

BT INVESTMENT MANAGEMENT LIMITED

ABN 28 126 385 822

AND ITS CONTROLLED ENTITIES

INTERIM PROFIT ANNOUNCEMENT

BT INVESTMENT MANAGEMENT LIMITED

ABN 28 126 385 822

AND ITS CONTROLLED ENTITIES

**APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2012**

The Directors of BT Investment Management Limited (BTIM or the Company) announce the results of the consolidated entity (the Group) for the half year ended 31 March 2012 (prior corresponding period: half year ended 31 March 2011), which have been subject to review by our auditors, PricewaterhouseCoopers. The results are as follows:

Results for the half year ended 31 March 2012 ¹

	% Change	31 March 2012 \$000
Total revenue and other income	Up 50%	93,852
Net profit after income tax ²	Down 24%	11,187
Profit for the period attributable to members	Down 24%	11,187
Interim 2012 dividend – fully franked (cents per security)		5.5
Record date for determining entitlements to interim dividend		18 May 2012

Explanation of results:

¹ Following BTIM's 100% acquisition of J O Hambro Capital Management (JOHCM) effective 1 October 2011, the results of JOHCM have been included for the half year ended 31 March 2012.

² Net profit after tax (NPAT) includes accounting adjustments required under International Financial Reporting Standards for amortisation of employees' equity grants, and amortisation of intangible assets resulting from the JOHCM acquisition. These non-cash charges are not considered part of the underlying earnings of the Group and therefore Cash NPAT is a more suitable measure of profitability. The adjustments made to NPAT to arrive at Cash NPAT are categorised as follows:

- amortisation of the equity grants less the after-tax cash costs of equity grants made in respect of the current year
- amortisation of intangible assets arising from the JOHCM acquisition
- material items that key decision makers believe do not reflect ongoing operations.

Unaudited Cash NPAT for the half year ended 31 March 2012 was \$19,717,096 (2011: \$15,618,306) which is an increase of 26% on the prior corresponding period.

Other information

	31 March 2012	31 March 2011
Net tangible asset backing (cents per ordinary security)	(25.0)	32.9
Basic EPS (cents)	4.60	10.38
Diluted EPS (cents)	4.51	10.19
Final 2011 dividend paid during the period	\$26,695,659	
Dividend-linked coupon paid during the period ³	\$1,805,689	

³ Converting notes were issued as part of the acquisition of JOHCM.

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APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)

Other information (continued)

Both the final 2011 dividend and the dividend-linked coupon were paid on 16 December 2011.

Please refer to the attached 31 March 2012 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

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

BT INVESTMENT MANAGEMENT LIMITED
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INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2012

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The interim financial report was authorised for issue by the Company's Directors on 30 April 2012 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2011 and any public announcements made by BT Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2012**

The Directors present their report on the consolidated entity (the Group) consisting of BT Investment Management Limited (BTIM or the Company) and the entities it controlled at the end of, or during, the half year ended 31 March 2012.

Directors

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

Brian Scullin
Emilio Gonzalez
Brad Cooper
James Evans
Andrew Fay
Carolyn Hewson

Principal activities

The principal activity of the Group during the half year was the provision of investment management services. During the period, the Group completed its acquisition of J O Hambro Capital Management (JOHCM).

Review of operations

The statutory net profit after tax (NPAT) of the Group for the half year ended 31 March 2012 was \$11,186,677 (2011: \$14,679,930). The current half year includes the results of the acquisition of JOHCM. The statutory net profit after tax for JOHCM has been included as part of the Group result from the acquisition date (which for consolidation purposes was 1 October 2011, refer Note 14) to the end of the reporting period.

The Group's cash net profit after tax (Cash NPAT)¹ for the half year was \$19,717,096 (2011: \$15,618,306).

Reconciliation of statutory NPAT to Cash NPAT

	Half year ended 31 March 2012 \$'000	Half year ended 31 March 2011 \$'000
Statutory NPAT	11,187	14,680
Add back: amortisation of employee equity grants	10,795	5,295
Deduct: cash cost of ongoing equity grants	(4,354)	(4,857)
Add back: amortisation of intangibles ²	3,627	-
Deduct: tax effect	(1,538)	500
Cash NPAT	19,717	15,618

¹ NPAT includes accounting adjustments required under International Financial Reporting Standards for amortisation of employee equity grants and intangible assets. 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 employee equity grants less the after-tax cash costs of grants made in respect of the current period, together with after-tax amortisation of intangible assets recognised as a result of the JOHCM acquisition.

