

Delivering Investment Strategies Globally

Annual Report 2014

UNITED STATES

8
STRATEGIES

7
PEOPLE

• BOSTON
• NEW YORK

UNITED KINGDOM/EUROPE

17
STRATEGIES

89
PEOPLE

• LONDON

Delivering Investment Strategies Globally

FEE REVENUE

\$420.7m

↑ 62%

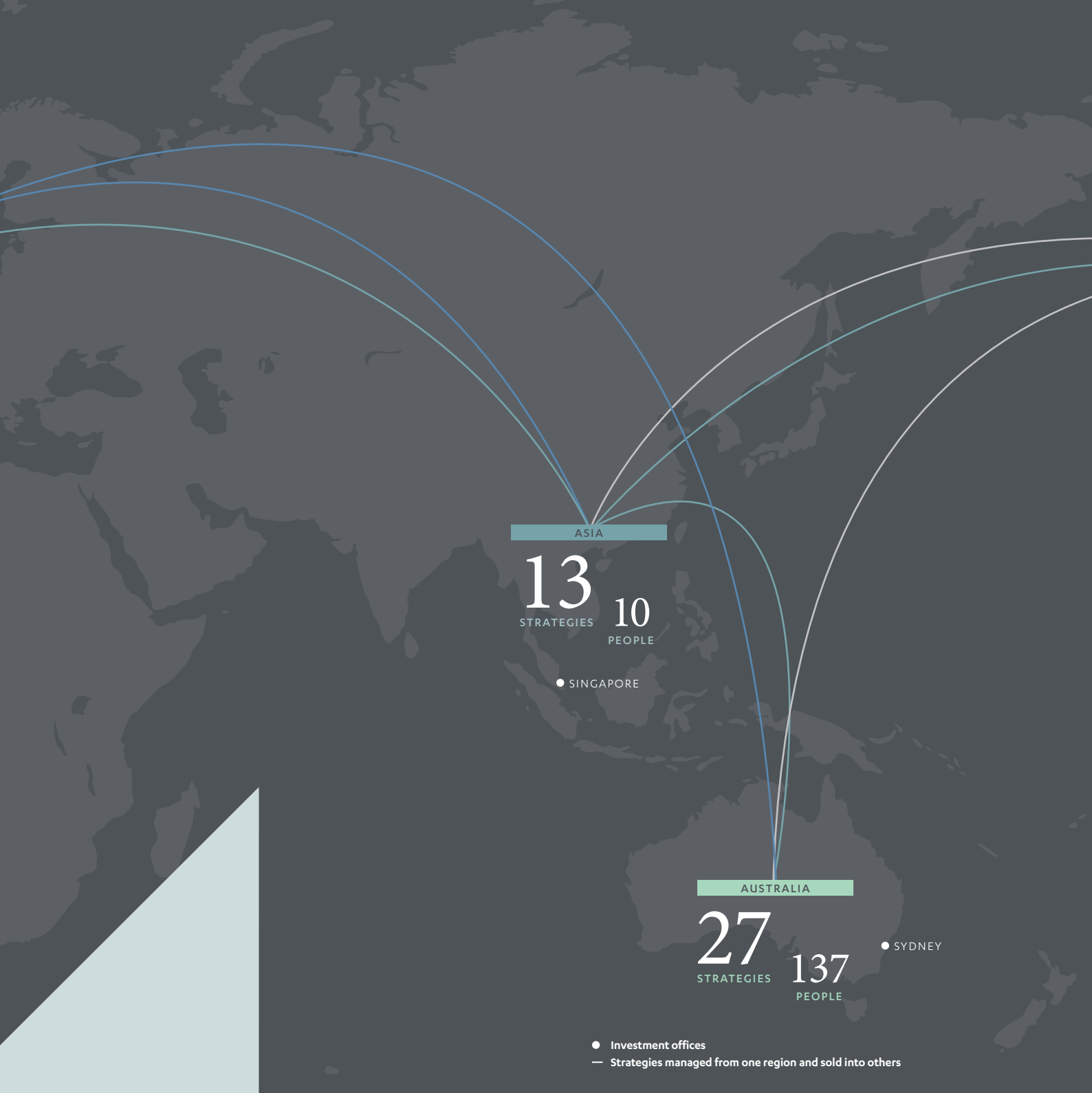
CASH EARNINGS PER SHARE

42.6cps

↑ 100%

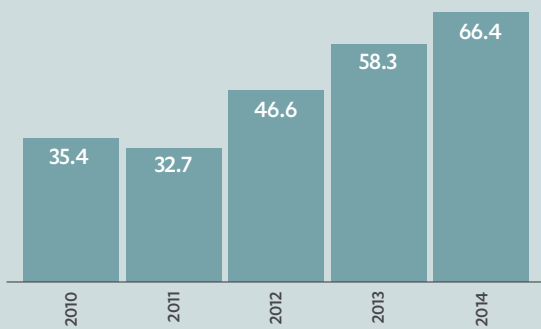
CONTENTS

- 2 Chairman's Letter
- 4 Chief Executive Officer's Report
- 7 Strategic Report
- 10 Operating Review
- 14 Domestic Business
- 22 Offshore Business
- 28 Corporate Sustainability & Responsibility
- 32 Corporate Governance Statement
- 38 Directors' Report
- 73 Financial Report
- 121 Shareholder Information
- 123 Glossary
- 124 Corporate Directory



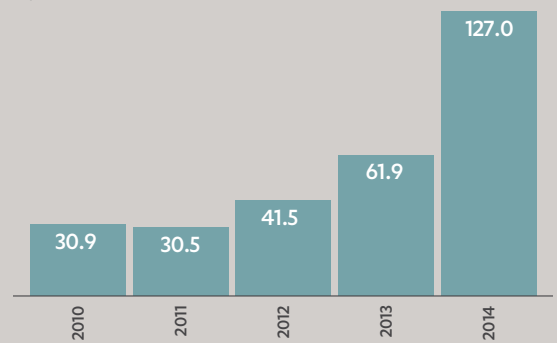
CLOSING FUNDS UNDER MANAGEMENT

\$ billion



CASH NET PROFIT AFTER TAX

\$ million



Chairman's Letter

In the 2014 Financial Year the majority of the Group's earnings came from its offshore business. This provides shareholders with exposure to high growth areas of the market, as well as diversification across funds, capabilities and regions.



This is my first year as Chairman and I am pleased to report that it has been a year of significant achievement for BT Investment Management (BTIM). During the 2014 Financial Year, the Group delivered strong investment performance, margin expansion and a broadening of its client base across regions. These achievements are the result of a well-defined strategy that commenced four years ago, and it is gratifying to see it providing strong returns to our shareholders. Since October 2013, BTIM's share price has appreciated from \$4.31 to \$6.15 and dividends have increased from 18 cents per share to 35 cents per share.

The changing nature of our business is evident. JO Hambro Capital Management (JOHCM), our offshore business, contributed 67 per cent of Group revenue in 2014. BTIM is no longer Australian-centric. BTIM is a global asset management business with opportunity for growth in the largest funds management markets in the world. In 2014, we built on our presence in the US market and expanded our sales and investment capabilities in the UK and Europe.

Our offshore business achieved outperformance across 88 per cent of its funds, delivering \$113.6 million in performance fees. This is a remarkable achievement for the business.

In Australia, the funds management industry continues to undergo significant structural change. In the 2014 Financial Year, across the industry, we saw a growing interest in direct investing, multi-manager funds and index funds. This has meant that the traditional funds management model in Australia is having to evolve, and companies such as BTIM are rethinking their product offerings. We are responding by creating innovative products with a clear value proposition to our clients. It is pleasing to see that BTIM's newer products are attracting strong interest and are being recognised by the market. The growth in domestic self-managed

super funds and the expected growth in the retirement income needs of clients, means that we need to adapt our product offerings and how we make our products available to clients.

The Board

This year, there were a number of changes to the Board. Brian Scullin, who was the Chairman of BTIM since its Initial Public Offering in 2007, retired at the Annual General Meeting in December 2013. Carolyn Hewson, also one of BTIM's original directors, retired from the Board in December 2013 in order to take up an invitation to join the Financial Systems Inquiry panel. Brian and Carolyn's experience and contributions were each very highly valued. However, the departures have created an opportunity to introduce new Board members with impressive backgrounds. We were pleased to appoint Deborah Page AM to the Board in April 2014. Deborah brings with her a diverse background of experience, including strong financial services experience. The combined skills of the Board have proven valuable during a time of growth in the international business.

The Board is in a strong position to work with Emilio, our Chief Executive Officer, and the rest of the management team in growing BTIM's business both in Australia and internationally.

It is pleasing that the Group has been able to achieve robust growth and remains financially strong with low gearing levels.

Capital management

As a result of the strong growth in earnings over the year, it is pleasing to be able to report a significant increase in dividends while still being able to invest in the business for future growth. The Board has declared a final dividend of 19 cents per share, bringing total dividends for the year to 35 cents per share, a 94 per cent increase on the previous year. The Board's policy is to pay-out 80–90 per cent of cash earnings per share, which is unchanged since the IPO in 2007.

As I mentioned earlier, in the 2014 Financial Year the majority of the Group's earnings came from its offshore business. This provides shareholders with exposure to high growth areas of the market as well as diversification across funds, capabilities and regions. As a result of the increasing contribution from the offshore business to the Group's earnings, franking will reduce as a percentage of the total dividend. Notwithstanding this, the dollar value of the franked component of the dividend has increased during the 2014 Financial Year.

Importantly, the Group has been able to achieve robust growth and remains financially strong with low gearing levels. As at 30 September 2014, the Group's net cash position was \$94.1 million.

Outlook

Our shareholders are receiving the rewards of the strategy put in place over four years ago. It has been an outstanding year and I commend Emilio and the team for their vision, leadership and their hard work in implementing the business's strategies.

Consideration must be given to the nature of the markets in which the business operates and earnings will always be leveraged to movements in share markets creating volatility in earnings.

In the year ahead, the business will become more diversified as we grow in different markets and continue to focus on providing new and innovative products domestically.



James Evans
Chairman

Chief Executive Officer's Report

It is pleasing to be able to report a record Cash net profit after tax of \$127.0 million, which was underpinned by exceptional fund performance, strong growth in margins and excellent fund flows.



The year in review

2014 has been a standout year for BTIM as we continue to expand our global platform and build new revenue streams. The global nature of our business means that we have been able to take advantage of the upturn in global equity markets. Our diversification strategy continues to reward shareholders and produce growth in funds under management (FUM), which has been supported by strong investment performance. In the twelve months to 30 September 2014, BTIM reported an increase in Cash net profit after tax (NPAT) of 105 per cent, an increase in Cash earnings per share of 100 per cent and an increase in dividends to shareholders of 94 per cent.

In addition to delivering strong FUM growth and fund performance, the share of higher margin business increased, our investment capabilities were expanded, and the business benefited from positive movements in markets and a weakening Australian dollar.

Some of the key highlights of the year included:

- Exceptional performance fees from J O Hambro Capital Management,
- Strong momentum in FUM growth, fee revenue and margins,
- Base management fee margin expansion from 41 basis points to 46 basis points,
- New product offerings attracting strong interest from investors,
- Building-out the global asset management business by expanding our presence in the United States (US), and
- Positive tailwinds such as higher markets and a lower Australian dollar, providing an additional uplift in earnings.

It is satisfying to see that a number of these highlights reflect our four growth strategies which are: to grow in new and existing markets; focus on increasing margins; to expand our capabilities; and to build on our distribution channels.

We continue to diversify our business across geographies, capabilities, channels and clients. For example, if we look at our FUM by asset class as at 30 September 2014, 46 per cent of our FUM was invested in international equities, 17 per cent invested in Australian equities, 18 per cent invested in diversified funds, 2 per cent invested in

property and 17 per cent in fixed income and cash. Within international equities we have FUM invested in Asian equities, European equities, United Kingdom (UK) equities, Japanese equities, emerging market equities and global equities.

By comparison, four years ago¹, international equities was 5 per cent of FUM, Australian equities was 34 per cent, diversified was 32 per cent, property was 3 per cent and fixed income and cash was 26 per cent of FUM.

The diversity in our business enables us to benefit from different areas of growth as well as changes in economic cycles and different trends across the globe.

Investment markets

Our business depends very much on market movements and investor sentiment as both impact our revenue through demand for our products and growth in FUM. During the year our global business was supported by positive market movements. In Australia, the average level of the All Ordinaries Index was 10.7 per cent higher over the year. Offshore, the average level of the MSCI All Countries World Index (ACWI) (GBP) increased 10.9 per cent over the same period. Markets continued to be positively impacted by record low interest rates globally. In the UK, the average level of the FTSE 100 was up 6.8 per cent, and in the US the average level of the S&P 500 was up 20.2 per cent.

While investor sentiment in Australia has improved, it remains fragile following the Federal Budget. Offshore, investor sentiment has been varied. European economies continue to struggle out of recession while the UK economy looks to be experiencing better than expected growth. In the US we have seen positive economic momentum building, however concerns linger over the timing and effect that tighter monetary policy will have on global markets in 2015.

We continue to diversify our business across geographies, capabilities, channels and clients.

Another influence on our business, as we expand globally, is the movement in foreign currencies. The offshore business now represents around 78 per cent of Group earnings. A weaker Australian dollar, particularly against the British pound and the US dollar, provides an uplift to Australian earnings. We do not hedge our foreign currency exposure as it is a component of being a global asset management business and provides diversification across the Group.

Global asset management

The Group continued to grow into offshore markets through the year. JOHCM achieved FUM growth of 35 per cent to \$27.7 billion and we were particularly pleased with the performance of the JOHCM funds, which delivered performance fees of \$113.6 million, a 230 per cent increase on the prior year. Performance fees however, vary markedly from one year to the next. Revenue sourced from offshore amounted to 67 per cent of total group revenue in the 2014 Financial Year.

