items. Surplus assets are those assets held by the CGU which are considered to be in excess of the operating requirements of the CGU. Key assumptions applied by management are considered appropriate as they are based on past experience and are consistent with observable current market information.

Note 14. Trade and other payables

	2011 \$'000	2010 \$'000
Trade payables	13,634	8,634
Payables – related entities (refer to Note 24(e))	3,953	3,237
Total trade and other payables	17,587	11,871

Risk exposure

Information about the BTIM Group's exposure to liquidity risk is provided in Note 2.

Note 15. Employee benefits

	2011 \$'000	2010 \$'000
Current liabilities		
Annual leave	1,545	1,536
Long service leave	931	813
Provision for bonus	18,679	19,076
Total current employee liabilities	21,155	21,425
Non-current liabilities		
Long service leave	794	759
Total non-current employee liabilities	794	759
Defined contribution superannuation expense	1,802	1,739

Included in employee expenses recognised in the Statement of Comprehensive Income is an amount related to BTIM's contributions to employees' superannuation, as follows:

Note 16. Deferred tax liabilities

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee equity grant	2,651	1,906
Net deferred tax liabilities	2,651	1,906
Deferred tax liabilities to be settled after more than 12 months	2,651	1,906
Movement in temporary differences during the financial year		
Balance at the beginning of the financial year	1,906	1,611
Charged to profit or loss	745	295
Balance at the end of the financial year	2,651	1,906

Note 17. Contributed equity

	2011 \$'000	2010 \$'000
Ordinary shares 243,593,470 (2010: 142,900,624) each fully paid	499,508	271,834
Treasury shares 24,313,507 (2010: 17,099,376)	(34,950)	(17,125)
Total contributed equity	464,558	254,709

	2011 Shares ('000)	2011 \$ ('000)	2010 Shares ('000)	2010 \$ ('000)
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	160,000	271,834	160,000	271,834
Rights issue ¹	107,907	232,000	–	–
Rights issue – associated costs	–	(4,326)	–	–
Balance at the end of the year	267,907	499,508	160,000	271,834
Movements in treasury shares during the financial year				
Balance at the beginning of the year	(17,099)	(17,125)	(16,590)	(11,570)
Acquisition of treasury shares	(8,001)	(18,799)	(2,640)	(7,209)
Treasury shares released	786	974	2,131	1,654
Balance at the end of the year	(24,314)	(34,950)	(17,099)	(17,125)
Total contributed equity	243,593	464,558	142,901	254,709

1. The purpose of the rights issue was to partially fund the acquisition of JOHCM, which occurred after the end of the financial year.

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 Company under its ESP. These are recoded at cost and when restrictions on employee shares are lifted, the cost of such shares is treated as a reduction in the 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 financial year were as follows:

	2011 Shares ('000)	2011 \$ ('000)	2010 Shares ('000)	2010 \$ ('000)
Unallocated shares held by trustee	6,578	11,120	1,685	2,576
Shares allocated to employees	17,736	23,829	15,414	14,549
Balance at the end of the financial year	24,314	34,949	17,099	17,125

c. Rights Issue

On 26 August 2011, the Company invited its shareholders to participate in a four for five pro rata entitlement offer (rights issue) of new ordinary shares at an offer price of \$2.15 per new share, with such shares to be issued on, and ranked for dividends after, 20 September 2011. As a result of the rights issue, 107,906,977 new ordinary shares were issued.

d. 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 and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

From time to time, the trustee of the ESP purchases BTIM shares on market. These shares are intended to be used to satisfy the BTIM Group's obligations under the ESP.

BTIM RE is required to maintain a minimum of \$5 million net tangible assets as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions.