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

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

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

Review of operations (continued)

Funds under management (FUM) at 31 March 2012 was \$45.8 billion, an increase of 40.2% from the FUM of \$32.7 billion at 30 September 2011. The acquisition of JOHCM contributed \$9.9 billion in FUM as at 1 October 2011, accounting for 30.3% of the increase. The subsequent movement for the half year ended 31 March 2012 has been driven by a positive market performance of \$3.7 billion offset by net outflows of \$0.1 billion and a strengthening Australian dollar relative to the British pound which contributed to a negative foreign exchange movement of \$0.4 billion.

Dividends

The Directors have resolved to pay a fully franked interim dividend of 5.5 cents per share. The total amount of the dividend and dividend-linked coupon which has not been recognised as a liability at 31 March 2012 is \$15,728,013

Rounding of amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the Directors' report and financial report. Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars in accordance with that class order, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



Brian Scullin

Director

30 April 2012



Emilio Gonzalez

Director

30 April 2012



Auditor's Independence Declaration

As lead auditor for the review of BT Investment Management Limited for the half year ended 31 March 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in dark ink, appearing to read 'A J Loveridge'.

A J Loveridge
Partner
PricewaterhouseCoopers

Sydney
30 April 2012

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**BT INVESTMENT MANAGEMENT LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 MARCH 2012**

		Half year ended	
	Notes	31 March 2012	31 March 2011
		\$'000	\$'000
Revenue from continuing operations			
Management fees and other income	4	93,852	62,334
Expenses			
Employee expenses			
Salaries and related expenses		38,600	19,601
Amortisation of employee equity grants		10,795	5,295
Fund administration		5,253	5,089
Depreciation and amortisation		4,348	1,139
Investment management		3,925	1,975
Business development and promotion		3,552	2,313
Information and technology		2,407	1,515
Professional services		2,189	961
General office and administration		2,160	1,385
Occupancy		1,913	1,000
Finance costs		1,643	-
Total expenses		76,785	40,273
Profit before income tax		17,067	22,061
Income tax expense	5	5,880	7,381
Profit attributable to owners of BTIM		11,187	14,680
Other comprehensive income for the half year			
Exchange differences on translation of foreign operations	12	(621)	-
Net unrealised gain on available-for-sale assets	12	2,428	-
Income tax relating to components of other comprehensive income	5, 12	(198)	-
Other comprehensive income, net of tax		1,609	-
Total comprehensive income after tax for the half year attributable to owners of BTIM		12,796	14,680
Earnings per share for profit attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	16	4.60	10.38
Diluted earnings per share	16	4.51	10.19

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012**

	Notes	31 March 2012 \$'000	30 September 2011 \$'000
Current assets			
Cash and cash equivalents	7	54,090	283,703
Trade and other receivables		33,029	18,462
Prepayments		2,710	1,838
Current tax receivable		2,198	-
Total current assets		92,027	304,003
Non-current assets			
Property, plant and equipment		4,057	3,618
Available-for-sale financial assets	8	24,388	100
Deferred tax assets		6,527	7,630
Intangible assets	9	550,742	233,614
Total non-current assets		585,714	244,962
Total assets		677,741	548,965
Current liabilities			
Trade and other payables		17,501	17,587
Employee benefits		30,156	21,155
Borrowings	10	24,983	-
Lease liabilities		399	350
Current tax liabilities		-	1,977
Total current liabilities		73,039	41,069
Non-current liabilities			
Employee benefits		895	794
Borrowings	10	80,667	-
Lease liabilities		1,722	1,928
Deferred tax liabilities		31,615	2,651
Total non-current liabilities		114,899	5,373
Total liabilities		187,938	46,442
Net assets		489,803	502,523
Equity			
Contributed equity	11	462,683	464,559
Reserves	12	15,821	33,432
Retained earnings		11,299	4,532
Total equity		489,803	502,523

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

**BT INVESTMENT MANAGEMENT LIMITED
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 MARCH 2012**

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2011		464,559	33,432	4,532	502,523
Profit for the half year		-	-	11,187	11,187
Other comprehensive income for the half year			1,609	-	1,609
Total comprehensive income for the half year		-	1,609	11,187	12,796
Transactions with owners in their capacity as owners:					
Rights Issue – associated costs		105	-	-	105
Treasury shares acquired		(2,732)	-	-	(2,732)
Share-based payments	12	-	15,444	-	15,444
Treasury shares released		751	(751)	-	-
Changes in cash flow hedge	12	-	(9,834)	-	(9,834)
Dividends paid	6	-	(24,079)	(4,420)	(28,499)
		(1,876)	(19,220)	(4,420)	(25,516)
Balance at 31 March 2012		462,683	15,821	11,299	489,803

	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 half year		-	-	14,680	14,680
Other comprehensive income for the half year		-	-	-	-
Total comprehensive income for the half year		-	-	14,680	14,680
Transactions with owners in their capacity as owners:					
Treasury shares acquired		(5,912)	-	-	(5,912)
Share-based payments		-	5,295	-	5,295
Treasury shares released		742	(742)	-	-
Dividends paid	6	-	-	(15,944)	(15,944)
		(5,170)	4,553	(15,944)	(16,561)
Balance at 31 March 2011		249,539	18,740	11,885	280,164