We experienced strong demand for our UK and Europe strategies, attracting \$1.9 billion in FUM. As a result of this strong demand, we invested in distribution capability and support staff to assist in the continued growth of the business.

In June we added investment capability in the US by hiring a US small to mid-cap equities team and opening an office in Boston. Our net flows from the US market are gaining momentum reflecting the increased focus and investment we have made in that region. As of 30 September 2014, funds raised from US investors totaled US\$4.9 billion of which US\$1.0 billion was raised in the last twelve months. Further on in the Annual Report Gavin Rochussen, CEO of JOHCM, discusses the JOHCM business and the success it has enjoyed in more detail.

In Australia, we have a strong presence which will benefit from the growth in the savings pool driven by the Superannuation Guarantee Levy. The domestic investment market provides both good recurring earnings and niche growth opportunities for our business and we have been successful in raising funds from new products and expanding our distribution network into new channels.

We are however seeing structural changes in the domestic market as regulators and governments look to pass on scale benefits to superannuation members through lower fees. In turn, individuals are taking greater control of their own superannuation, evidenced by the continued growth in self-managed super funds (SMSFs).

As a result of these structural changes, the managed funds market in Australia, which has been an historical area of growth for asset management firms, has seen a 18 per cent decline in market size from a peak of \$361 billion in September 2007 to \$294 billion as of June 2014². Factors that have driven this decline include lower investor confidence, volatility, clients investing directly, lack of perceived value in managed funds, growing availability of alternatives in the form of exchange traded funds, the growth in SMSFs and technology making it easier for clients to better manage their own portfolios.

The overall level of the Australian equity market (where we derive most of our domestic revenue) is 23 per cent lower than when it peaked in 2007 and is yet to fully recover its GFC losses, while elsewhere around the world, particularly in the US and Europe, monetary policy has boosted equity markets thereby recouping GFC losses much faster.

1 FY10 FUM has been reclassified in line with current classification for purposes of comparison.

2 Rainmaker, September 2014.

Chief Executive Officer's Report continued

As a result we have had to focus our domestic business on leveraging those areas of the market that are growing. These include the high net worth, private client segment and the retirement market given the change in demographics and client preference for income.

The retirement segment is expected to show substantial growth in coming years. Retirement assets are forecast to grow two-thirds faster than pre-retirement assets¹ which will drive the transition of Australia's superannuation system towards delivering a greater proportion of investment returns through income streams. This is an important consideration in our strategy as we develop our product range.

We have launched two products that target this income-seeking segment. These are the BT Equity Incomes Series and the BT Wholesale Monthly Income Plus Fund (MIP). Combined these two funds have already raised \$0.7 billion, predominantly from investors seeking competitive and regular income with low levels of volatility. We are pleased with the success that these funds have achieved to date and the increasing acceptance of MIP as it builds a strong track record and is being offered through an increasing number of approved lists.

Through our newly established Product Solutions Group we are better able to identify product opportunities enabling us to target new growth areas domestically. This initiative demonstrates how our business is adapting to change and supports our aim to position BTIM as a leader in innovative solutions to better meet the financial needs of our clients.

Industry recognition

Our success and the performance of our funds has been recognised in various forms across the industry throughout the year. BTIM received two prestigious awards: "Best of the Best Fund Manager" in 2014 by Money Magazine, and "Fund House of the Year Award – Australia" by Asian Investor Investment Performance Awards.

Our focus on providing new products targeting the retirement segment in Australia was recognised by both Money Management and Lonsec which awarded BTIM the "Retirement Product Innovation" award for the Equity Income Series.

Our success has also been recognised offshore where JOHCM was awarded "Outstanding Investment House" from Morningstar OBSR (UK) in 2014 for the high level of quality demonstrated across a range of funds and strategies.

BTIM's strategy

As we consider BTIM's strategy, we do so from a position of strength having achieved much success for our shareholders.

Our focus for the offshore business is to maintain the strong momentum where we are seeking to build out an established platform for growth.

Domestically, there has been considerable progress in building new revenue streams and we have enjoyed good early success in raising new FUM. Our broad based capability combined with our increased focus on delivering innovative solutions for clients places the business in a strong position to benefit from the growing need for retirement income solutions and growth in the high net worth investor market, dominated by SMSFs.

In this year's Annual Report, we have provided a Strategic Report where we outline our long-term strategy, what we have achieved against our objectives, and what our future focus will be over the long term. I encourage you to read it.

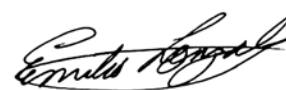
Conclusion

The 2014 Financial Year has been a stand-out year for BTIM as evidenced by the strong financial results. Whilst performance fees were a significant contributor to our earnings this year, I am particularly pleased with the continued growth in our funds under management and base fee revenue. We also benefited from a number of positive tailwinds, such as markets and currencies.

Importantly, while we are not always able to experience such tailwinds, we have used the opportunity to continue to invest in the business for future growth both domestically and offshore. Through the year we invested in new products and investment strategies, we continued expanding geographically and we added further support to our distribution.

The strength of our business is our diversification across investment strategies, geographies and asset classes and the quality of our people. I am confident that BTIM is well positioned for continued growth.

I would like to thank our teams across Australia, UK, Europe, Asia and the US for their hard work this year. It is the quality of our people that ensures our business continues to deliver outstanding results for our clients and shareholders.



Emilio Gonzalez, CFA
Chief Executive Officer

Strategic Report

We are proud to say that our strategy has delivered a diversified global investment management business.

We have focussed on growing offshore, expanding our margins and adding new investment capability to offer investment solutions for our clients and sustain our growth.

Our strategy has delivered exceptional growth where revenue since the 2010 Financial Year has grown from \$129.1 million to \$420.7 million, Cash net profit after tax (Cash NPAT) from \$30.9 million to \$127.0 million, Cash earnings per share from 19.3 cents to 42.6 cents and the Group's market capitalisation has increased from \$0.4 billion to \$1.7 billion as at 30 September 2014.

Key drivers of this growth have included:

- Acquisition of JOHCM in 2011, providing access to international markets
- Repositioning our fixed income proposition resulting in strong FUM growth in the Income & Fixed Interest Boutique

- Development of a Product Solutions Group resulting in new revenue streams from new products
- Strong growth in FUM and revenue from offshore
- Strong revenue generated from investment performance fees, and
- Higher revenue margins due to discipline on price, greater share of flows from the wholesale channel (comprising financial planners and private banks) and launch of new higher margin products.

FUNDS UNDER MANAGEMENT

\$66.4b↑
2014 **\$35.4b**
2010

FEE REVENUE

\$420.7m↑
2014 **\$129.1m**
2010

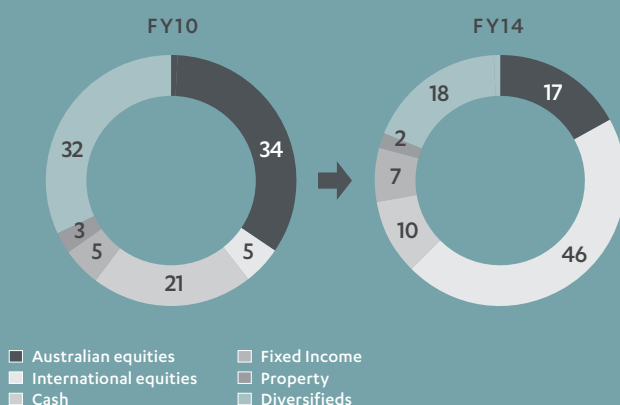
CASH EARNINGS PER SHARE

42.6cps↑
2014 **19.3cps**
2010

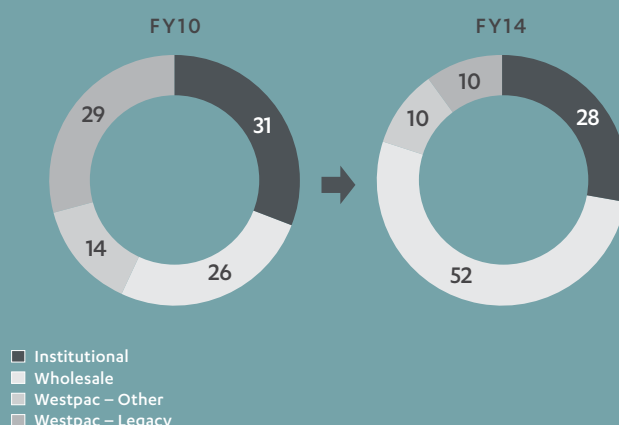
ORDINARY DIVIDEND PER SHARE

35.0cps↑
2014 **15.5cps¹**
2010

FUNDS UNDER MANAGEMENT BY ASSET CLASS (%)



BASE MANAGEMENT FEES BY CHANNEL (%)



¹ Excludes a special dividend of 12.5 cps.

We have seen strong growth in funds under management and revenue as well as increased returns to our shareholders.

Importantly we have established a strong foundation to build on and our strategy is now focussed on growing in new and existing markets, increasing our margins, building on the current distribution channels and expanding our investment capability platform by continuing to attract investment professionals with the same ideals and ambitions as ourselves.

Grow in new and existing markets

Focus on increasing margins

Build on current distribution channels

Expand investment capabilities

Progress in FY14

- Total net flows generated by the Group of \$2.5 billion
- US mutual funds generated \$1.1 billion in net flows
- BT Equity Income Series raised \$0.4 billion
- Expanded operations in the US hiring a new US Small to Mid-cap specialist team
- Launched a number of new funds including US Small to Mid-Cap Fund, Japan Dividend Growth Fund, International Small Cap Fund, Significant Investor Visa solution

Future Focus

- Grow funds under management in the US
- Invest and grow in the private client/high net worth sector targeting self-managed super funds in Australia
- Identify new product opportunities targeted at the growing need for income
- Increase product range for growing retirement market

Progress in FY14

- Capacity constrained strategies have been targeted at the higher margin wholesale channel which represented 47 per cent of total flows
- Operating margin expanded from 33 per cent to 39 per cent
- Base management fee margin expanded from 41 basis points to 46 basis points
- Newer products launched in the 2013 Financial Year continued to attract strong interest from investors at a higher margin

Future Focus

- Take a disciplined approach to selecting mandates and business opportunities for those strategies nearing capacity
- Continued expansion in the US where margins are attractive
- Focus product development on targeted, niche products that cannot be easily replicated and are specifically tailored to investors where demand is driven by value not cost
- Continue to seek out performance fees that align the business with the client

Progress in FY14

- Added a dedicated sales team on the east coast of the US
- Added resources for institutional sales in US, UK and Europe
- Broadened coverage in European market with additional resource hired
- Launched new products in the US:
 - US Small to Mid-cap equities strategy
 - International Small cap strategy
 - Japan Dividend Growth strategy
- Opened an office in Boston to facilitate growing US presence
- In Australia, appointed dedicated sales resource for the private client/broking channel
- BTIM products now offered on a Westpac branded self-managed super fund direct to market platform

Future Focus

- Roll out new products that leverage expanded distribution capabilities
- Focus on generating OEIC and mutual fund flows from UK, Europe and US
- Increase share of flows from private client/high net worth channel in Australia
- Develop solution based relationships with selected institutional clients
- Continue to work with the Westpac Group and BT Financial Group to be a supplier of investment solutions for their clients

Progress in FY14

- Hired a US Small to Mid-cap equities investment team based in Boston
- Expanded the emerging markets team
- Added support capability to domestic derivatives team
- Across the Group there have been no investment personnel departure to competitors

Future Focus

- Continue to build FUM capacity by identifying suitable individuals or investment teams to add to the Group's global platform
- Build on existing investment capability by identifying extension strategies

Operating Review

Cash net profit after tax for the year was \$127.0 million, a 105 per cent increase on the prior year.

This result was driven by improved global financial markets, exceptional performance fees, margin expansion and continued strong flows into J O Hambro Capital Management funds.

YEAR ENDED 30 SEPTEMBER		FY14	FY13	% CHANGE
Cash NPAT	\$ million	127.0	61.9	↑ 105
Statutory NPAT	\$ million	121.5	51.2	↑ 137
Fee Revenue	\$ million	420.7	260.4	↑ 62
Operating Expenses	\$ million	258.5	175.2	↑ 48
Operating profit margin	%	39	33	↑ 18
Cash earnings per share	cents per share	42.6	21.3	↑ 100
Dividends	cents per share	35.0	18.0	↑ 94
Franking	%	35	72	↓ (51)
Average FUM	\$ billion	63.1	51.5	↑ 23
Closing FUM	\$ billion	66.4	58.3	↑ 14