Note 18. Reserves

	2011 \$'000	2010 \$'000
Common control reserve		
Balance at the beginning of the financial year	(25,472)	(25,472)
Balance at the end of the financial year	(25,472)	(25,472)
Share-based payment reserve		
Balance at the beginning of the financial year	39,659	45,831
Share-based payments	10,385	15,363
Treasury shares released	(974)	(1,654)
Special dividend paid	–	(19,881)
Balance at the end of the financial year	49,070	39,659
Cash flow hedge reserve		
Balance at the start of the financial year	–	–
Currency gain on designated hedge instrument	9,834	–
Balance at the end of the financial year	9,834	–
Total reserves	33,432	14,187

BTIM's cash flow hedge reserve reflects the currency movement of the balance held in a foreign currency bank account held to settle the future obligation payable on the acquisition of JOHCM.

Note 19. Dividends

Equity dividends on ordinary shares

	2011 \$'000	2010 \$'000
a. Dividends paid during the financial year		
Fully franked final dividend for the 2010 Financial Year: 10.0 cents per share (2009 Financial Year: 4.9 cents per share)	15,944	7,837
Fully franked interim dividend for the 2011 Financial Year: 6.0 cents per share (2010 Financial Year: 5.5 cents per share)	9,569	8,799
Fully franked special dividend in the 2010 Financial Year: 12.5 cents per share	–	19,881
Total dividends paid during the financial year	25,513	36,517
b. Dividends proposed and not recognised as a liability		
Fully franked final dividend for the 2011 Financial Year: 10.0 cents per share (2010 Financial Year: 10.0 cents per share)	26,791	16,000

Equity dividends on converting notes

	2011 \$'000	2010 \$'000
Dividends proposed to be paid subsequent to the end of the 2011 Financial Year and not recognised as a liability		
Final fully franked dividend-linked coupon for the 2011 Financial Year: 12.8 cents per converting note (2010 Financial Year: 0.0 cents per converting note) ¹	2,331	–

1. Converting notes were issued on 26 October 2011 as part of the acquisition of JOHCM.

Franked dividends

Franked dividends declared or paid during the year were franked at the tax rate of 30%. The franked portions of the final dividends recommended after 30 September 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 September 2012.

	2011 \$'000	2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	21,794	19,519

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

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividends recommended by the Directors since year end, but not recognised as a liability at financial year end, will be a reduction in the franking account of \$12,472,299 (2010: \$6,857,143).

Note 20. KMP disclosures

a. KMP compensation

	2011 \$	2010 \$
Short-term employee benefits	3,661,648	4,207,811
Post-employment benefits	172,086	176,471
Long-term benefits	29,539	20,926
Share-based payments	1,346,715	1,554,378
	5,209,988	5,959,586

b. Equity instrument disclosures relating to KMP

The number of shares in the Company held during the financial year by each Director and other KMP of the BTIM Group, including their personally related parties, is set out below:

	Held at 1 October 2010	Granted as compensation	Purchases	Sales	Held at 30 September 2011
Non-executive Directors					
Brian Scullin	87,014	–	76,682	–	163,696
Brad Cooper	–	–	–	–	–
James Evans	–	–	5,000	–	5,000
Carolyn Hewson	15,385	–	12,552	–	27,937
John Frechtling (Alternate Director for Brad Cooper)	–	–	–	–	–
Executive Director					
Emilio Gonzalez	762,650	326,809	280,000	–	1,369,459
Other KMP					
Phil Stockwell	170,095	25,158	–	–	195,253
Cameron Williamson	41,599	18,603	48,162	–	108,364
Martin Franc	185,967	29,042	–	–	215,009
Brian Wright	–	35,825	–	–	35,825
Geraldine Bouquet	–	26,144	–	–	26,144

	Held at 1 October 2009	Granted as compensation	Purchases	Sales	Held at 30 September 2010
Non-executive Directors					
Brian Scullin	87,014	–	–	–	87,014
Rob Coombe	–	–	–	–	–
Brad Cooper	–	–	–	–	–
James Evans	–	–	–	–	–
Carolyn Hewson	15,385	–	–	–	15,385
Gavin Walker	–	–	–	–	–
John Frechtling (Alternate Director for Rob Coombe and Brad Cooper)	–	–	–	–	–
Executive Director					
Emilio Gonzalez ¹	–	762,650	–	–	762,650
Other KMP					
Phil Stockwell	153,175	16,920	–	–	170,095
Cameron Williamson ²	25,451	16,148	–	–	41,599
Martin Franc	172,040	13,927	–	–	185,967
Brian Wright	–	–	–	–	–
Geraldine Bouquet	–	–	–	–	–