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**BT INVESTMENT MANAGEMENT LIMITED
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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 MARCH 2012**

		Half year ended	
	Notes	31 March 2012	31 March 2011
		\$'000	\$'000
Cash flows from operating activities			
Fees and other income received		106,652	68,926
Interest received		553	398
Distributions from unit trusts		824	774
Expenses paid		(96,618)	(53,262)
Income tax paid		(2,736)	(8,352)
Net cash inflows from operating activities		8,675	8,484
Cash flows from investing activities			
Payment for the acquisition of JOHCM (net of cash acquired)	14	(260,024)	-
Payments for JOHCM share transfers		(1,585)	-
Payments for property, plant and equipment		(141)	(126)
Payments for available-for-sale financial assets		(227)	-
Payments for IT development costs		(26)	(58)
Net cash outflows from investing activities		(262,003)	(184)
Cash flows from financing activities			
Payments for purchase of treasury shares		(2,732)	(5,912)
Proceeds from external borrowings		64,496	-
Interest and other financing costs		(175)	-
Dividends paid		(28,499)	(15,944)
Net cash inflows/(outflows) from financing activities		33,090	(21,856)
Net decrease in cash and cash equivalents		(220,238)	(13,556)
Cash and cash equivalents at beginning of the period		283,703	54,787
Effects of exchange rate changes on cash and cash equivalents		(9,375)	-
Cash and cash equivalents at the end of the period		54,090	41,231

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

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012**

1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2012

This general purpose interim financial report for the half year ended 31 March 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2011 and any public announcements made by BTIM during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(a) Changes in accounting policies or disclosures

There were no changes in accounting policies applied during the period, however as result of the JOHCM acquisition the following standards, interpretations and amendments have been adopted in the interim financial year.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date. For each business combination, the non-controlling interest is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill.

The Group has applied the acquisition method of accounting for the JOHCM acquisition disclosed in Note 14.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

**1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2012
(continued)**

(a) Changes in accounting policies or disclosures (continued)

Intangible Assets

Fund and Investment Management Contracts

Fund and investment management contracts acquired as part of a business combination are recognised separately from goodwill. Fund management contracts relate to contractual relationships to manage open-ended funds (OEICs). Investment management contracts comprise contractual relationships with individual clients and a property investment trust. The investment management contracts and OEIC fund management contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives currently estimated at between 5 to 20 years.

Employee benefits

Share-based payments

Share-based payment compensation benefits are provided to employees via employee share and option schemes. The fair value of shares and options granted to employees for no consideration under the employee share and option 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.

The fair value of options granted is measured using the binomial model, taking into account the terms and conditions upon which the options were granted.

Converting notes issued to JOHCM employees on acquisition requiring future services are measured at fair value at the date of acquisition and recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. Each converting note will convert into one BTIM ordinary share over a period of up to five years provided that certain conditions are met.

BTIM has two employee benefit trusts to purchase shares for future allocations to both BTIM and JOHCM employees and to hold any shares forfeited by employees until they are reallocated at a later date. Shares held by the trusts 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

**1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2012
(continued)**

(b) Critical accounting assumptions and estimates

The following are additional critical accounting assumptions and estimates to those set out in the Group's financial statements for the year ended 30 September 2011.

Intangible assets

Identifiable intangible assets acquired through a business combination in accordance with AASB 3 *Business Combinations* are measured at their fair value. This involves the use of judgements, estimates and assumptions about future fund and investment performance, based largely on past experience and contractual arrangements.

Borrowings

The fair value of converting notes is measured with reference to the fair value of BTIM ordinary shares at the date at which they were granted. The fair value has been adjusted to reflect the number of converting notes that are expected to convert into BTIM ordinary shares.

Shared based payments

The fair value of options granted is measured using the binomial model, taking into account the terms and conditions upon which the options were granted.