AVERAGE FUNDS UNDER MANAGEMENT

\$63.1b

CLOSING FUNDS UNDER MANAGEMENT

\$66.4b

FEE REVENUE

\$420.7m

CASH NET PROFIT AFTER TAX

\$127.0m

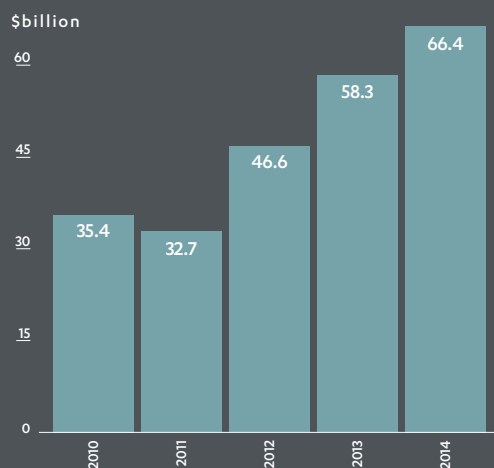
CASH EARNINGS PER SHARE

42.6cps

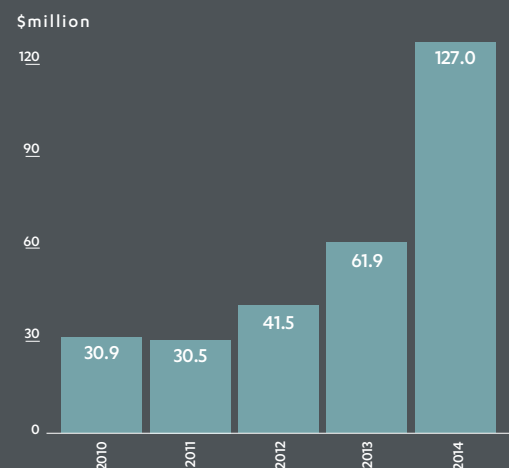
DIVIDENDS PER SHARE

35.0cps

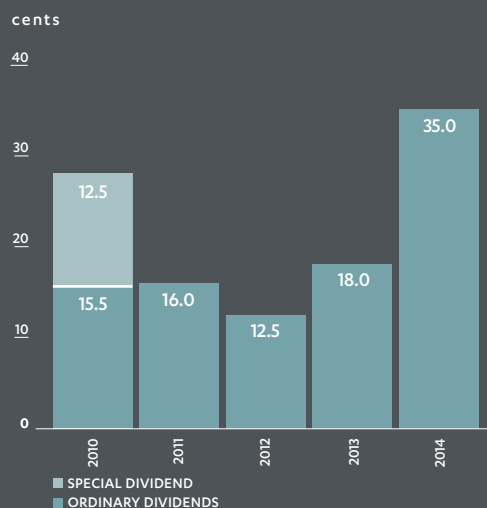
CLOSING FUNDS UNDER MANAGEMENT



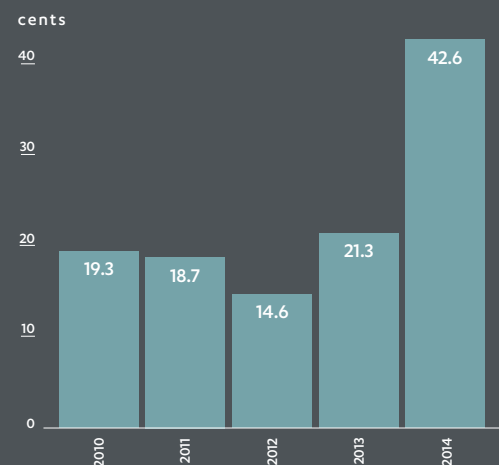
CASH NET PROFIT AFTER TAX



DIVIDENDS PER SHARE



CASH EARNINGS PER SHARE



Operating Review continued

Funds under management

Through the course of the 2014 Financial Year the Group experienced strong FUM growth of 14 per cent representing an increase of \$8.1 billion. The growth in FUM was underpinned by net inflows of \$2.5 billion, positive movements in fund performance and market movements of \$3.9 billion, and a favourable foreign exchange translation of \$1.7 billion. The positive market performance saw the S&P/ASX 300 Index increase 1.3 per cent and the MSCI (ACWI) (GBP) rise 11.2 per cent over the course of the year.

J O Hambro Capital Management (JOHCM) experienced strong inflows of \$3.5 billion during the year while BTIM (Australia) saw outflows of \$1.0 billion largely as a result of the structural decline of its legacy book. Positive FUM flows of \$4.1 billion came via the higher margin wholesale channel including \$1.1 billion into JOHCM's US mutual fund range which was established in late 2013. The institutional channel and Westpac legacy book experienced outflows of \$0.5 billion and \$1.1 billion respectively, while Westpac's other non-legacy related channels were flat for the year.

The asset classes that garnered the most flows through the financial year included UK equities (+\$1.4 billion), Global equities (+\$0.9 billion), Asian equities (+\$0.5 billion), and European equities (+\$0.5 billion). Cash and fixed interest funds experienced outflows of \$0.1 billion on lower yields, while Australian equities remained in outflow losing \$0.3 billion. The BT Equity Income Series, launched in late 2012 and targeting the high net worth and retail investor segments, continues to attract demand, experiencing net inflows of \$0.4 billion through the year.

Investment performance

The Group experienced solid performance across funds, particularly in the offshore funds, despite variable market conditions across regions. 83 per cent of all funds produced returns above their benchmarks. In Australia, 84 per cent of funds outperformed their benchmarks. The Australian equities funds had a strong year with the following funds outperforming their respective benchmarks: BT Wholesale Microcap Opportunities Fund (+21.90 per cent), BT Institutional Smaller Companies Sector Trust (+5.83 per cent), and the BT Wholesale Mid Cap Fund (+4.45 per cent). The BT Wholesale Monthly Income Plus Fund managed by the Income & Fixed Interest boutique also experienced strong outperformance (+3.01 per cent).

Offshore, 80 per cent of the JOHCM funds, with at least twelve months of performance track record, outperformed their respective benchmarks over the year and 73 per cent are in the top quartile since inception. The JOHCM investment strategies that performed strongly over the year included the JOHCM Global Select Fund (+11.02 per cent), the JOHCM International Select Fund (+10.87 per cent), the JOHCM UK Growth Fund (+8.02 per cent), and the JOHCM Asia ex Japan Small & Mid-Cap Fund (+7.67 per cent).

JOHCM funds report their performance fees on a calendar year basis. In the year to December 2013, a number of the funds earned performance fees including the JOHCM UK Equity Income Fund, the JOHCM Continental European Fund and the JOHCM European Select Values Fund. Domestically, funds that achieved performance fees included the BT Wholesale MicroCap Opportunities Fund and the BT Wholesale MidCap Fund.

Profitability

Cash net profit after Tax (Cash NPAT) for the year was \$127.0 million, a 105 per cent increase from the 2013 Financial Year, while Statutory NPAT was \$121.5 million, an increase of 137 per cent on the previous year. This result was driven by improved global financial markets, exceptional performance fees and continued strong fund flows into JOHCM. As a result of the record increase in earnings, Cash earnings per share (Cash EPS) increased 100 per cent to 42.6 cents per share.

Revenue

Total fee revenue was \$420.7 million, an increase of 62 per cent on the previous year due to exceptional performance fees from JOHCM, strong growth in base management fee revenue, and the weaker Australian dollar. Base management fee revenue rose 36 per cent to \$289.7 million, driven by solid growth in FUM which on average was 23 per cent higher than last year, together with expanded fee margins which increased by 5 basis points to 46 basis points for the year. In Australia, the average level of equity markets was 10.7 per cent higher than in the 2013 Financial Year, while the average level of the MSCI (ACWI) (GBP) increased 10.9 per cent over the same period.

Performance fees for the year totaled \$121.8 million and were nearly threefold higher than the \$43.5 million in the previous year. The record performance fees were driven by JOHCM which saw \$113.6 million earned over 15 investment strategies with a number of funds materially beating their benchmarks for the year. BTIM (Australia) also received performance fees of \$8.2 million which were slightly lower than the 2013 Financial Year.

Other fee revenue was \$9.2 million for the year and represented a 104 per cent increase over the 2013 Financial Year. This was largely due to the termination of the property administration contract with Primary Health Properties Plc in the UK which was acquired at the time of the JOHCM acquisition. Under the terms of the contract two years run-rate revenue was paid upon termination.

Total fee revenue within the BTIM Group continues to diversify with \$263.3 million, or 63 per cent, being sourced through the higher margin wholesale channel and \$90.5 million, or 22 per cent, emanating from the institutional channel. Fee revenue from the legacy book has declined as a proportion to the Group's fee revenue, representing 7 per cent of Group fee revenue for the 2014 Financial Year.

Expenses

Cash operating expenses totaled \$258.5 million, a 48 per cent increase on the \$175.2 million reported in the 2013 Financial Year. Employee costs were \$203.1 million, 59 per cent higher than the previous year and driven by an increase in variable remuneration as a result of the significantly higher performance fees and higher base management fee revenue. Overall headcount also increased at JOHCM reflecting growth in the business and the operational expansion into the US market.

Other operating costs were \$55.4 million which compares to \$47.3 million in the previous year, a 17 per cent increase. The increase was driven by higher fund and volume related costs on increased FUM, higher marketing and distribution costs resulting from the US expansion, and an increase in IT related expenditure. Financing costs for the year were \$1.6 million which was lower than the \$2.8 million incurred in the previous year as debt was retired during the year. Overall the operating cost to income ratio was 61 per cent, down from 67 per cent for the 2013 Financial Year, while the compensation ratio declined from 49 per cent to 48 per cent over the same period.

Earnings per share

Fully diluted cash earnings per share (Cash EPS) was 42.6 cents which is 100 per cent higher than the 2013 Financial Year, and reflects the strong growth in the business over the course of the year.

Shares on issue increased through the year due to the conversion of converting notes on issue together with shares issued as part of the Dividend Reinvestment Plan (DRP). As at 30 September 2014, the number of ordinary shares on issue was 284,384,906 and the number of outstanding converting notes was 15,353,640. The fully diluted share base as at 30 September 2014 was 299,738,546.

Dividends

The Directors declared a final dividend of 19.0 cents per share, bringing total dividends for the year to 35.0 cps, a 94 per cent increase on last year's dividends of 18.0 cents per share. The total dividend represents an 82 per cent payout ratio for the year which is at the lower end of the Directors' targeted payout ratio of 80–90 per cent of Cash NPAT.

The interim and final dividends for the 2014 Financial Year were both 35 per cent franked reflecting the significant contribution of off-shore earnings in the profit result for the year. As at 30 September 2014, BTIM does not retain excess franking credits, so franking levels in future years will continue to be determined by the relative profits of the BTIM (Australia) and JOHCM businesses. For the 2015 Financial Year, the franking levels are anticipated to be in the 35–45 per cent range.

During the year, the Board maintained the DRP which was activated for the first time in the 2013 Financial Year. The DRP has been used to raise funds to assist in repaying external borrowings and funding the ongoing operations of the business. The pricing of shares issued under the DRP has been at zero discount to the allocation price and allows shareholders to reinvest in additional BTIM shares with no commission or brokerage costs.

Balance sheet

BTIM retains a revolving loan facility of £45 million (\$84 million) in the UK with The Westpac Group. As at 30 September 2014, £13 million (\$24 million) of the facility was drawn which has reduced from £21 million (\$36 million) as at 30 September 2013. Financial covenants associated with the facility include a minimum of \$35 billion in FUM, interest coverage ratio of at least 10 times, and a borrowings to EBITDA ratio of no more than 2.5 times. All covenants were comfortably met throughout the year. As at 30 September 2014, BTIM's debt to equity ratio was 6 per cent which compares to 9 per cent at 30 September 2013.

Included on the Group balance sheet at 30 September 2014 were intangible assets of \$587 million consisting of goodwill and management rights associated with the acquisition of JOHCM, and goodwill relating to the original purchase of BT Financial Group

and Rothschild Australia Asset Management by Westpac in 2002. There was no impairment to the carrying value of goodwill during the year. The management rights associated with the acquisition of JOHCM continue to be amortised over time.

Exchange rate

JOHCM's operating results are denominated in British pounds. For BTIM Group consolidation purposes, these results are converted to Australian dollars at the prevailing exchange rate each month throughout the financial year. BTIM does not enter into any arrangements to hedge the currency and as such the Group's profitability is subject to variability via foreign exchange movements.

Over the course of the year, the average AUD/GBP exchange rate was 0.5473 which was 14.3 per cent lower than the average AUD/GBP exchange rate of 0.6384 in the 2013 Financial Year which positively contributed to the result this year. The AUD/GBP rate fluctuated between 0.5928 and 0.5319 through the 2014 Financial Year and as at 30 September 2014 the spot AUD/GBP rate was 0.5384.

Reconciliation of cash and statutory NPAT

BTIM continues to use Cash NPAT as its headline result in its Annual Report and other ASX releases, consistent with prior year reporting. Cash NPAT comprises Statutory NPAT adjusted for certain non-cash items which BTIM believes do not form part of the underlying profitability of the business for the year. These non-cash items include the amortisation of employee equity grants less the after-tax cash cost of ongoing equity grants in respect of the current year, together with the after-tax amortisation and impairment of intangibles, and fair value adjustments for equity settled converting notes issued at the time of the JOHCM acquisition.

A reconciliation of Statutory NPAT to Cash NPAT is set out below.

RECONCILIATION OF STATUTORY NPAT TO CASH NPAT	FY14 \$M	FY13 \$M
Statutory NPAT	121.5	51.2
Add back: amortisation of employee equity grants	32.4	19.8
Add back: amortisation and impairment of intangibles	9.6	9.8
Add back: FV adjustment of financial liability (converting notes)	–	7.2
Deduct: cash cost of employee equity grants payable during the year	(36.4)	(21.2)
Add/(deduct): tax effect	(0.1)	(4.9)
Cash NPAT	127.0	61.9

Domestic Business

Domestic Business Review

In the domestic business we continue to build on the success of recent product launches, growth in our cash and fixed income portfolios and improved flows in our Australian equities business.



BTIM (Australia)'s Executive Team
Absent from photo: Brian Wright

The Australian business manages funds from three channels of investors – the institutional channel, the wholesale channel and the retail legacy book. The institutional channel comprises superannuation funds and multi-managers, while the wholesale channel is predominantly financial planners. The majority of the retail legacy funds are funds off platforms that are no longer offered to investors. Therefore these funds have been in run-off. For the 2014 Financial Year, the institutional and wholesale channels combined generated net inflows of \$0.1 billion. The retail legacy book had net outflows of \$1.1 billion, in line with previous years' run-rates.

The 2014 Financial Year was dominated by a common theme amongst investors, namely the 'search for yield'. Three of the funds generating significant net inflows were the BT Equity Income Series, the BT Wholesale Monthly Income Plus Fund, and the BT Wholesale Property Securities Fund – all yield focussed strategies. The BT Equity Income Series,

targeted at retirees seeking attractive levels of income with low volatility, attracted net inflows of \$0.4 billion and won the 2014 "Retirement Product Innovation" award at Money Management/Lonsec's Fund Manager of the Year Awards. Our fixed interest funds generated net inflows of \$0.2 billion (excluding legacy funds) from both the wholesale and institutional channels, building on the strong performance since re-launching four years ago.