1. Emilio Gonzalez was appointed the CEO on 21 January 2010 and became a Director on 22 January 2010.

2. Cameron Williamson assumed the role of Acting CFO on 1 May 2009 and was appointed CFO on 15 February 2010.

c. Loans or transactions with KMP

There were no loans or other transactions to KMP during the financial year (2010: Nil).

Note 21. Remuneration of Auditors

	2011 \$	2010 \$
During the financial year, the following fees were paid for services provided by the auditor of the BTIM Group, its related practices and non-related audit firms:		
a. Audit and other assurance services		
PricewaterhouseCoopers firm		
Audit and review of financial reports	313,436	403,436
Other assurance services		
Due diligence	450,000	–
Advisory services	454,000	–
Prospectus related services	430,000	–
Audit of Australian Financial Service Licence	8,164	8,164
Total remuneration for assurance services	1,655,600	411,600

b. Non-audit services

It is the BTIM Group's policy to engage PwC on assignments additional to their statutory audit duties where PwC's expertise and experience is important to BTIM. During the year, these assignments were principally to assist in providing due diligence and advisory services on the acquisition of JOHCM. These services were pre-approved by the Chairman of the Audit and Risk Management Committee and are considered non-recurring.

The external auditor, PwC, also provides audit and non-audit services to non-consolidated trusts for which BTIM RE is trustee, manager or RE. The fees in respect of their services were approximately \$1,249,370 for the financial year (2010: \$1,362,808).

Note 22. 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 30 September 2011 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 foreign exchange risk, price risk and interest rate risk) and liquidity risk.

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 30 September 2011, none of those contingent obligations is anticipated to result in any material loss.

Guarantees

For information about guarantees given by entities within the BTIM Group, including the parent entity, refer to Note 29.

Note 23. Commitments

	2011 \$'000	2010 \$'000
Lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,588	2,502
Later than one year but not later than five years	9,631	10,902
Later than five years	–	1,315
Total commitments	12,219	14,719

The Company entered into a new lease agreement for its premises from 14 March 2009 for seven years with an option for a further five years. As part of the lease agreement, the Company has a bank guarantee with The Westpac Group of \$1,419,393.

Note 24. Related party transactions

a. Parent entity

The parent entity within the BTIM Group is BTIM. The immediate parent entity is Westpac Financial Services Group Limited which at 30 September 2011 owned 172,800,000 issued ordinary shares of BTIM. The ultimate parent entity is Westpac, incorporated in Australia, which at 30 September 2011 owned 100% (2010: 100%) of the issued ordinary shares of WFSGL.

b. Subsidiaries and controlled entity

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name	Country of Incorporation/formation	Class of shares	Equity holding	
			2011 %	2010 %
BT Investment Management (RE) Limited	Australia	Ordinary	100	100
BTIM UK Limited ¹	UK	Ordinary	100	–
BT Investment Management Employee Share Trust	Australia	–	–	–

1. Incorporated 15 June 2011.

c. KMP

Disclosures relating to KMP are set out in Note 20 and the Remuneration Report of the Directors' Report.

d. Transactions with related parties

	2011 \$	2010 \$
The following transactions occurred with related parties:		
Rendering of services		
Management, fund and trustee fees	54,723,640	55,669,258
Service fees from related parties	1,405,857	1,379,759
Purchase of services		
Service fees from related parties	7,932,019	8,107,669
Interest income		
Interest received on cash balances held with Westpac	815,215	727,858
Other transactions		
Contribution to rights issue by Westpac	165,120,000	–
Dividends paid to the immediate parent entity, WFSGL	15,360,000	21,984,000

e. Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2011 \$	2010 \$
Current receivables (rendering of services)		
Other related entities	4,769,679	6,161,569
Current payables (purchase of services)		
Ultimate parent entity	2,554,146	2,185,639
Other related entities	1,398,684	1,051,167

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

f. Cash and cash equivalents

\$16,745,960 (2010: \$15,180,207) was in bank accounts held with Westpac at 30 September 2011.