(c) New accounting standards and interpretations

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

- Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 October 2011)
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* [AASB 1 & AASB 7] (effective from 1 October 2011)

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

2. FINANCIAL RISK MANAGEMENT

As a result of the JOHCM acquisition, the Group is exposed to a number of additional financial risks. The key financial risks now faced by the 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 Group held the following financial instruments as at 31 March 2012:

	31 March 2012 \$'000	30 September 2011 \$'000
Financial assets		
Cash and cash equivalents	54,090	283,703
Trade and other receivables	33,029	18,462
Available-for-sale financial assets	24,388	100
	<u>111,507</u>	<u>302,265</u>
Financial liabilities		
Trade and other payables	17,501	17,587
Borrowings	105,650	-
	<u>123,151</u>	<u>17,587</u>

(a) Market risk

The 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 funds under management (FUM) of the Group. A reduction in FUM will reduce management fee income, calculated as a percentage of FUM, and consequently reduce NPAT. The Group estimates the potential movements in overall FUM, covering all its asset classes, and their impact on NPAT is as follows:

Profit sensitivity to movement in FUM

	31 March 2012		31 March 2011	
	10%	10%	10%	10%
Impact on:	increase	decrease	increase	decrease
FUM (\$ billion)	4.6	(4.6)	3.6	(3.6)
NPAT (\$'000)	4,567	(4,752)	3,074	(3,089)

The sensitivity calculation is made on the basis of FUM as at 31 March increasing or decreasing by 10%. The profit or loss sensitivity calculation is derived by holding net flows and market movements flat for 12 months, maintaining the current average management fee margin, 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 profit or loss impact.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Price risk

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

Exposure to price risk also exists from directly held equity securities in funds managed by JOHCM (refer Note 8). The directly held securities consist of shares in unlisted companies and other investments.

Equity price risk sensitivity

The funds invest in securities in a number of regions including the UK, Europe, Emerging markets, Asia (ex-Japan) which may be subject to price volatility. In aggregate if the price increased or decreased by 10% with all other variables held constant the value of other components of equity would increase by \$1,708,823 or decrease by (\$1,708,823), respectively.

(ii) Interest rate risk

The Group is also subject to interest rate risk, which impacts both the Group's FUM and the Group's cash balances and borrowings. 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 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 in interest rates would be applicable to the Group's cash balances and borrowings. A change of 50 bps in the average of the effective interest rates over the half year ended 31 March 2012 would have increased/(decreased) profit or loss after tax (NPAT) and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss after tax		Other components of equity	
	50 bps increase \$'000	50 bps Decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
31 March 2012				
Cash and cash equivalents	57	(57)	-	-
Borrowings	(121)	121	-	-
31 March 2011				
Cash and cash equivalents	-	-	-	-
Borrowings	-	-	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The following table details the Group's net exposure to foreign currency as at the reporting date in Australian dollar equivalent amounts.

	31 March 2012			30 September 2011		
	GBP	EUR	USD	GBP	EUR	USD
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash at bank	30,582	-	-	233,071	-	-
Trade receivables	17,018	-	-	-	-	-
Available-for-sale	19,688	1,120	3,480	-	-	-
Financial liabilities						
Trade payables	6,844	-	-	-	-	-
Borrowings	81,656	-	-	-	-	-
Net exposure in AUD	(21,212)	1,120	3,480	233,071	-	-

The foreign currency exposure is mitigated through future ongoing cash flows generated by the JOHCM business. No specific assets and liabilities are hedged directly.

The table below shows the impact on the Group's NPAT and equity for a 10% movement in foreign currency exchange rates against the Australian dollar.

	Movement in variable against A\$	Profit or loss after tax 31 March 2012 \$'000	Changes in Equity 31 March 2012 \$'000	Profit or loss after tax 31 March 2011 \$'000	Changes in Equity 31 March 2011 \$'000
British pound (GBP)	+10%	(1,065)	(450)	-	-
	-10%	1,065	450	-	-
Euro (EUR)	+10%	-	84	-	-
	-10%	-	(84)	-	-
US Dollar (USD)	+10%	-	261	-	-
	-10%	-	(261)	-	-

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

2. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk exposures are monitored regularly with all the Group counterparties. The major counterparties are Westpac, HSBC, Royal Bank of Scotland and the funds for which BTIM and JOHCM are the managers. Exposure to credit risk arises on the 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 for Westpac and HSBC and A for Royal Bank of Scotland (2011: AA for both HSBC and Westpac; Royal Bank of Scotland not applicable).

(c) Liquidity risk

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

Maturities of financial liabilities

The table below analyses the 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.

	Less than 1 year	Between 1 - 2 years	Over 2 years	Total contractual cash flows	Carrying amount of liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
31 March 2012					
Trade and other payables	17,501	-	-	17,501	17,501
Borrowings	24,983	56,698	23,969	105,650	105,650
30 September 2011					
Trade and other payables	17,587	-	-	17,587	17,587
Borrowings	-	-	-	-	-

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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2. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

Financing arrangements

The Group has borrowing facilities with HSBC denominated in GBP. Details of these at balance date were as follows:

- Facility A – £27 million (\$41 million) term debt facility expiring 29 September 2014
- Facility B – £15 million (\$23 million) revolving loan facility expiring 29 September 2013

BTIM is the guarantor on the above facilities and at 31 March 2012, a further £10 million (\$15 million) remains undrawn on Facility B.