During the year, we saw an improvement in equity flows on the prior year with Australian equities posting net inflows of \$0.1 billion (excluding legacy funds). The latest data from Morningstar on fund flows, dated 30 June 2014, shows continued withdrawal of funds out of Australian shares in the managed funds industry. For the twelve months to 30 June 2014 investors withdrew \$6.2 billion from the Australian equities sector. The last time the sector experienced net inflows was in March 2010. This shift has largely been the result of the growth in self-managed super funds (SMSFs) and an increase in direct investing.

Ultimately, investment performance will be the key factor that will generate investment flows into our products irrespective of the channel and we continue to outperform, particularly across the more specialised product areas as the BT Wholesale Focus Australian Share Fund, the BT Wholesale MidCap Fund, the BT Institutional Smaller Companies Sector Trust and the BT Wholesale MicroCap Opportunities Fund.

In total, 84 per cent of the Australian based funds outperformed their benchmark over a twelve month period.

Business strategy

Key elements of our domestic strategy have been building new growth engines, expanding our margins and participating in the Westpac Group/BT Financial Group growth channels. We have been focussed on identifying product opportunities that meet specific investor requirements and the establishment of the Product Solutions Group in 2013 has met with early success in raising funds.



Retirement Product Innovation Category Winner

MONEY MANAGEMENT/LONSEC FUND MANAGER OF THE YEAR AWARDS

We continue to use our investment knowledge and capability to deliver new products and in some cases investment strategies specific to our institutional client base where we believe we can add value. We have added resources to service the private client/broker channel which is benefitting from the high growth in SMSFs.

We have also added resources to service our largest client, the Westpac Group/BT Financial Group, working closely together across marketing, advice, private wealth, superannuation and the investment platform team to deliver best-in-class products to meet client needs.

We are expanding margins in our domestic business by delivering better value products, underpinned by an improved asset mix as the proportion of equity assets relative to cash has increased. Revenue margins for the domestic business increased to 34 basis points in the 2014 Financial Year (2013: 32 basis points).

Regulation

There continues to be a high level of activity on the regulatory front following the Global Financial Crisis with various reviews generating significant amounts of regulatory change. The wave of regulatory reform was directed by the G20 and Australia's role in the international standard-setting process has expanded. Australian regulators are seen to be moving beyond traditional conduct and disclosure regulation towards the use of regulatory tools that address the problems investors experience in financial markets. This has been seen through the proposed changes to the Future of Financial Advice (FoFA) requirements and it is likely to continue as an outcome of the inquiry into Australia's Financial System Inquiry ('the Murray Inquiry').

BTIM is cognisant of the global regulatory landscape and how this will influence the market going forward. We are a sponsor of and a champion for the Asian Passport Initiative which aims to cover the cross-border offer of

We are expanding margins in our domestic business by delivering better value products, underpinned by an improved asset mix.

collective investment schemes in participating economies. This will enable fund operators in member economies to offer eligible schemes to retail investors in other member economies under a streamlined process and will further open up opportunities both in Australia and offshore. A pilot program is scheduled to be launched in 2016.

Many of our clients have been impacted by the FoFA reforms. This has been a difficult time for them in terms of the uncertainty around change as well as the cost of meeting regulatory obligations where the increased compliance burden is driving organisations to be more centrally controlled. Many clients have also been impacted by the MySuper reforms which have had flow on effects to BTIM. In response we have been developing new products to accommodate life cycle options, while also taking into account changes to processes, revenue margins and disclosures.

We will also need to consider the final recommendations from the Financial System Inquiry, which is due to submit its Final Report to the Government in November 2014. The Interim Report, issued in July 2014, identified three priority themes: growth and consolidation, post-GFC regulatory response and emerging trends. There is bound to be a strong focus on wealth management, particularly superannuation, retirement and financial advice, as these are the sectors that have evolved most since the last Financial Systems Inquiry in 1997. Given the importance of superannuation in the economy this may well affect our clients and require us to assess our response.

People

During the year, we expanded the Executive Team in recognition of the growth in the business and the parts of the business that are important in executing the Group's strategy.

In addition to the skills and experience already on the Executive Team with Chief Financial Officer, Cameron Williamson, Head of Human Resources, Geraldine Boutique and Brian Wright, Head of Corporate Development, we were pleased to welcome two newcomers to the Group, and promote two others to make up an Executive Team of eight (including the CEO).

We welcomed Chris Clayton, who has previously worked at both National Australia Bank and the Commonwealth Bank, as our new Head of Sales & Marketing. We also appointed Hayden King as Chief Operating Officer. Hayden has previously held senior roles at Challenger and Colonial First State as Chief Operating Officer.

Daniel Campbell, Head of Investment Products, and Jennifer Davies, Chief Risk Officer, were both promoted in light of the importance of their respective duties. Daniel is responsible for positioning our investment products to clients and managing our relationship with the Westpac Group. Jennifer works with the Executive Team on BTIM's Governance and Risk Framework ensuring that risk management is embedded in all aspects of the business.

Australian Equities Boutique Investment Review

Companies are better at controlling costs, there is more discipline in allocating capital, and they are reducing their funding costs. In combination, this is enabling moderate earnings growth, improving free cash generation, and higher distributions to shareholders.

The Australian equity market posted a 5.7 per cent return in the year to 30 September 2014. This outcome was broadly consistent with the earnings growth delivered by corporate Australia, highlighting that we have seen an end to the liquidity induced revaluation phase and that profits will be key to returns going forward. Market volatility has been subdued for much of the year with a slow steady ascent through to the end of August. This shifted in September when the market fell 5.7 per cent. The drivers of the correction were a combination of concerns including the need for US rates to move higher sooner, weaker commodity prices, a soft Australian dollar causing some capital flight and the potential for a capital impost on banks. The question is whether this is portending a more serious correction in the market. We do not believe this to be the case. Markets are driven by a combination of earnings and sentiment, which impacts on valuation. What we saw in September was a loss of liquidity combined with some uncertainty, which hit sentiment and de-rated the market. We do not see this as creating significant earnings risk.

What the last year has shown is that many Australian corporates are adjusting to the subdued growth environment. Companies are generally not nimble organisations, so can be slow to adjust to a changing environment. This is what lay behind the insipid earnings growth we have seen, particularly in industrial companies over the last few years. What we are seeing now is that strategy has caught up with the business environment, companies are better at controlling costs, there is more discipline in allocating capital, and they are reducing their funding costs. In combination, this is enabling moderate earnings growth,

improving free cash generation, and higher distributions to shareholders. Company management is listening to their investors, focussing on delivering a predictable growing earnings stream, returning more of that free cash flow rather than over-reaching for growth and misallocating capital. This does mean that investors have to temper expectations for growth, but in return they are getting greater certainty and higher distributions. This is a better foundation for the market in the long run.

The other notable feature of the market in the last year has been the opening up of capital markets, manifesting itself in a sharp rise in Initial Public Offerings (IPOs). This has seen a wide variety of new franchises listed on the market, broadening the number of industries to which investors can gain exposure. IPO's present a challenge to investors akin to buying a used car. The business, like a car, is being presented in the best possible light, you only have a short period of time to assess its worth and you can never be too certain as to what's going on 'under the bonnet'. This is where our experienced investment team is critical, knowing what to look for, with deep industry knowledge, applying disciplined valuation criteria and being patient, ensuring we are highly selective in the stocks we choose to invest in.

When we look at the universe of Australian stocks, we are still finding many good opportunities. Notably, we are targeting those companies close to a cash flow inflection point. Often these are still perceived poorly by the market and sit on lower valuation ratings, however through a combination of productivity initiatives, investments coming to fruition and capital discipline, they have the potential to substantially grow distributions to shareholders. We are also carefully

identifying businesses which are beginning to benefit from cyclical tailwinds, notably some of the diversified financials. Where we are more cautious are stocks where capital intensity is rising to preserve earnings and as a result, returns falling. This is why the current Financial Systems Inquiry outcome and its impact on banks will be one of the key events in the next twelve months.

The resource sector has transitioned from one where strong demand, fuelled by Chinese urbanisation, lifted most stocks, to one where the supply outlook is the dominant factor. Commodities in over-supply will struggle, with iron ore being the most high profile. Investing in these areas will remain challenging albeit some value is emerging with the focus on those companies at the low end of the cost curve which can generate good free cash flow. Other commodities such as copper and nickel have more supply discipline and present some opportunities at the smaller end of the market.

Performance across the range of funds in the 2013 calendar year was very strong, with record outperformance being generated for strategies such as BT Wholesale Core Australian Share Fund and the BT Wholesale Focus Fund. At the beginning of this calendar year we saw a rotation out of some of our names that served us well in 2013. While this is not unexpected after a period of strong performance, in this instance many of these names were sold down on what we believed were temporary issues that had little to do with the long-term fundamentals of the businesses and, as such, we held firm in our view. The last six months have seen these stocks recover and the funds perform well. For the 2014 Financial Year most of the flagship funds performed above their benchmarks, led by the BT Wholesale Focus Australian Share Fund. With strong returns since the beginning of 2013, we remain well positioned with the majority of our funds climbing up the league tables.



Members of the Australian Equities Boutique

The performance of the BT Wholesale MidCap Fund and the BT Institutional Smaller Companies Sector Trust remains very strong and has been consistent throughout the year. On a risk adjusted basis, both funds have outperformed their fund peer group.

In last year's report, I made mention of the new team members with Brenton Saunders joining us as a Resources analyst and Lewis Edgely as a Small Cap analyst. I am pleased to report that both have made a positive impact and have contributed strongly to the team dynamic and to the investment debate. We remain one of the best resourced and stable teams in the market and our alignment to clients in the delivery of superior investment returns continues to provide clear motivation and commitment for the whole team.

Outlook

The recent fall in the market has returned valuations to around their long-term average. Australia also now sits at one of its widest valuation discounts to international markets for a number of years. This provides us with some comfort that the market can continue to deliver moderate returns going forward. For the market to de-rate further we would need to see either a more material rise in interest rates or growing concerns over global growth. Given the difficulty central banks have faced in trying to sustain only moderate growth, we do not see why they should change tack now and jeopardise the recovery. While rates will likely start to go up in the US, it will only be on the foundation of reasonable growth and will be a slow process. In Australia, the continued

re-balancing of the economy is likely to lead to rates remaining stable, which will support the current market valuation. So we expect the market to continue to be earnings driven. While these returns may be unexciting they remain attractive relative to other asset classes. Furthermore we see this as a market where identifying the businesses being well run can make a difference to returns, which plays into the strengths our large experienced team. One key swing factor for the outlook is the Australian dollar. Recent weakness, if sustained, supports future earnings growth and therefore potential returns.

EQUITY STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees)			
BT Institutional Core Australian Share Sector Trust	5.86	15.56	7.41
BT Wholesale Focus Australian Share Fund	7.34	16.00	7.56
BT Institutional Imputation Sector Trust	5.69	14.59	6.50
BT Institutional Ethical Sector Trust	5.77	14.85	6.54
BT Wholesale Australian Long Short Fund	6.16	17.04	8.22
BT Wholesale MidCap Fund	12.54	18.11	10.79
BT Institutional Smaller Companies Sector Trust	5.76	15.53	11.92
BT Wholesale MicroCap Opportunities Fund	21.83	29.48	26.00
BT Institutional Property Sector Trust	13.01	19.46	9.22
BT Defensive Equity Income Fund (before franking)	3.94	N/A	N/A
BT Defensive Equity Income Fund (grossed up for franking)	5.24	N/A	N/A
BT Balanced Equity Income Fund (before franking)	4.48	N/A	N/A
BT Balanced Equity Income Fund (grossed up for franking)	5.94	N/A	N/A
Benchmarks			
S&P/ASX 300 Accumulation Index	5.73	14.37	6.57
S&P/ASX Small Ordinaries Accumulation Index	(0.07)	1.71	(0.28)
S&P/ASX 300 A-REIT Accumulation Index	12.28	18.98	8.55
40% ASX 200 Accumulation Index*/60% Bloomberg Ausbond Bank Bill Index	4.17	N/A	N/A
30% ASX 200 Accumulation Index*/70% Bloomberg Ausbond Bank Bill Index	4.66	N/A	N/A

* Index return is grossed up for franking.

Income & Fixed Interest Boutique Investment Review

Our overarching philosophy is for our fixed interest portfolios to be negatively correlated with equities during times of market stress and we aim to achieve this by keeping our portfolios liquid and by aiming to generate outperformance from alpha rather than focusing on beta returns.

The last twelve months saw the continuation of the 'search for yield' theme we have seen for the last few years as a result of the liquidity provided by global central banks. These combined factors saw most asset classes perform strongly with equities, corporate and government bonds all posting positive returns. Pleasingly, these benchmark bond returns were added to by the relative outperformance across the funds managed in the Income & Fixed Interest boutique.

The boutique experienced good institutional flows over the 2014 Financial Year; these were primarily into the BT Pure Alpha Fixed Income strategy which was launched in late 2012 specifically to position for the market environment in which we now find ourselves. The Cash and Enhanced Cash strategies have also been very popular with clients as we continue to deliver some of the best risk adjusted returns in our peer group.

Our flagship income strategy, the BT Wholesale Monthly Income Plus Fund also generated good traction over the year. When we built this strategy, the focus was on delivering a robust income solution that delivers consistent monthly income with low capital risk during all market environments, whilst being very liquid. This led us to build a multi-asset income portfolio that looks and behaves quite differently to what our peers offer, and it has taken us time to educate and inform the market about these differences. As our strong consistent returns, low volatility and drawdown history has resonated with clients, we have seen increasing interest and flows into this strategy.

Our overarching philosophy is for our fixed interest portfolios to be negatively correlated with equities during times of market stress and we aim to achieve this by keeping our portfolios liquid and by aiming to generate outperformance from alpha rather than focusing on beta returns. We have deliberately positioned our portfolios away from the 'carry trade' which has dominated the last two years and feel that our defensive stance differentiates us against our peer group and also offers significant opportunities to add returns over the coming years.