As part of the lease agreement for its premises, the Company has a bank guarantee with The Westpac Group of \$1,419,393 (refer to Note 23).

Note 24. Related party transactions (continued)

g. Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The outstanding balances are unsecured.

The following material contracts and agreements were in place with The Westpac Group during the financial year (unless otherwise stated):

Agreement	Term	Description
Name Licensing Agreement	Five years to 19 October 2012 plus a further five year extension by mutual agreement.	<ul style="list-style-type: none"> – Non-exclusive licence for the BTIM Group to use the 'BT' brand in Australia in connection with providing investment management services, and the distribution and marketing of investment management funds. – Annual fee of \$1.0 million plus contribution to marketing spend.
Master Relationship Agreement	Initial three year term extended to 31 March 2015.	<ul style="list-style-type: none"> – Governs the terms on which BTIM RE acts as the investment manager of certain Westpac Group retail funds, pooled superannuation trusts and statutory funds (Funds), including management fees payable, the rights of members of The Westpac Group to withdraw funds from management and/or terminate BTIM RE's appointment.
Investment Management Agreement	Ongoing, subject to termination rights under the agreement and the Master Relationship Agreement.	<ul style="list-style-type: none"> – Appoints BTIM RE as the investment manager for the Funds for which members of The Westpac Group act as the RE.
PPM Advisory Agreement	Initial three years, extended for a further three years to 19 October 2013.	<ul style="list-style-type: none"> – Appointment of BTIM RE to provide investment advisory and other services to the managed account business within The Westpac Group, which provides advice to high net worth clients.
Services Agreements	Ongoing, unless terminated in accordance with the agreement.	<ul style="list-style-type: none"> – The Westpac Group's provision of registry, customer relations, technology, finance, compliance, payroll and other miscellaneous services to the BTIM Group. – In addition, the BTIM Group will provide services (including performance measurement and client services) to The Westpac Group.
Investment Accounting Agreement	Ongoing, until terminated by either party.	<ul style="list-style-type: none"> – Provision of investment accounting services by The Westpac Group to the BTIM Group.

Note 25. Events after the balance sheet date

Subsequent to the balance date, the BTIM Group acquired 100% of the issued shares in J O Hambro Capital Management Limited.

The financial effects of this transaction have not been brought to account at 30 September 2011. The operating results and assets and liabilities of JOHCM will be consolidated for the first time in the financial year ending 30 September 2012.

Purchase consideration

Details of the purchase consideration transferred on 26 October 2011 are:

	£'000	\$'000 ¹
Purchase consideration:		
Cash paid	145,585	224,114
Loan notes A – redeemable on demand	25,207	38,804
Loan notes B – redeemable from 26 October 2012	5,109	7,865
Loan notes C – redeemable from 26 October 2013	5,109	7,865
Converting notes (18,056,888)	27,960	43,042
Total purchase consideration	208,970	321,690

Loan notes A were fully deemed on 26 October 2011. Loan notes B are redeemable from 26 October 2012 and mature on 26 October 2014. Loan notes C are redeemable from 26 October 2013 and mature on 26 October 2015. Loan notes B and C will accrue interest at a rate of 6% per annum, payable annually. The converting notes were issued to JOHCM staff. Subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided that certain conditions are met. In addition £12.3 million has also been paid in cash to acquire seed capital and other investments currently on the JOHCM Statement of Financial Position.

a. Borrowings

To assist in funding the JOHCM acquisition, £42 million (\$64.7 million¹) was drawn down from the facility referred to in Note 2(c).

b. Information not disclosed as not yet available

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of JOHCM. It is therefore not yet possible to provide the fair values of the assets and liabilities acquired as the independent valuations have not been finalised. Purchase consideration may differ when acquisition accounting is completed.