(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 Group for similar financial instruments.

The Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Consolidated at 31 March 2012	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited	-	-	100	100
Shares in James Hambro & Partners LLP	-	-	178	178
Units held in open-ended investment companies (OEICs)	-	21,664	-	21,664
Units held in a listed property trust	-	2,446	-	2,446
Total available-for-sale financial assets	-	24,110	278	24,388

The Group had no available-for-sale financial assets for the corresponding period ended 31 March 2011.

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**NOTES TO THE FINANCIAL STATEMENTS
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3. SEGMENT INFORMATION

(a) Description of segments

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

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

	BTIM		BTIM UK operations		Total Group	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue ¹	54,359	61,412	38,490	-	92,849	61,412
Inter-segment revenue/(expense)	86	-	(86)	-	-	-
Total segment revenue	54,445	61,412	38,404	-	92,849	61,412
Cash NPAT	10,581	15,618	9,136	-	19,717	15,618
Deduct: amortisation of employee equity grants	(9,147)	(5,295)	(1,648)	-	(10,795)	(5,295)
Add back: cash cost of ongoing equity grants	3,172	4,857	1,182	-	4,354	4,857
Deduct: amortisation of intangibles	-	-	(3,627)	-	(3,627)	-
Add back: tax effect of amortisation	652	(500)	886	-	1,538	(500)
NPAT	5,258	14,680	5,929	-	11,187	14,680
Segment assets	277,841	307,562	399,900	-	677,741	307,562
Segment liabilities	68,607	27,398	119,331	-	187,938	27,398
Net assets	209,234	280,164	280,569	-	489,803	280,164

The chief operating decision-maker assesses the performance of the operating segments based on a measure of Cash NPAT. This measurement basis excludes the amortisation of equity-settled share-based payments, and includes the after-tax cost of equity grants made for the current period, as these non-cash charges do not influence the performance of the business. Cash NPAT also excludes the amortisation of intangibles relating to fund and investment management contracts recognised as a result of the acquisition of JOHCM. These non-cash charges are not considered part of the Group's underlying operations.

¹ Management's view of revenue differs from revenue as disclosed in the Consolidated Statement of Comprehensive Income as revenue in the Consolidated Statement of Comprehensive Income includes expense recoveries from funds managed by BTIM and fees received for services provided by BTIM to a number of Westpac related entities. These have been netted off with the related expenses in arriving at management's view of revenue.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

4. REVENUE FROM CONTINUING OPERATIONS

	Half year ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
Management, fund and trustee fees	85,284	60,052
Realised performance fees	4,303	108
Property administration fees	1,296	-
Service fees from related parties	786	690
Distributions from unit trusts	747	749
Interest revenue	547	398
Unrealised gain on foreign exchange translation	294	-
Net foreign exchange gain on non-qualifying hedge	256	-
Expense recoveries	217	232
Other income	122	105
Total revenue from continuing operations	93,852	62,334

5. INCOME TAX EXPENSE

	Half year ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
a) Income tax expense		
Current tax	3,292	2,611
Deferred tax ^{1, 2}	2,713	4,770
Adjustments for current tax of prior periods	(125)	-
Income tax expense	5,880	7,381

¹ Deferred income tax expense included in income tax expense comprises:

Decrease in deferred tax assets	1,404	3,196
Increase in deferred tax liabilities	1,309	1,574
	2,713	4,770

² Deferred tax also arose during the half year as a result of the acquisition of JOHCM (Note 14), which is not recognised in net profit or loss or other comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS
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5. INCOME TAX EXPENSE (continued)

	Half year ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	17,067	22,061
Income tax calculated at the Australian tax rate of 30% (2011: 30%)	5,120	6,618
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee equity grant amortisation	1,257	642
Acquisition transaction costs	(15)	-
Sundry non-deductible items	38	81
	6,400	7,341
Difference in overseas tax rates	(395)	-
Adjustments for current tax of prior periods	(125)	40
Income tax expense in the statement of comprehensive income	5,880	7,381
c) Tax expense relating to items of other comprehensive income		
Available-for-sale financial assets	198	-
	198	-

6. DIVIDENDS

	Half year ended	
	31 March 2012	31 March 2011
	\$'000	\$'000
Ordinary shares		
Dividend paid during the half year	26,695	15,944
Dividend proposed and not recognised as a liability at the end of the half year	14,735	9,600
Converting notes		
Dividend-linked coupon paid during the half year	1,805	-
Dividend-linked coupon proposed and not recognised as a liability at the end of the half year	993	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

7. CASH AND CASH EQUIVALENTS

	31 March 2012	30 September 2011
	\$'000	\$'000
Cash at bank and in hand	35,603	249,985
Deposits at call	18,487	33,718
	54,090	283,703

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 March 2012	30 September 2011
	\$'000	\$'000
Unlisted securities		
Shares in Regnan-Governance Research and Engagement Pty Limited ¹	100	100
Shares in James Hambro & Partners LLP ²	178	-
Units held in open-ended investment companies (OEICs) ³	21,664	-
Units held in a listed property trust ³	2,446	-
	24,388	100

¹ These securities are measured at cost which approximates the fair value of the shares.