Portfolio positioning

The last twelve months have seen a number of unusual events in bond markets across the world. For example, through the year there were record low rates in Spanish and Italian bonds which only a year or two ago were close to defaulting, and short-dated German bonds now trade with negative yields. These moves have both been a factor of the huge flows of investor money into all asset classes.

As discussed earlier, the 'search for yield' theme was again the predominant investment theme through the year, supported by continued record low official interest rates and historically low bond yields. This saw a large issuance of low quality corporate debt globally, in order to satisfy this growing demand. We are concerned by the level of demand for these securities and feel that current yields offer little compensation for the risks they entail. We continue to work with our clients to help structure portfolios to ensure that they have appropriate diversification and are able to avoid some of the pitfalls around liquidity and credit risk should they arise again.

After years of muted growth and highly correlated bond yields across the world, pleasingly we finally started to see the first signs of divergent central bank policies,

with the Reserve Bank of New Zealand raising interest rates, the UK economy strengthening significantly, the US Federal Reserve tapering its quantitative easing programs and this being offset by the quantitative easing policies in Japan and potentially from the European Central Bank. This is favourable for our current positioning which focuses on relative value trades (e.g. cross-market and yield-curves) than on macro-economic trades. We believe there will be an increased opportunity for our investment style to benefit in the coming year as volatility increases.

Outlook

As we head into the last quarter of calendar year 2014, the focus of the market is on monetary policy changes in most major economies with the US, Europe, Japan and China being the key areas of interest. Even though the Global Financial Crisis is now years behind us, the global economy remains fragile and falling inflation data highlight the risks. In addition to this muted economic picture is increasing geo-political risk. We believe this will inevitably bring about an increase in market volatility and has the potential to lead to dislocations in asset markets over the 2015 Financial Year.

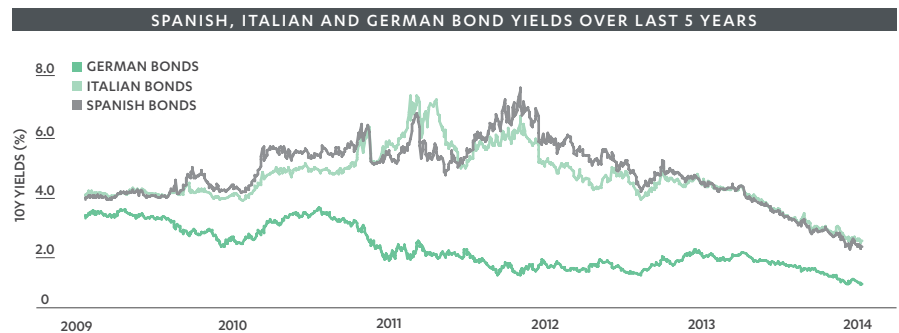
Domestically, we see a slowing local economy and further falls in commodity prices, especially the price of iron ore, which will impact our economy negatively. In our view, there is still a chance that the Reserve Bank of Australia will cut interest rates again, and if this were to happen it would likely be early in 2015. The key swing factor is the Australian dollar, which if it weakened significantly would help stimulate some areas of the economy. However, there is usually a lag in effect and based on what we have seen previously, a falling dollar takes some



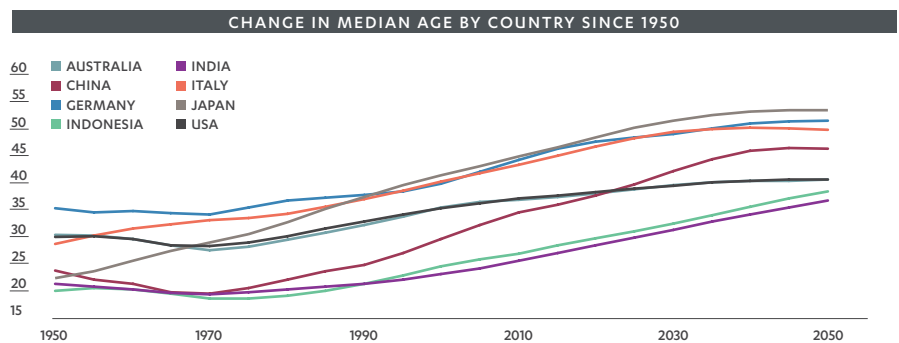
Members of the Income & Fixed Interest Boutique

time to filter through to increased growth. Irrespective of the domestic Australian economic growth picture, Australian bonds are still a high-quality, high-yielding asset when compared to other global bond markets. For this reason, Australian bonds will continue to see inflows which in turn will place pressure on their yields over the coming months.

Overarching all of this is the continuing thematic of demographic changes. Developed nations are seeing significant falls in the working age populations and this will drive patterns in saving, spending and crucially investing. We have already seen how some nations have been forced to increase retirement ages, and government policies are being introduced to deal with these changes. As retirees start drawing down their life savings and look for income solutions, there is an opportunity for businesses such as ours to leverage our capabilities in providing alternative solutions to complement our more traditional bond offerings. Strategies that we offer, such as the BT Wholesale Monthly Income Plus Fund, place us in a good position to benefit from increasing demand from this segment of the market.



Source: Factset



Source: Factset

INCOME & FIXED INTEREST STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees)			
BT Wholesale Fixed Interest Fund	6.72	6.00	7.16
BT Government Bond Fund	6.54	5.48	6.77
BT Wholesale Enhanced Credit Fund	6.82	7.17	7.97
BT Wholesale Enhanced Cash Fund	3.75	4.77	5.57
BT Wholesale Managed Cash Fund	2.82	3.54	4.04
BT Wholesale Monthly Income Plus Fund	5.54	6.84	6.24
Benchmarks			
Bloomberg AusBond Composite 0+ Yr Index	6.02	5.75	6.72
Bloomberg AusBond Bank Bill Index	2.65	3.36	3.87

Diversified Strategies Boutique

Investment Review

Unlike last year, when both active and strategic returns were strong, 2014 was mostly about strategic returns. Equities again drove performance, though regional disparities were evident.

Boutique focus

The 2014 Financial Year was another year of significant activity and results for the Diversified Boutique. Not unlike markets, our industry continues to change. We have noted a greater interest in real return mandates structured around a 'CPI plus' benchmark. Moreover, a specific reference to risk – generally related to a probability of loss – is occurring. We welcome these and other developments that move the industry toward benchmarks that incorporate the risks associated with generating returns, rather than only returns in and of themselves.

To this end, we were excited to work with Westpac's BT Financial Group to launch seven new Lifestage Funds for the BT Business Super Plan at the start of the financial year. These funds are a new concept, based on a member's decade of birth and are designed to 'glide' a member to retirement by adjusting the asset allocation of the portfolio. Though only one year old, we are pleased to report that all our Lifestage portfolios have outperformed their benchmarks.

We also received nominations for 'Asset Allocator of the Year' and for 'Multi-Sector Fund of the Year' at the 2014 Money Management/Lonsec Fund Manager of the Year Awards. These nominations reflect our ongoing process of continual improvement as we seek to deliver on our clients' objectives with utmost surety.

Portfolio positioning

Unlike last year, when both active and strategic returns were strong, 2014 was mostly about strategic returns. The BT Wholesale Active Balanced Fund returned 9.0 per cent before fees in the year to 30 September 2014. Equities again drove performance, though regional disparities were evident as unhedged international equities returned 20.4 per cent versus 5.7 per cent for Australian equities. In active terms, outperformance of 65 basis points was driven largely by strong performance in international equities and alternative assets.

Over the last few years we have implemented a number of significant structural changes to our portfolio. In contrast, this financial year required reasonably modest enhancements to our positioning. This included an update of our strategic asset allocation (SAA) in March which reduced the allocation to Australian fixed interest and/or cash, with the proceeds reallocated to equities, listed property (REITs) and alternatives. This was largely a consequence of higher relative absolute and risk adjusted returns in growth assets. The adjacent chart shows how the Active Balanced portfolio has been repositioned following the review.

Outlook

As the US economy continues to recover at a moderate pace, in the year ahead we expect the US Federal Reserve (FED) to reduce its asset-backed purchasing program and focus on the interest rate cycle with expectations of a tightening phase, though at a slower pace than some expect. However, we acknowledge that the labour market will have some bearing on any monetary policy decision. It is likely that US sovereign fixed interest will remain relatively supported in this environment, not least because of its 'safe-haven' status and the benign inflation outlook, but we feel that the direction of rates is inevitably upward over the medium/long term.

Meanwhile, a stalled recovery in Europe has forced the European Central Bank (ECB) to begin a second round of 'whatever it takes'; this time to stave off deflation. We think that ECB monetary policy implemented via measures like fixed income asset purchases will support European bond markets and that continued euro devaluation versus the US dollar is a likely consequence (particularly as the FED does the opposite). European equities should benefit from euro weakness versus the US dollar.

Looking further east, we have noted a number of weak economic data points in China this year, coupled with comments from Premier Li that may imply the Chinese government is reasonably comfortable with lower GDP growth. This of course has implications for the Australian economy, which continues to show signs of fatigue in the absence of a clear replacement for mining investment. Slower Chinese growth also has negative implications for commodities generally, as does US dollar strength. The momentum we have seen in the US Trade Weighted dollar, which has

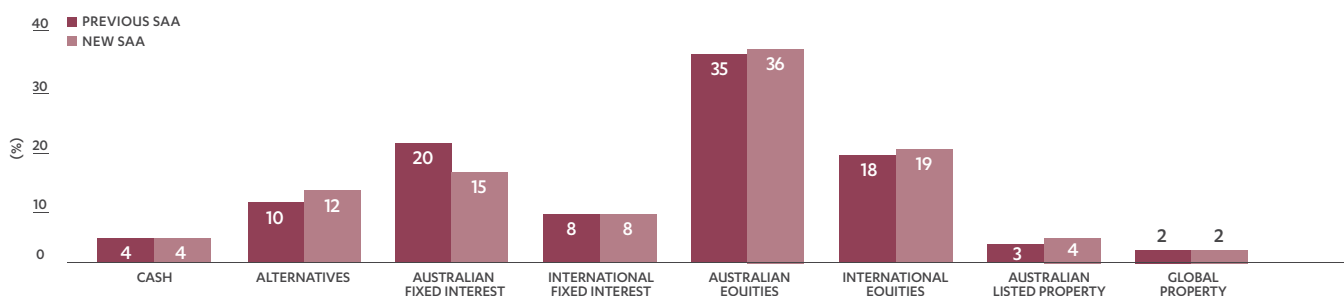
generally been negatively correlated to commodity markets in the past, indicates the downward trend in commodity prices may continue.

Longer term, we still see value in equities and other growth assets as the global economy grinds its way back from the GFC, though at a more modest pace than what was seen in the 2013 calendar year. History has taught us to expect setbacks from time to time and arguably, equity markets may be due a correction following strong rises in the past year.



The Diversified Boutique

CHANGES IN STRATEGIC ASSET ALLOCATION FOR THE BT WHOLESALE ACTIVE BALANCED FUND



Source: BTIM

DIVERSIFIED STRATEGIES

Key fund performance (before fees)

	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
BT Wholesale Conservative Outlook Fund	7.42	8.54	7.21
BT Wholesale Balanced Returns Fund	8.77	12.02	7.84
BT Wholesale Active Balanced Fund	9.02	13.07	8.20
BT Wholesale Future Goals Fund	9.66	14.70	8.42

Benchmarks

BT Active Conservative Benchmark*	6.81	7.95	6.64
BT Balanced Returns Benchmark*	8.05	11.09	7.12
BT Wholesale Active Balanced Benchmark*	8.37	12.06	7.39
BT Future Goals Benchmark*	9.11	13.50	7.59

* The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class.

J O Hambro Capital Management Business Review

Market-leading investment performance is, and will always be, the bedrock of JOHCM. It is therefore gratifying that performance was broadly solid across the investment range, particularly within the larger, established Global and UK equity strategies.



The JOHCM Executive Team

The 2014 Financial Year was marked by further progress across a number of fronts at J O Hambro Capital Management (JOHCM), with the expansion in the United States a key focus. Strategically, we met our aim of building US investment expertise through the recruitment of a proven US Small and Mid Cap Equity team, located in the recently-opened Boston office, where client service and distribution teams will also be based in due course. This move complements the appointment in the 2013 Financial Year of a New York-based International Small Cap team.

In addition to the new US Small and Mid Cap Equity strategy, launched in September 2014 with US\$5 billion of investment capacity, the year under review saw the launch of the International Small Cap and Japan Dividend Growth strategies, both of which have enjoyed early asset-raising and performance success. The 2015 Financial Year will see the launch of a Global Small and Mid Cap strategy, managed by the new US Small and Mid Cap Equity team, as well as a Global Emerging Markets (GEM) Small Cap strategy, managed by our existing Prague-based GEM team, which has been strengthened with the addition of experienced portfolio management expertise.

Net inflows of \$3.5 billion across the expanded range of investment strategies surpassed expectations for the year and means that JOHCM has now enjoyed 25 consecutive quarters of net inflows. The US-registered mutual funds range, launched in the December quarter 2013, accounted for over

one quarter of net inflows. This experience re-affirms the Group's strategy to build distribution capabilities in the US and reflects the early success of the dedicated team that was added in the preceding financial year.

Market-leading investment performance is, and will always be, the bedrock of JOHCM. Performance was broadly solid across the investment range, particularly within the larger, established Global and UK equity strategies. This has bolstered the compelling long-term track records of the diverse investment strategies. The 2014 Financial Year's results include record performance fees for the 2013 calendar year, when the funds benefited from helpful market conditions for stock pickers with a mid-cap bias. We anticipate performance fees for the 2014 calendar year will be somewhat lower given a less constructive investment environment for some of the strategies.

JOHCM's assets under management increased by 35 per cent, from \$20.5 billion in the 2013 Financial Year to \$27.7 billion in the 2014 Financial Year. The chart to the right reflects JOHCM's growth over the last 13 years since the long-only equity business was launched.