1. The exchange rate of £0.6496/A\$1.00 as at 26 October 2011 has been applied to translate the purchase consideration for the disclosures above.

Note 26. Reconciliation of profit after income tax to net cash inflow from operating activities

	2011 \$'000	2010 \$'000
Profit for the financial year	16,897	21,833
Adjustments for non-cash expense items		
Depreciation and amortisation	1,820	2,460
Amortisation of employee equity grants	10,385	15,363
Interest and finance costs	708	–
Change in operating assets and liabilities		
Decrease in trade and other receivables	4,498	1,414
(Increase)/decrease in prepayments	(203)	392
Increase in deferred tax assets	(270)	(2,390)
Increase/(decrease) in trade and other payables	5,716	(669)
(Decrease)/increase in employee benefits	(235)	7,655
Decrease in lease liabilities	(241)	(182)
(Decrease)/increase in current tax liabilities	(3,109)	2,673
Increase in deferred tax liabilities	745	295
Net cash inflow from operating activities	36,711	48,844

Note 27. Earnings per share

	2011 Cents per share	2010 Cents per share
a. Basic earnings per share		
Profit attributable to the ordinary equity holders of BTIM	11.7	15.2
b. Diluted earnings per share		
Profit attributable to the ordinary equity holders of BTIM	11.5	14.6
	2011 \$'000	2010 \$'000
c. Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to owners of BTIM used in calculating basic earnings per share	16,897	21,833
Diluted earnings per share		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	16,897	21,833
	2011 Number of shares '000	2010 Number of shares '000
d. Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	144,294	143,246
Adjustment for calculation of diluted earnings per share		
Effect of own shares held	3,260	5,937
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	147,554	149,183

Note 28. Share-based payments

Ordinary shares have been granted to employees and KMP under the following schemes:

a. Employee equity grants

Upfront Equity Grant

The shares comprising the Upfront Equity Grant were issued under the Employee Equity Plan at listing. These shares were not a cash expense to the business and are subject to a vesting period of up to five years.

In addition to the Upfront Equity Grant, BTIM satisfies any grants to incoming employees, or current employees filling new positions (New and Existing Employee Equity Grants) by either issuing treasury shares from forfeited shares in the Employee Share Plan or from shares purchased on market (refer to Note 17).

	2011	2010
Number of shares issued under the New and Existing Employee Equity Grants to participating employees	357,885	983,583

Each participant was issued shares with a weighted average market price of between \$2.02 and \$2.89 (2010: between \$2.04 and \$3.01).

Ongoing Equity Grants

Boutique Variable Reward Scheme

The ongoing remuneration structure for investment managers has two components: fixed remuneration and variable reward. Investment managers are eligible for a profit share payment consisting of a combination of cash and/or shares (Ongoing Equity Grants).

Corporate Variable Reward Scheme

Management employees of BTIM are paid a combination of fixed remuneration and variable reward made up of cash and/or shares (Ongoing Equity Grants). The compensation is approved by the Remuneration and Nomination Committee.

Employee Share Plan – Gift Plan

Certain employees are eligible for up to \$2,000 of Company shares subject to certain performance criteria being met.

Annual CEO Award

To recognise outstanding individual achievement, the winner of the Annual CEO Award is eligible to receive \$10,000 of Company shares.

	2011	2010
Number of shares issued under the Ongoing Equity Grants to participating employees	2,858,157	3,375,636

Participants were issued shares with a weighted average market price of \$2.83 (2010: \$2.28).

Shares granted in Ongoing Equity Grants have time-based vesting conditions and may contain performance hurdles. These share purchases are undertaken by a specially established trust that is funded by the parent entity on an ongoing basis.

The Company's Constitution provides that the aggregate number of shares issued to current employees under the ESP must not exceed 15% of the shares then on issue. This restriction may only be waived or amended by the approval of shareholders in a general meeting.