² James Hambro & Partners LLP is an independent private asset management partnership business.

³ These securities represent shares held in offshore unlisted OEICs and units held in a listed property trust which are all managed by the Group and are measured at fair value. The fair value is measured with reference to underlying net asset value of the OEICs and the quoted market price of the listed property trust.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

9. INTANGIBLE ASSETS

	31 March 2012 \$'000	30 September 2011 \$'000
Goodwill		
Cost	439,777	233,300
Accumulated impairment	-	-
Net carrying value	439,777	233,300
 Fund and Investment management contracts		
Cost	114,404	-
Accumulated amortisation	(3,664)	-
Net carrying value	110,740	-
 IT development and software		
Cost	715	689
Accumulated amortisation	(490)	(375)
Net carrying value	225	314
 Total intangible assets		
Cost	554,896	233,989
Accumulated amortisation	(4,154)	(375)
Net carrying value	550,742	233,614

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

9. INTANGIBLE ASSETS (continued)

Reconciliations of the carrying amounts for each class of intangibles are set out below:

	31 March 2012	30 September 2011
	\$'000	\$'000
Goodwill		
Balance at the beginning of the financial year	233,300	233,300
Acquisition via a business combination	207,878	-
Foreign exchange loss	(1,401)	-
Balance at the end of the financial year	439,777	233,300
IT development and software		
Balance at the beginning of the financial year	314	372
Additions	26	153
Amortisation expense	(115)	(211)
Balance at the end of the financial year	225	314
Fund and Investment management contracts		
Balance at the beginning of the financial year	-	-
Acquisition via a business combination	115,180	-
Foreign exchange loss	(813)	-
Amortisation expense	(3,627)	-
Balance at the end of the financial year	110,740	-
Total intangible assets		
Balance at the beginning of the financial year	233,614	-
Acquisition via a business combination	323,058	-
Foreign exchange loss	(2,214)	-
Additions	26	-
Amortisation expense	(3,742)	-
Balance at the end of the financial year	550,742	233,614

The goodwill has been derived from the following business combinations:

	31 March 2012	30 September 2011
	\$'000	\$'000
Purchase of the investment business management business from Westpac Banking Corporation on 19 October 2007	233,300	233,300
Acquisition of JOHCM on 1 October 2011	206,477	-
Total goodwill	439,777	233,300

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

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

	31 March 2012	30 September 2011
	\$'000	\$'000
<i>Fund management contracts</i>		
OEIC fund management contracts	89,800	-
<i>Investment management contracts</i>		
Segregated mandates	18,752	-
Property management	2,188	-
Total fund and investment management contracts	110,740	-

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to operating segments (refer Note 3).

The recoverable amount of each CGU is determined using a value in use calculation that utilises cash flow projections based on management's best estimates covering an appropriate time horizon, and discount rates used reflect specific risks relating to the relevant segments in which they operate.

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

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

10. BORROWINGS

	31 March 2012 \$'000	30 September 2012 \$'000
Current	24,983	-
Non-current	80,667	-
Total borrowings	105,650	-

Contractual maturities	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
As at 31 March 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans						
Term debt facility	14,828	13,821	13,820	-	42,469	42,469
Revolving loan facility	-	23,035	-	-	23,035	23,035
Loan notes	8,307	7,845	-	-	16,152	16,152
Converting notes	1,848	11,997	10,149	-	23,994	23,994
Total Borrowings	24,983	56,698	23,969	-	105,650	105,650

Bank loans

All borrowing facilities are denominated in GBP and used to fund the acquisition of JOHCM. The total exposure of the Group's borrowings is £52 million (\$80 million) of which £42 million (\$64 million) is drawn and £10 million (\$15 million) remains undrawn at 31 March 2012. BTIM is the guarantor on all borrowing facilities. Interest has been fixed for a 12 month period and is payable semi-annually.

Loan notes

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

Converting notes

The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments each converting note will convert into one BTIM ordinary share over a period of up to 5 years provided certain conditions are met.