Over the course of the year, net inflows amounted to \$3.5 billion, with outperformance, market uplift and favourable foreign exchange movements accounting for an additional \$3.7 billion in assets under management. This year marks the sixth consecutive year of net inflows, a satisfying result and an endorsement of the business model.

The strategies that attracted the majority of net inflows during the year were JOHCM UK Equity Income (\$665 million), JOHCM Asia ex Japan (\$631 million), JOHCM Continental European (\$498 million), JOHCM Global and International Select (\$459 million), and JOHCM UK Dynamic (\$436 million).

Other strategies that made notable headway this year included JOHCM Global Opportunities, launched in mid-2012, which passed through the £100 million (\$186 million) threshold, and the JOHCM Japan Dividend Growth strategy, managed by the existing Japan team, which quickly passed through the £50 million (\$93 million) level despite only being launched in late March 2014.

Broadly 80 per cent of the 2014 Financial Year's net flows were into the OEIC¹ funds, with the remainder attributed to the US pooled vehicles and segregated accounts. Flows from institutional clients were lower than in previous years, mainly as a result of our intention to maintain pricing levels on strategies where capacity is limited, which led us to turn away mandates at sub-optimal pricing levels. This focus on pricing helped to raise the average margin for JOHCM's funds from 63 basis points to 65 basis points over the year.

Overall, these flows constitute an encouraging geographic spread, highlighting the diversification of strategies and reduced dependency on just one or two flagship funds to generate inflows. It has also been a stated objective to increase distribution channels and diversify geographically. There has been good progress on this front during the year. JOHCM is now able to distribute a large number of funds from key regions globally, namely the US, Europe, Asia and Australia.

Alongside the expansion in investment expertise and distribution channels, we have increased capital expenditure on technology and infrastructure to ensure that the business keeps pace with the growth and ongoing change in the industry.

JOHCM was the recipient of the 'Outstanding Investment House' award at the Morningstar OBSR (UK) Awards for Excellence in Investment in 2014. This marks a successful year for the business.

Global expansion and capacity

Capacity management is a hallmark of the JOHCM investment model. We firmly believe that managing too much money within a strategy can have deleterious consequences for investment performance and therefore for clients. Currently the JOHCM UK Equity

Income, JOHCM UK Opportunities and JOHCM Japan strategies are all 'soft-closed', meaning that they are not being marketed to new clients.

JOHCM's approach is to create additional capacity either through the launch of new strategies by new but proven investment teams, or by launching complementary strategies managed by our existing established teams. To that end, in the 2014 Financial Year \$17.9 billion of additional capacity was created through the launch of three new strategies: JOHCM US Small and Mid Cap Equity (\$5.7 billion), JOHCM International Small Cap Equity (\$2.9 billion) and JOHCM Japan Dividend Growth (\$9.3 billion). JOHCM's market-adjusted capacity now stands at \$62.0 billion. The launch of a JOHCM Global Small and Mid Cap strategy (\$5.7 billion) and JOHCM Global Emerging Markets Small Cap strategy (\$1.1 billion) in 2015 will add a further \$6.9 billion of capacity.

Regulation

One of the ongoing challenges for our industry and for JOHCM is to understand both the impact of regulatory changes upon the business and the interaction of business changes with existing regulations in a growing number of jurisdictions, at the same time as maintaining the business-as-usual reporting filings.

The Singapore office has now received its capital markets licence from the Monetary Authority of Singapore (MAS) following a change in regulations which came into effect in 2013. During the year we enhanced compliance support in Singapore to advise and monitor MAS matters and provide support to the wider group compliance function.

In the UK market, the new regulator, the Financial Conduct Authority (FCA), continues to pay close attention to the asset management industry, with the objective of ensuring that it is fair, transparent and competitive. This year there have been continuing developments in relation to UCITS funds and an agreed framework for amendments to the MiFIDII directive.

The FCA, under the guise of the new MiFIDII proposals, has mooted a complete 'unbundling' of commissions, with sell-side research to be paid for by the fund manager and not by the

client through volume-related commissions. This proposed change, which could take effect after 2016, could, if implemented, have a far-reaching impact and would significantly alter the business models and viability of certain sell-side brokers. The financial impact on fund management businesses will be better assessed as the intended legislation is debated and prepared for implementation.

There have been a growing number of regulatory interactions in the United States due to the expansion of the business. The most significant areas of US regulatory change to affect JOHCM in the past year have been the ongoing implementation of the Dodd-Frank reforms following the Global Financial Crisis and the implementation of FATCA, the Foreign Account Tax Compliance Act.

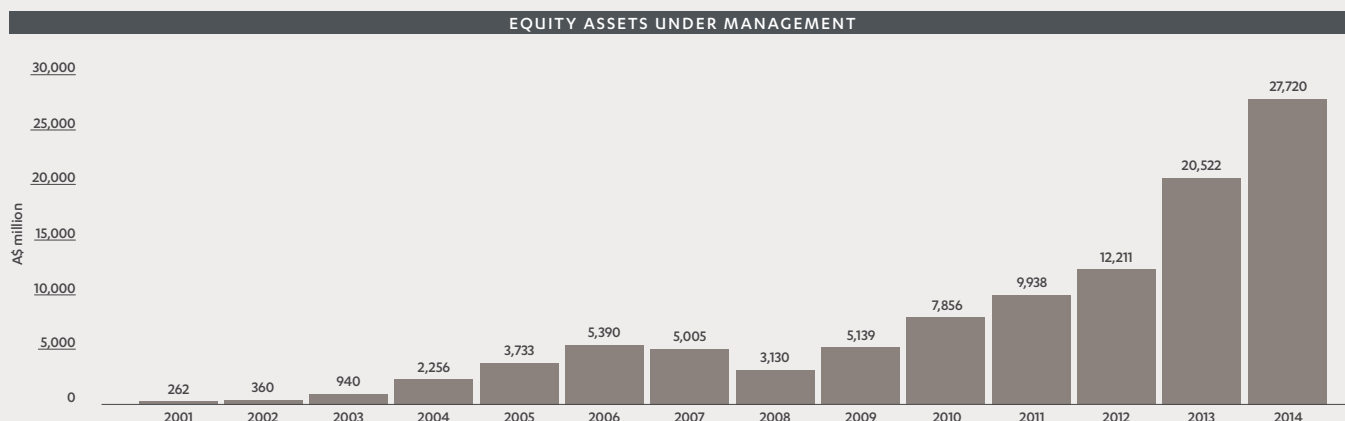
FATCA, which took effect in July 2014, requires the BTIM Group, including JOHCM, to identify and report information regarding US investors in the Group's non-US investment entities to the respective local taxation authority.

The final regulations for the Dodd-Frank Volcker Rule (the Rule) were adopted in December 2013. The Rule is designed to limit proprietary trading and funding activities of US banking entities and their affiliated parties. Current indications are that the impact on JOHCM's business activities will be limited.

People

The most significant change to investment personnel in the 2014 Financial Year was the recruitment of a US Small and Mid Cap Equity team, based in Boston. In London, further analytical resource was recruited to support investment teams, while additional distribution resource was recruited to enhance sales efforts in certain European markets.

How we manage risk is a critical component of our governance framework. This year we created a new Head of Risk role, based in our London office, whose responsibilities include monitoring and managing business and investment risks and providing tools and support to the portfolio managers across the JOHCM teams in order to enhance their understanding of the risk and style characteristics of their portfolios.



Source: JOHCM

1 OEIC: open-ended investment company.

Regional Equity Strategies

Investment Review

All four of JOHCM's UK equity strategies finished ahead of benchmark over the 2014 Financial Year, although their routes to outperformance varied given their different investment approaches.

UK equities

One of the major themes of the year was the dramatic and sudden change in investor preferences that occurred in mid-March. Small and mid-sized growth stocks were swiftly, and somewhat savagely, usurped by larger companies with value characteristics, as the technology and healthcare sectors, leaders throughout 2013, passed the baton over to the utilities and energy sectors. Some of this shift reflected investors' move away from previously over-owned parts of the market.

The UK stock market made modest progress in the 2014 Financial Year (the FTSE All-Share Total Return Index finished the twelve-month period 6.1 per cent higher in sterling terms), as monetary conditions remained highly supportive and economic growth surpassed expectations. This better-than-expected growth and a sharply falling unemployment rate has prompted speculation that interest rates will begin to rise from their historic lows in coming months, in turn leading to a rally in sterling versus the euro and US dollar.

All four of JOHCM's UK equity strategies finished ahead of benchmark over the 2014 Financial Year, although their routes to outperformance varied given their different investment approaches. In each case, though, stock selection was much more influential than sector exposure. Stock selection in financials benefited both the JOHCM UK Equity Income Fund and the JOHCM UK Dynamic Fund. The JOHCM UK Growth Fund, our best-performing UK fund over the year, was rewarded for its patience as two of its long-term holdings in the technology sector received takeover bids. Indeed, the fund's emphasis on mispriced growth stocks across a number of sectors, particularly at different ends of the market cap spectrum, generated significant outperformance (net of fees). The JOHCM UK Opportunities Fund, also a strategy characterised by low portfolio turnover and long-term investment views, profited from the success of a number of its high quality consumer holdings while being more defensively positioned than our other UK funds. Sector exposures did not contribute positively to the performance of the UK strategies given they were largely underweight the strongly performing energy and utilities sectors.

Flows into the UK funds were robust during the year. The main beneficiaries were the JOHCM UK Equity Income Fund, which, as detailed above, is soft-closed (that is, the business is not accepting subscriptions from new clients, although existing clients can continue to add to their holdings) and the JOHCM UK Dynamic Fund. The latter's \$436 million net inflows are a particular source of satisfaction, being reward for the fund's excellent long-term performance since its launch in 2008, in tandem with a concerted effort from the UK Sales team. The strategy still has ample remaining capacity, while capacity also remains within the JOHCM UK Growth Fund, which is currently ranked within the top decile of its peer group in performance terms since its launch.

UK STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees, £)			
JOHCM UK Growth Fund	14.47	24.84	12.58
JOHCM UK Equity Income Fund	9.30	22.10	14.76
JOHCM UK Opportunities Fund	9.08	15.46	13.03
JOHCM UK Dynamic Fund ¹	11.56	23.69	15.07
Benchmarks			
FTSE All-Share Total Return Index	6.46	14.12	9.66

Note that all benchmarks are adjusted for pricing as at 12 noon (UK time) each business day.

¹ Originally launched as the Ryder Court UK Dynamic Fund on 16/06/2008 and converted to the JOHCM UK Dynamic Fund on 23/10/2009.



Members of JOHCM's UK Equities teams

European equities

Pan European markets finished the 2014 Financial Year 13.4 per cent higher in aggregate, as measured by the MSCI Europe NR Index (in euro), and experienced many of the same shifts in style and leadership as other major markets.

JOHCM's two largest European equity strategies, JOHCM European Select Values and JOHCM Continental European (Europe excluding the UK), enjoyed mixed fortunes this year from a performance perspective: the JOHCM Continental Europe strategy, which experienced net inflows of \$498 million, finished ahead of its benchmark, while the JOHCM European Select Values Fund, which received net inflows of \$332 million in the year, lagged its benchmark. Economic growth in mainland Europe has been disappointing, leading to a further decline in bond yields amid worries over deflation. This in turn drove a rally in the utilities sector and underperformance by the consumer discretionary sector, neither of which benefited these JOHCM

Within the JOHCM Continental European strategy stock picking was robust across a number of sectors including consumer discretionary, industrials and telecommunications.

strategies. Stock selection was strong within both strategies, however. Within the JOHCM Continental European strategy stock picking was robust across a number of sectors including consumer discretionary, industrials and telecommunications. Within the JOHCM European Select Values strategy the fund manager's stock selection within the consumer discretionary and information technology sectors proved to be highly constructive, although the energy and consumer staples sectors were areas of weaker stock picking.

EUROPE STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees, £)			
JOHCM All Europe Dynamic Growth Fund	3.12	16.47	N/A
JOHCM Continental European Fund	9.95	18.62	10.13
JOHCM European Select Values Fund	4.68	17.35	14.34
Benchmarks			
MSCI Europe NR Index (12 noon adjusted) GBP	5.66	13.98	N/A
MSCI Europe ex UK NR Composite (12 noon adjusted) ¹	5.36	14.87	5.89
MSCI Europe NR Composite Index (12 noon adjusted) GBP ¹	5.66	14.22	6.74

Note that all benchmarks are adjusted for pricing as at 12 noon (UK time) each business day.

¹ Funds changed benchmark 31/12/2012 to MSCI from FTSE.

The JOHCM Japan Dividend Growth strategy, launched in March 2014, has met with early success having already attracted funds of \$94 million. The JOHCM International Small Cap strategy, managed from New York and launched in October 2013 has also attracted strong client interest, raising \$118 million since inception.

Asian equities

Japan's Topix TR index returned 13.3 per cent in yen terms (a far more modest 1.3 per cent in sterling terms following sustained weakness in the yen). The euphoria which accompanied Prime Minister Abe's proposed economic reforms, 'Abenomics', has subsided; investors seemingly wish to see signs of policy delivery before returning to the Japanese stock market.

The JOHCM Japan Fund has been positioned for a sharply rising market for some time given the compelling value the managers perceive in the Japanese corporate sector. As a consequence, the strategy underperformed over the year. Nonetheless, the fund managers remain confident on the prospects for Japanese companies and the Japanese stock market given high and rising levels of corporate profitability and attractive valuations.

As reported earlier, a second Japan strategy was launched in March 2014, the JOHCM Japan Dividend Growth strategy. In contrast to the small/mid-cap bias of the original Japan strategy, now soft-closed, the new strategy focuses predominantly on large-cap stocks, carrying a larger capacity of £5 billion (\$9.3 billion) as a result. With some additional analytical support, the fund managers are targeting the best dividend yield and dividend growth candidates from the top 200 companies in the Topix Index, in order to exploit Japan's growing dividend culture and increased emphasis on shareholder returns. The JOHCM Japan Dividend Growth strategy has already attracted assets of \$94 million and finished the year 2.5 per cent ahead of its benchmark (net of fees) having launched at the end of March.