The total number of shares held within the ESP at 30 September 2011 was 9.1%.

b. Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the financial year as part of employee benefit expense were as follows:

	2011 \$'000	2010 \$'000
Amortisation of Upfront, New Employee and Ongoing Equity Grants	10,385	15,363

Note 29. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

a. Summary financial information

	2011 \$'000	2010 \$'000
Profit for the financial year	16,897	21,833
Total comprehensive income for the financial year	16,897	21,833
Current assets	281,988	63,808
Total assets	531,602	315,036
Current liabilities	23,838	26,566
Total liabilities	29,211	33,121
Shareholders' equity:		
Contributed equity	464,558	254,708
Reserves	33,314	14,069
Retained profits	4,519	13,138
Total equity	502,391	281,915

b. Guarantees entered into by the parent entity

The parent entity entered into a guarantee with HSBC Bank PLC in relation to the debts of its subsidiary, BTIM UK Limited.

c. Contingent liabilities of the parent entity

The parent entity has no contingent liabilities.

d. Contractual commitments for the acquisition of property, plant or equipment

The parent entity has no contractual commitments for the acquisition of property, plant or equipment.

For the financial year ended 30 September 2011

In the Directors' opinion:

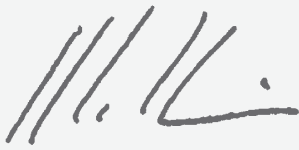
- a. the financial statements and notes set out on pages 52 to 78 are in accordance with the Corporations Act, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
 - ii. giving a true and fair view of the BTIM Group's financial position as at 30 September 2011 and of its performance, for the financial 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required under section 295A of the Corporations Act by the Chief Executive Officer and Chief Financial Officer.

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

For and on behalf of the Board.



Brian Scullin

Director

31 October 2011



Emilio Gonzalez

Director

Sydney, 31 October 2011



Report on the financial report

We have audited the accompanying financial report of BT Investment Management Limited (the company), which comprises the balance sheet as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the BTIM Group (the consolidated entity). The consolidated entity comprises the company and the entities 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 company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a) the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 entity'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.

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

Independence

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



Auditor's opinion

In our opinion:

- a. the financial report of BT Investment Management Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its 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 financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 37 to 49 of the directors' report for the year ended 30 September 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of BT Investment Management Limited for the year ended 30 September 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A J Loveridge

A J Loveridge
Partner

Sydney
31 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757

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www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

The shareholder information set out below is current as at 5 October 2011.

Number of shareholders and shares on issue

The Company has issued 267,906,977 fully paid ordinary shares and these are held by 9,707 shareholders.

Top 20 shareholders

Details of the 20 largest holders of ordinary shares in the Company are:

	Name	Number of shares	%
1	Westpac Financial Services Group Limited	172,800,000	64.50
2	J P Morgan Nominees Australia Limited	13,415,801	5.01
3	National Nominees Limited	7,298,960	2.72
4	HSBC Custody Nominees (Australia) Limited	6,778,044	2.53
5	Pacific Custodians Pty Limited	6,583,425	2.46
6	J P Morgan Nominees Australia Limited	6,062,923	2.26
7	EFJ Investments Pty Limited	3,730,686	1.39
8	Diversified United Investment Limited	2,597,734	0.97
9	Australian United Investment Company Limited	2,147,734	0.80
10	Emilio Gonzalez	1,369,459	0.51
11	Adina Holdings No. 2 Pty Limited	1,305,550	0.49
12	Andrew Martin Waddington	1,103,842	0.41
13	Jim Taylor	1,001,965	0.37
14	Noel Adrian Webster	965,078	0.36
15	Jack Chemello	936,104	0.35
16	Sondal Mehmet Bensen	889,586	0.33
17	National Investment Holdings Pty Limited	816,125	0.30
18	NSW Investor Nominees Pty Limited	776,907	0.29
19	Citicorp Nominees Pty Limited	628,022	0.23
20	Pallion Investments Pty Limited	609,375	0.23
Total		231,817,320	86.53
Balance of register		36,089,657	13.47
Grand Total		267,906,977	100.00