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

11. CONTRIBUTED EQUITY

	31 March 2012 \$'000	30 September 2011 \$'000
Ordinary shares	499,614	499,509
Treasury shares	(36,931)	(34,950)
Total contributed equity	462,683	464,559

	31 March 2012 Shares ('000)	31 March 2012 \$'000	30 September 2011 Shares ('000)	30 September 2011 \$'000
Movements in ordinary shares during the half year				
Balance at the beginning of the period	267,907	499,509	160,000	271,835
Rights issue	-	-	107,907	232,000
Rights issue – associated costs	-	105	-	(4,326)
Balance at the end of the period	267,907	499,614	267,907	499,509
Movements in treasury shares during the period				
Balance at the beginning of the period	(24,314)	(34,950)	(18,489)	(22,295)
Acquisition of treasury shares	(1,376)	(2,732)	(5,992)	(12,888)
Treasury shares released	1,147	751	167	233
Balance at the end of the period	(24,543)	(36,931)	(24,314)	(34,950)
Total contributed equity	243,364	462,683	243,593	464,559

(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 Offering, and purchased as necessary, in order to meet the obligations of the Company under its employee share plans. These are recorded at cost and when restrictions on employee shares are lifted, the cost of such shares is treated as a reduction in treasury shares. The corresponding offset is reflected in the share-based payment reserve.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2012 (CONTINUED)**

11. CONTRIBUTED EQUITY (continued)

Details of the balance of treasury shares at the end of the half year were as follows:

	31 March 2012 Shares ('000)	31 March 2012 \$'000	30 September 2011 Shares ('000)	30 September 2011 \$'000
Unallocated shares held by trustee	2,324	4,993	6,578	11,120
Shares allocated to employees	22,219	31,938	17,736	23,830
Balance at the end of the period	24,543	36,931	24,314	34,950

(c) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company has established two employee share trusts. On 31 December 2011, the BT Investment Management Employee Benefits Trust (EBT) was formed to administer the employee share plan for JOHCM employees. The BT Investment Management Employee Share Trust (ESP) is used by the Company to administer the employee share plan for its Australian employees.

From time to time, the trustees of the EBT and the ESP purchase BTIM shares on-market. These shares are intended to be used to satisfy the Group's obligations under the employee share plans.

BT Investment Management (RE) Limited is required to maintain minimum capital requirements as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions. J O Hambro Capital Management Limited is also required to maintain minimum capital requirements as part of its licencing requirements with the Financial Services Authority (FSA) in the UK.

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**NOTES TO THE FINANCIAL STATEMENTS
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12. RESERVES	31 March 2012	30 September 2011
	\$'000	\$'000
Common control reserve		
Balance at the start of the financial period	(25,472)	(25,472)
Balance at the end of the financial period	<u>(25,472)</u>	<u>(25,472)</u>
Share-based payment reserve		
Balance at the start of the financial period	49,070	44,212
Share-based payments expense	10,795	5,090
Share-based payment reserve via a business combination	4,649	-
Dividend paid	(24,079)	-
Treasury shares released	(751)	(232)
Balance at the end of the financial period	<u>39,684</u>	<u>49,070</u>
Cash flow hedge reserve		
Balance at the start of the financial period	9,834	-
Currency gain on designated hedge instrument	-	9,834
Transfer to profit or loss	(256)	-
Transferred to purchase consideration on JOHCM acquisition	(9,578)	-
Balance at the end of the financial period	<u>-</u>	<u>9,834</u>
Foreign currency translation reserve		
Balance at the start of the financial period	-	-
Currency translation difference arising during the half year	(621)	-
Balance at the end of the financial period	<u>(621)</u>	<u>-</u>
Available-for-sale-financial assets reserve		
Balance at the start of the financial period	-	-
Revaluations arising during the half year	2,549	-
Exchange differences	(121)	-
Deferred tax	(198)	-
Balance at the end of the financial period	<u>2,230</u>	<u>-</u>
Total reserves	<u>15,821</u>	<u>33,432</u>

Common control reserve

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

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**NOTES TO THE FINANCIAL STATEMENTS
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12. RESERVES (continued)

Cash flow hedge reserve

The cash flow hedge reserve reflects the currency movement of the balance in the foreign currency bank account held to settle the purchase of JOHCM. The transaction settled on 26 October 2011 with the reserve subsequently being transferred into the purchase consideration (refer Note 14).

Foreign currency translation reserve

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

Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, classified as available-for-sale financial assets, are recognised in other comprehensive income, and accumulated in the available-for-sale financial assets reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

13. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 31 March 2012 as they are not able to be estimated or measured reliably and may change significantly. All fees are exposed to significant risk associated with the funds' performance, including market risks (such as price risk, interest rate risk and foreign exchange risk) and liquidity risk.

UK tax liability

The Group is currently in discussions with the UK tax authorities regarding the treatment of certain prior period tax deductions. The amount which is currently being disputed approximates £6.5 million (\$10.0 million), plus any interest and or penalties. Under the terms of the Share Purchase Agreement (SPA) between BTIM and the sellers of JOHCM, an amount of £6.5 million (\$10.0 million) was placed in escrow to fund any potential tax liability.