JOHCM's Asia ex Japan and Asia ex Japan Small and Mid Cap funds also witnessed substantial client interest, with net flows of \$625 million into the all-cap strategy. Both strategies outperformed their benchmark materially in a good year for Asian equities overall (the MSCI AC Asia ex Japan NR Index

returned 8.2 per cent in US dollar terms).

Aiding performance for both strategies was the fact that the fund managers were quick to spot opportunities in India after the 2013 sell-off in emerging markets. Both portfolios were boosted by the substantial rally in Indian equities which preceded and followed the BJP party's general election victory amid hopes for long-overdue economic reform in India under Prime Minister Modi.

ASIA STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees, £)			
JOHCM Asia ex Japan Fund	13.82	16.30	N/A
JOHCM Asia ex Japan Small and Mid Cap Fund	17.30	17.66	N/A
JOHCM Japan Fund	-0.09	10.85	8.02
Benchmarks			
MSCI All Country Asia ex Japan Net Return Index	8.02	9.56	N/A
MSCI All Country Asia ex Japan Small Cap Net Return Index	9.63	10.50	N/A
Topix Total Return Index	0.90	7.83	5.65

Note that all benchmarks are adjusted for pricing as at 12 noon (UK time) each business day.



JOHCM Singapore team with Gavin Rochussen, CEO of JOHCM

Global and emerging market equities

The well-established Global and International Select strategies continued to perform strongly (the JOHCM Global Select Fund outperformed by 7.8 per cent (net of fees) in the financial year) and attract fund flows, particularly through the US mutual fund versions of the strategies. In an environment of low stock correlation, active stock selection is working well, with particular success in the healthcare, materials and information technology sectors within the Global Select strategy. The more recently launched JOHCM Global Opportunities strategy, now into its third year, has achieved commercial traction, with assets under management reaching \$200 million by 2014 Financial Year end.

The International Small Cap strategy, managed from New York and launched in October 2013, has grown to \$118 million. This strategy is sold as a US mutual fund. While the fund is modestly behind its benchmark since launch, the fund manager's long-term track record is strong.

Turning to emerging markets (EM), broad EM indices partially recovered from the depressed levels of late 2013, reflected in the 4.3 per cent return, in US dollar terms, of the MSCI Emerging Markets NR Index over the year. The more interesting feature of EM in 2014, however, was the range of returns across individual countries: India, for example, substantially outperformed Russia and Brazil, with Russian stocks falling heavily on geopolitical worries after the annexation of Crimea and further Russian military involvement in eastern Ukraine, which prompted sanctions against Russian companies.

JOHCM's two emerging markets strategies have found performance challenging in rapidly changing market conditions. The Prague-based team, which has a bottom-up, stock-picking approach, finished slightly ahead of benchmark; the team's mid-cap, growth-oriented style started the year positively but underperformed in the second half of the year to September as market leadership switched to large-cap value. As reported earlier, a small-cap version of this strategy will be launched in

2015, looking to capitalise on the breadth of investment opportunities at the lower end of the size spectrum – the winners of tomorrow.

The JOHCM Global Emerging Markets Opportunities strategy, managed from London with predominantly a top-down investment process, also encountered unpredictable market conditions. Nevertheless, it finished ahead of its benchmark over the year to September, helped by good positioning ahead of the Modi-inspired rally in the Indian market, although an overweight position in Russia, based on attractive valuations, was unhelpful in a climate of political uncertainty.

Besides being overweight India, where the GEM Opportunities team generally favours domestic-focused stocks, the portfolio is currently focused on the export-biased markets of China and Taiwan. The portfolio is underweight those countries characterised by weak current account balances and slowing growth, e.g. Brazil and South Africa, and is very underweight the commodity-exporting economies of Latin America.

GLOBAL STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
Key fund performance (before fees, £)			
JOHCM Emerging Markets Fund	6.38	7.80	N/A
JOHCM Global Emerging Markets Opportunities Fund	8.02	6.13	N/A
JOHCM Global Select Fund	21.99	21.50	15.62
JOHCM International Select Fund (\$US)	15.12	21.26	13.61
JOHCM Global Opportunities Fund	11.49	N/A	N/A
Benchmarks			
MSCI Emerging Markets Net Return Index	4.00	5.92	N/A
MSCI All Country World Net Return Index	10.96	14.77	9.86
MSCI EAFE Net Return Index (\$US)	4.25	13.65	6.56

Note that all benchmarks are adjusted for pricing as at 12 noon (UK time) each business day.

Corporate Sustainability & Responsibility

At BT Investment Management, we are committed to ensuring our interactions with employees, investors, shareholders and the wider community are ethical, principled and sustainable.

We demonstrate this commitment to environmental, social and governance (ESG) issues through our focus on responsible investment and also through the ongoing improvement of our workplace policies and practices, and our interactions with and support for the broader community.

Responsible investment

As an investment manager, one of our most significant sustainability activities is our dedication to responsible investment.

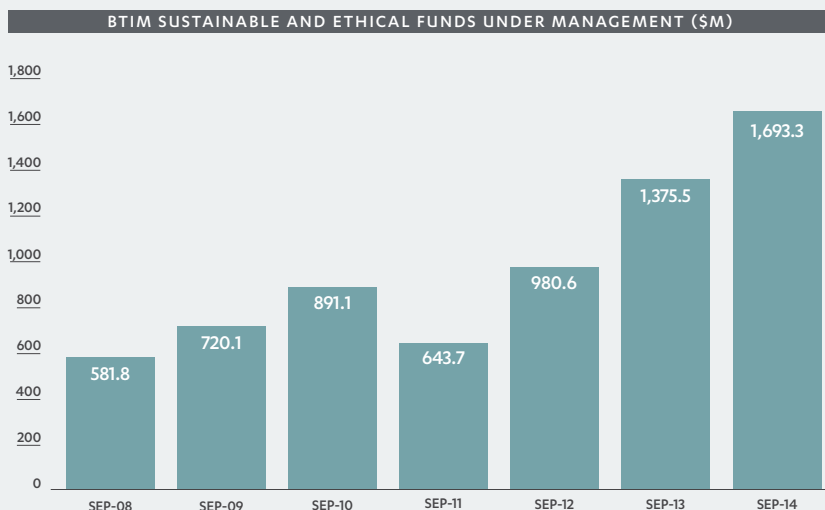
BTIM understands that ESG factors can influence the value placed on a company and drive shareholder returns in the long term.

JOHCM and BTIM's affiliate, BT Financial Group are both signatories to the UN PRI. 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. Importantly, as ESG issues are being incorporated into our mainstream investment processes, we report on progress via the PRI Reporting and Assessment Survey. This allows us to benchmark ourselves against our peers and identify strengths and weaknesses.

BTIM's sustainable and ethical funds

At BTIM we offer a diverse range of products with an explicit tilt towards 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, and
- BT Wholesale Ethical Share Fund.



Source: BTIM

BTIM's range of sustainable products continues to attract investor interest. As at 30 September 2014, we managed \$1.693 billion on behalf of investors in these products, an increase of 23% on last year and 191% in the six years since September 2008.

Regnan

BTIM is a client and active shareholder of Regnan Governance Research and Engagement Pty Limited (Regnan). Regnan represents institutional investors with the objective of driving and facilitating ESG practices in the companies in which they invest. Regnan undertakes research in ESG matters and engages companies on ESG issues.

In the year to 30 September 2014 Regnan worked with 44 of the top 200 ASX listed companies, many of which were engaged several times in the sustained pursuit of change. Regnan prioritised in depth discussion with those charged with governance – nearly half of all activity (49%) were face-to-face meetings with board members.

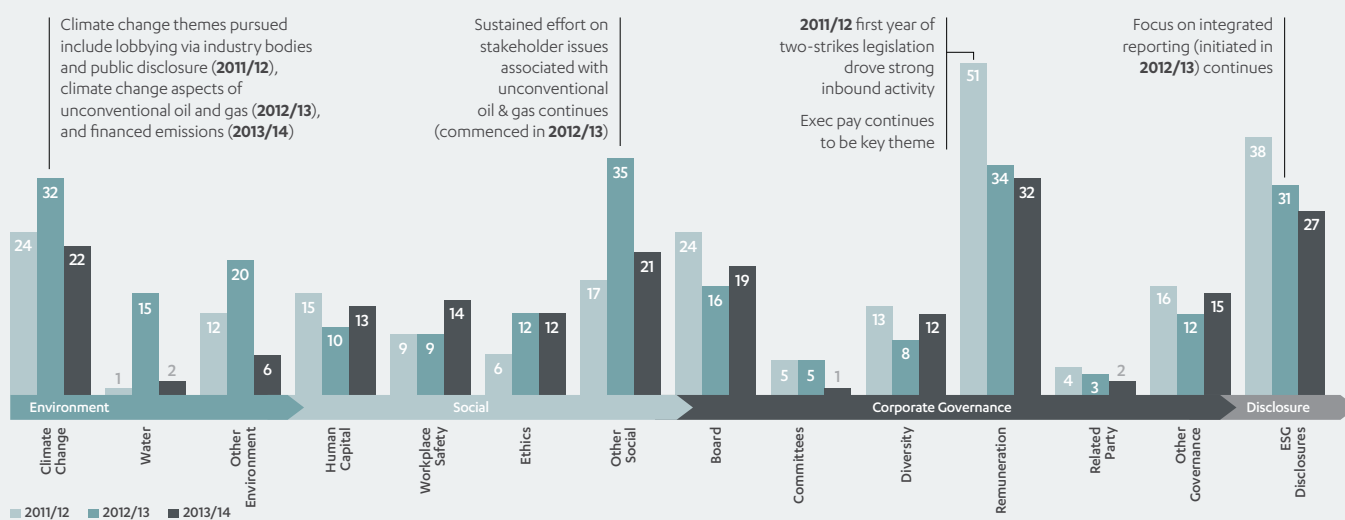
Four key topics continue to be the most discussed:

- **Executive remuneration** – alignment with strategy and circumstance and restraint in overall quantum
- **Effective disclosure on ESG issues** and uptake of the integrated reporting framework
- Management of social issues that are central to value, including **community relations and social licence risks**
- **Climate change** including the impact of a changing climate on business operations

Companies were engaged on a wide range of issues across the ESG spectrum – the full range of topics is illustrated in the adjacent chart.

Regnan enables BTIM as a fund manager to work with other institutional investors 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 important in our leadership of ESG principles in funds management and maintains board representation in Regnan.

AREAS OF REGNAN ENGAGEMENT BY TOPIC – 2013/14 AND PRIOR 2 YEARS



Source: Regnan

Industry initiatives

BTIM continues to strengthen its leadership in responsible investment by sustained 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 ownership stakes in businesses 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. We do not involve ourselves in the day-to-day management of the companies in which we invest but recognise we can influence company policy on matters of corporate governance by virtue of shareholdings under management. In accordance with industry practice we use that influence for the benefit of clients.

PROXY VOTING 2013-2014	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	DID NOT VOTE
Number of resolutions	1,534	1,365	82	63	24
Percentage of total (%)		89	5.3	4.1	1.6

BTIM places great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are managed in the best interests of their long-term investors. Accordingly, we exercise our voting discretion on a case-by-case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the portfolio or fund. We publish a summary of Australian proxy voting records for the previous year on an annual basis on the BTIM website in accordance with the Financial Services Council's Standard 13, Voting Policy, Voting Record and Disclosure.

BTIM (Australia)'s proxy voting pattern for the 12 months to 30 June 2014 is set out above. Specific details on how each proxy has been voted are available on the BTIM website.

Workplace

BTIM is a people driven business. As in previous years, we aim to attract, develop and retain the highest calibre people. The key objective of our People Strategy is to provide a work environment where all the supporting conditions are in place to ensure our talented people can achieve our strategic goals.

Across BTIM, we continue to offer a range of programs and policies that support this strategy. These include:

- paid parental leave (over and above legislative entitlements)
- continuation of certain benefits during parental leave
- paid contribution leave
- flexible work arrangements
- support for working parents
- leadership development initiatives
- support of industry specific accreditations and memberships
- onsite training programs and an in-house learning and development portal
- study assistance
- employee excellence awards, and
- long service awards.

Corporate Sustainability & Responsibility continued

During the 2014 Financial Year, specific focus areas have included reviewing employee recognition programs, benefit offerings, leadership development and roll out of Health Safety & Wellbeing initiatives. In Australia, we reviewed our existing excellence awards structure and introduced an 'On the Spot' award program aimed at recognising specific achievements as they occur on a business-as-usual basis. BTIM employees are eligible to be recognised for activities such as receiving positive feedback from a client or their contribution to a successful business outcome or project.

In addition, free medical screening initiatives have been made available to employees within the Australian and UK businesses.

Contributing to our communities

The Contributing to Our Community programs support charitable organisations and initiatives that aim to improve the social well-being of the communities in which BTIM operates.

In Australia, the BTIM Community Committee – comprising employees from across the company – helps coordinate and champion community involvement and fundraising initiatives. This financial year, the committee focused its efforts on The Wayside Chapel, a Sydney-based community centre and outreach service for people marginalised by homelessness, mental health issues and substance abuse. BTIM's support included:

- a Christmas gift collection from our employees in support of The Wayside Chapel Christmas Party
- employee donations of warm clothing, blankets, and personal toiletry items for The Wayside Chapel Winter Appeal
- fundraising efforts through initiatives including a Bake Off, Raffle and Trivia Night, and
- donating the proceeds of Entertainment Book sales to The Wayside Chapel.