Distribution of shareholders

Holding	Number of shares	%	Number of shareholders
100,001 and over	238,342,399	88.96	54
10,001 to 100,000	9,003,531	3.36	388
5,001 to 10,000	4,976,074	1.86	673
1,001 to 5,000	15,283,715	5.70	8,058
1 to 1,000	301,258	0.11	534
Total	267,906,977	100.00	9,707

Unmarketable parcels of shares

There are 118 shareholders holding less than a marketable parcel of ordinary shares.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as disclosed in substantial holding notices given to the Company, is set out below:

Name	Number of shares	%
Westpac Financial Services Group Limited	172,800,000	64.50

Voting rights

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy has one vote and upon a poll, each share shall have one vote.

As at 5 October 2011, there are no other classes of equity securities.

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

As at 5 October 2011, no unquoted equity securities have been issued.

\$ or A\$

Australian dollars, unless indicated otherwise

£ or GBP

Pounds sterling

2011 Financial Year or FY11

The financial year ended 30 September 2011

20XX Financial Year or FYXX

Refers to the financial year ended 30 September 20XX, where XX is the two-digit number for the year

AASB

Australian Accounting Standards Board

ABN

Australian Business Number

AGM

Annual General Meeting of BTIM to be held on 6 December 2011 at 1.00pm (Sydney time)

ASX

Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)

ASX CGC

ASX Corporate Governance Council established by ASX

ASX Recommendations

The Corporate Governance Principles and Recommendations (Second Edition) published by the ASX CGC

b

Billion

Board

Board of Directors

bps

Basis points

BTFG

BT Financial Group, the wealth management division of Westpac

BTIM or Company

BT Investment Management Limited (ABN 28 126 385 822)

BTIM Funds

The managed investment schemes or unit trusts of which BTIM RE is the RE

BTIM Group

BTIM and BTIM RE

BTIM RE

BT Investment Management (RE) Limited (ABN 17 126 390 627), a wholly-owned subsidiary of BTIM and the RE of the BTIM Funds

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGU

Cash generating unit

CODM

Chief operating decision maker

COO

Chief Operating Officer

Corporations Act

Corporations Act 2001

cps

Australian cents per share

Directors

Directors of BTIM

Executive Committee

Executive Committee of the BTIM Group

FUM

Funds under management

GDP

Gross domestic product

GFC

Global financial crisis

JOHCM

J O Hambro Capital Management Limited

Key management personnel or KMP

Those persons having authority and responsibility for planning, directing and controlling the activities of BTIM, including the Directors and the members of the Senior Management Team

KPIs

Key performance indicators

Listing Rules

Listing rules of ASX

m

Million

M & A

Mergers and acquisitions

NED(s)

Non-executive Directors

NPAT

Net profit after tax

PwC

PricewaterhouseCoopers, the external auditor of the BTIM Group

RE

Responsible entity

Reporting Period

The financial year ended 30 September 2011

Senior Executives

Members of the Senior Management Team

Senior Management Team

Senior Management Team of BTIM. During the 2011 Financial Year, the Senior Management Team comprised the CEO, CFO, COO, the Head of Sales & Marketing, the Head of M & A and Strategy and the Head of Human Resources

The Westpac Group

Westpac and its controlled entities

VR

Variable reward

Westpac

Westpac Banking Corporation (ABN 33 007 457 141)

Directors

Brian Scullin (Chairman)
Emilio Gonzalez (CEO)
Brad Cooper
James Evans
Andrew Fay
Carolyn Hewson

Company Secretary

Chris Millard

Registered office

Level 14
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: +612 9220 2000
Facsimile: +612 9220 2307
Email: enquiries@btim.com.au

Postal address

GPO Box 7072
Sydney NSW 2001

Website

www.btim.com.au

Australian Company Number

126 385 822

Australian Business Number

28 126 385 822

ASX code

BTT

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
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680 George Street
Sydney NSW 2000
Telephone: +612 8280 7111
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