Guarantee on bank loans

BTIM has entered into a guarantee with HSBC bank PLC in relation to the debts of its subsidiary BTIM UK Limited.

To the extent that the Group, in the normal course of business, has incurred various contingent obligations at 31 March 2012, none of those contingent obligations anticipated to result in any material loss.

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**NOTES TO THE FINANCIAL STATEMENTS
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14. BUSINESS COMBINATIONS

On 26 October 2011 the Group settled its acquisition of JOHCM. For consolidation purposes, the transaction is effective 1 October 2011.

a) Details of the purchase consideration are set out below

	£'000	\$'000
Cash paid	183,183	282,812
Loan notes issued	10,218	16,309
Converting notes issued	15,032	23,994
Share-based payment awards replacing existing awards held by JOHCM employees	2,913	4,649
Total purchase consideration	211,346	327,764

Cash paid includes £12.4 million (\$19.0 million) to acquire seed capital and other investments. It also includes the payment of £25.2 million (\$38.8 million) for loan notes which were fully redeemed on 26 October 2011. Refer Note 10 for further information on loan notes and converting notes.

There is no contingent consideration relating to the acquisition.

Included in the purchase consideration is an amount of £6.5 million (\$10.0 million) held in escrow in relation to certain tax indemnities (refer Note 13 *Contingent assets and liabilities*). To the extent that any amounts are claimed by the Group from the escrow account on or before 30 September 2012, such amounts will be accounted for as an adjustment to the purchase consideration which will affect the goodwill recognised on acquisition. Any tax in excess of the escrow amount can be recovered from the sellers under the terms of the SPA and would not have an effect on the purchase consideration.

b) Purchase consideration – cash outflow

	£'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	183,183	282,812
Less: balances acquired	(14,277)	(22,788)
Outflow of cash-investing activities	168,906	260,024

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**NOTES TO THE FINANCIAL STATEMENTS
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14. BUSINESS COMBINATIONS (continued)

Details of the fair value of the identifiable assets and liabilities acquired and goodwill are set out below:

	£'000	\$'000
Cash	14,277	22,788
Trade and other receivables	15,237	24,321
Current tax asset	2,082	3,323
Property, plant and equipment	566	903
Available-for-sale financial assets	13,801	22,029
Deferred tax asset	194	309
Intangible assets: fund and investment management contracts	74,500	115,180
Trade and other payables	(18,549)	(29,607)
Employee benefits	(7,341)	(11,717)
Deferred tax liability	(17,880)	(27,643)
Net identifiable assets acquired	76,887	119,886
Goodwill	134,459	207,878
	211,346	327,764

The goodwill balance is attributed to the skills and talent of the acquired business workforce, revenue growth and future market developments. It is not deductible for tax purposes.

The deferred tax liability arises on the recognition of intangible assets from the acquisition.

There were no other business acquisitions in the half year ended 31 March 2012.

15. EVENTS AFTER THE REPORTING DATE

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

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**NOTES TO THE FINANCIAL STATEMENTS
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16. EARNINGS PER SHARE (EPS)

	31 March 2012 Cents per share	31 March 2011 Cents per share
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of BTIM	4.60	10.38
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of BTIM	4.51	10.19
(c) Reconciliation of earnings used in calculating earnings per share	31 March 2012 \$'000	31 March 2011 \$'000
<i>Basic earnings per share</i>		
Profit attributable to owners of BTIM used in calculating basic earnings per share	11,187	14,680
<i>Diluted earnings per share</i>		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	11,187	14,680
(d) Weighted average number of shares used as the denominator	31 March 2012 Number of shares '000	31 March 2011 Number of shares '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	243,436	141,476
<i>Adjustment for calculation of diluted earnings per share</i>		
Effect of own shares held	2,142	2,528
Converting notes ¹	2,422	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	248,000	144,004

¹ Converting notes totalling 18,056,888 issued during the half year are considered potential ordinary shares and have been included in the determination of diluted earnings per share from their issue date.

Options totalling 5,844,665 were issued to JOHCM staff during the period and have not been included in the calculation of diluted EPS for the half year ended 31 March 2012. This is because ordinary shares will be acquired on-market over time to settle the exercise of the options.

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

**DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 MARCH 2012**

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 34 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Group's financial position as at 31 March 2012 and of its performance, for the half year ended on that date; and

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

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

For and on behalf of the Board.



Brian Scullin
Director



Emilio Gonzalez
Director



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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BT Investment Management Limited, which comprises the Balance Sheet as at 31 March 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, selected explanatory notes and the Directors' Declaration for the BT Investment Management Limited group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BT Investment Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

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AJ Loveridge

AJ Loveridge
Partner

Sydney
30 April 2012