JOHCM regularly sponsors and supports UK based charities and special causes. In the 2014 Financial Year specific activities included:

BTIM People Strategies aim to attract, develop and retain a diverse workforce of the highest quality and to provide work environments for our people that foster creativity and innovation.

- corporate participation in the London Marathon with proceeds going to the charity Whizzkids
- running a Christmas raffle where corporate gifts were donated as prizes and proceeds went to charities chosen by employees, and
- participation in, and being one of the leading fund raisers for, the Macmillan Cancer Charity's annual cake and coffee morning.

BTIM and JOHCM continue to support individual employees in their charitable endeavours through the provision of community service leave and corporate matching of funds raised for various registered charities.

BTIM diversity strategies

BTIM People Strategies aim to attract, develop and retain a diverse workforce of the highest quality and to provide work environments for our people that foster creativity and innovation. As a business we acknowledge that broad employee diversity encourages innovation and different thought processes to help execute on overall business strategy. BTIM continues to review and develop policies and programs within our employment framework which encourages diversity. Specifically, BTIM (Australia) has three focus areas for these objectives. These are:

1. Encourage the development of women in senior leadership positions
2. Support cultural diversity, and
3. Provide flexible work arrangements to employees.

2014 Initiatives

Supporting gender diversity

In 2011, BTIM demonstrated commitment to gender diversity by setting public targets for female representation at Board and Executive level by 2015. The following targets were set:

- 20% female representation on the BTIM Board (including CEO) by 2015, and
- 30% female representation at CEO-1 level (Executive Team) by 2015.

As at 30 September 2014, 33% female representation has been achieved at the BTIM Board level and the proportion of females at CEO-1 level is 29% following several new appointments to the Executive Team in the last financial year. In addition to these targets, the total proportion of women employed at BTIM Australia remains at 38% for the 2014 Financial Year.

Under the Australian Workplace Gender Equality Act 2012 (WGEA) requirements, BTIM Australia submitted its annual WGEA report in May 2014 which provides greater detail of the gender breakdown across the organisation as well as the reporting questionnaire that comprehensively outlines work practices that support gender diversity within BTIM. The report can be accessed in the shareholder centre via the BTIM website.

Developing women in leadership roles

The 'Diversity@BTIM' group, which comprises senior male and female BTIM employees, exposes the participants to learning, networking and knowledge sharing opportunities and events.

Enabling flexibility

BTIM continues to offer policies that encourage and support flexible work arrangements. The policies are designed to foster work-life balance, whatever the employee's stage of life. Policies in use across the BTIM Group include:

- flexible working (including working from home)
- purchased leave (of up to four weeks per year)
- paid parental leave (over and above legislative entitlements)
- continuation of certain benefits during parental leave
- timeout and career break, and
- job sharing.

To further enable employees' flexibility, and in recognition of the diverse needs of the BTIM workforce, including the impact of juggling different demands at work and home, a new employee benefit was introduced to better support Australian employees to achieve Work Life Fit. The new benefit allows employees 12 months membership to the Time Stylers/BaM website to find local home helpers, including housekeepers, cleaners, nannies and babysitters, tutors, elder care companions, pet carers and the tools to assist employees to validate experience, qualifications and references.

Working parents

BTIM (Australia) has leveraged the Westpac Group's 'Parents@Work', to help our working parents access information, coaching and training to assist them achieve career goals while balancing parenthood. In the 2014 Financial Year, representatives from Parents@Work presented to BTIM's employees to raise awareness of their services and to provide an overview of their portal. The portal ensures information is more readily available.

BTIM (Australia) also partnered with an organisation named 'How Do You Do It?' to provide targeted coaching for working parents as appropriate.

Developing our networks and building on our employment brand

BTIM is a member of the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA). The NEEOPA membership enables delegates to receive ongoing education via industry forums and events and ensures that BTIM practices remain relevant and cater to the needs of our workforce.

Environment

Whilst recognising BTIM has a relatively small environmental footprint based on the nature of operations and employee numbers, we aim to minimise the direct impact of our operations on the environment.

In the 2014 Financial Year a number of energy efficiency improvements were implemented by BTIM (Australia). These included:

- ongoing installation of more energy efficient lights,
- conversion of on floor air handling units to a more efficient zoned system
- installation of modernised energy efficient hot water systems

- ongoing lift modernisation works which included the installation of a new energy efficient regenerative drive lift motor system
- installation of new Variable Speed Drivers to base building cooling towers
- ongoing modification and fine tuning of BMS Control systems of base building infrastructure to improve operating efficiency, and
- installation of more energy efficient air-cooled chillers.

These supplemented our range of existing initiatives in this regard:

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

We also encourage BTIM shareholders to receive investor communications electronically and to receive dividends by direct credit.

Corporate Governance Statement

Introduction

This Corporate Governance Statement sets out the corporate governance practices of BTIM and the BTIM Group for the financial year ended 30 September 2014.

This statement addresses the extent to which those practices follow the second edition of the *Corporate Governance Principles and Recommendations* published by the ASX Corporate Governance Council (**ASX Recommendations**).

Unless otherwise indicated, this statement reflects the BTIM Group's corporate governance framework, policies and procedures in place on 30 October 2014.

1. Board of Directors

1.1 Board membership

The current Directors of the Company are: James Evans (Chairman), Emilio Gonzalez (Chief Executive Officer), Meredith Brooks, Brad Cooper, Andrew Fay and Deborah Page, AM.

During the 2014 Financial Year:

- Brian Scullin retired as Chairman of the Board with effect from 6 December 2013
- James Evans, who has served as an Independent Non-executive Director of the Company since June 2010, was appointed Chairman of the Board on 6 December 2013
- Carolyn Hewson resigned as a Director on 20 December 2013, following her appointment by the Federal Government to the panel of the Financial System Inquiry, and
- Deborah Page, AM was appointed an Independent Non-executive Director of the Company on 7 April 2014.

Details of the qualifications and experience of each Director are set out on pages 38 and 39 of the Directors' Report.

1.2 Director independence

The Board is comprised of a majority of Independent Directors: James Evans (Chairman), Meredith Brooks, Andrew Fay and Deborah Page.

Two Directors are not considered by the Board to be independent: Brad Cooper, who is a senior executive of Westpac, the Company's majority shareholder and Emilio Gonzalez, the Company's Chief Executive Officer.

There was a short period of 14 days during the reporting period, in which the Board was comprised of an equal number of independent and non-independent directors¹.

1.3 Induction of new Directors

Newly appointed Directors receive an extensive induction, which includes the provision of an extensive Induction Pack which includes all relevant corporate governance documents, significant company documents, previous annual reports and Board and Committee minutes. Directors also receive briefings on the Company's business, including risk and compliance issues.

1.4 Agreements with Directors

BTIM has entered into a written agreement with each Non-executive Director, which sets out the terms of their appointment.

1.5 Director education

Directors receive appropriate training on issues relevant to the business. Directors received training on workplace health and safety issues during the Reporting Period.

2. Role and responsibilities of the Board

The Board is responsible for the governance of the BTIM Group. The Board's Charter sets out the responsibilities and functions of the Board, which include, to:

- review and approve the BTIM Group's strategic plan
- review and approve the BTIM Group's annual budget and review the BTIM Group'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 BTIM Group's risk management policies and procedures and the adequacy of its internal control mechanisms, and
- approve any changes to the share structure of the BTIM Group.

2.1 Skills and diversity of the Board

In appointing new Directors, the Board has regard to the collective skills and diversity of the Directors.

2.2 Delegations to management

The Board's Charter sets out those responsibilities which are reserved to the Board. The Board has formally delegated responsibility for all other matters, including the day-to-day operation of the BTIM Group to the CEO and other senior management.

2.3 Access to independent professional advice

Directors may obtain independent professional advice at BTIM'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.

2.4 Chairman of the Board

James Evans was appointed the Independent Non-executive Chairman of the Board on 6 December 2013. 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
- promote good relations between the Board and management.

1. From the start of the Reporting Period (1 October 2013) to 6 December 2013, the Board was comprised of four independent directors (Brian Scullin, Meredith Brooks, James Evans and Andrew Fay) and three non-independent directors (Brad Cooper, Emilio Gonzalez and Carolyn Hewson). Carolyn Hewson was a non-executive director of Westpac between 2003 and 2012. As Westpac is the Company's majority shareholder, Carolyn Hewson was not considered to be an independent Director of BTIM.

Following the retirement of Brian Scullin as Chairman of the Board on 6 December 2013, the Board was comprised of three independent Directors: James Evans, Meredith Brooks and Andrew Fay; and three non-independent Directors: Brad Cooper, Emilio Gonzalez and Carolyn Hewson.

On 20 December 2013, the Company announced the resignation of Carolyn Hewson as a director of the Company. Following Carolyn Hewson's resignation, the Board was again comprised of a majority of independent directors. Three directors were considered to be independent (James Evans, Meredith Brooks and Andrew Fay) and two non-independent (Brad Cooper and Emilio Gonzalez).

Following the appointment of Deborah Page to the Board on 7 April 2014, the Board returned to a majority of Independent Directors, with the number of independent directors increasing to four.

2.5 Board meetings

The Board met on six occasions during the 2014 Financial Year. A summary of the attendance of Directors at those meetings is set out in the Directors' Report (see page 40).

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.

2.6 Conflicts of Interest

BTIM is conscious of potential conflicts of interest and has processes in place to manage conflicts of interests that may arise, including those that may arise in connection with Westpac's interests as a major shareholder and client, and the interests of other shareholders and clients.

Directors are required to make a general disclosure of their interests and the interests of related parties. These interests are recorded in a register 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. A Director who has a material personal interest in a matter being considered by the Board, or is aware of an actual or perceived conflict of interest, must disclose the conflict or the nature of their interest to the Board.

Unless the Board resolves otherwise, a Director who has a conflict of interest (or a material personal interest) in a matter being considered by the Board will not be present during the Board's discussion of, or vote on, the matter.

2.7 Board performance evaluation

The Board conducts periodic evaluations of the performance of the Board, the Board Committees and individual Directors.

During the Reporting Period, the Remuneration & Nominations Committee reviewed the performance of James Evans and Brad Cooper who are standing for re-election at the year's Annual General Meeting on 9 December 2014. Following its review, the Board has recommended to shareholders that they vote in favour of the re-election of James Evans and Brad Cooper. The Board's recommendation is set out in the AGM Notice of Meeting, together with all material information relevant to a shareholder's decision on how to vote on the resolutions for the re-election of James Evans and Brad Cooper.

2.8 Company Secretary

The Board is responsible for the appointment of the Company Secretary. The Company Secretary, Chris Millard, attends all Board and 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 (ARM Committee) and the Remuneration & Nominations Committee (RN Committee).

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

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

Details of the number of Committee meetings held and the attendance of Directors at those meetings is set out in the Directors' Report (see page 40).

3.2 Audit & Risk Management Committee

3.2.1 Composition and structure the Audit & Risk Management Committee

The current members of the ARM Committee are: Andrew Fay (Chairman), James Evans and Deborah Page.

The ARM Committee:

- has three members
- has a majority of Independent Directors, and
- is chaired by an Independent Director, who is not the Chairman of the Board.

3.2.2 Role and responsibilities of the ARM Committee

The role and responsibilities of the ARM Committee include:

- reviewing the integrity of the BTIM Group's financial reporting
- satisfying itself that the BTIM Group has a sound system of risk management and financial controls
- approving the BTIM Group's risk framework and risk management policies and processes and reviewing compliance with those policies and processes, and
- overseeing the Company's risk profile within the risk management and governance framework.

Further details on the ARM Committee's responsibilities as they relate to the external auditors are set on page 36.

3.2.3 Financial knowledge of ARM Committee members

The qualifications of the members of the ARM Committee are set out in the Directors' Report. Members of the ARM Committee have an appropriate mix of qualifications and experience in finance and risk management generally and more specifically in relation to the investment management industry.

3.3 Remuneration & Nominations Committee

3.3.1 Composition and structure of the Remuneration & Nominations Committee

The current members of the RN Committee are: Meredith Brooks (Chair), Brad Cooper and Deborah Page.

The RN Committee:

- has three members
- has a majority of Independent Directors, and
- is chaired by an Independent Director.

3.3.2 Role and responsibilities of the Remuneration & Nominations Committee

The role and responsibilities of the RN Committee include:

- 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 the Senior Management Team
- to review and approve performance hurdles and awards under each equity plan operating across the BTIM Group
- 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
- ensure that appropriate background checks are undertaken prior to the appointment of any new Director
- make recommendations to the Board in relation to the re-election of directors, and
- develop a Board succession plan.

The RN Committee also provides oversight of remuneration practices across the BTIM Group. Significant matters relating to the remuneration of JOHCM employees, such as the recommended remuneration for senior JOHCM executives, are reported to the RN Committee.

Corporate Governance Statement continued

4. Evaluation of members of the Senior Management Team

The RN Committee approves the annual performance objectives and measures of the CEO.

As part of BTIM's performance management cycle, the performance of the CEO and the members of the Senior Management Team 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, non-financial and risk focused criteria.

5. Induction of Senior Executives

BTIM has an induction process in place for all new employees, including the Senior Management Team. The induction process includes providing briefings on BTIM's business, code of conduct, policies and procedures. Briefings focus on operational, regulatory, risk and compliance issues that are of significance to the BTIM Group.

6. Promoting ethical and responsible decision-making

6.1 Code of Conduct

BTIM has a Code of Conduct that applies to Directors, the Senior Management Team and all other employees. The Code of Conduct is based on six key principles:

- acting with honesty and integrity
- respecting the law and acting accordingly
- respecting confidentiality and not misusing information
- valuing and maintaining professionalism
- avoiding conflicts of interest, and
- striving to be a good corporate citizen and achieve community respect.

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

6.2 Diversity at BTIM

In support of diversity, the Board has adopted a Diversity Policy, which outlines what diversity means for BTIM and the values that diversity brings to the business. The Diversity Policy requires the Board to set, annually assess and disclose the measurable objectives for achieving diversity within the Company. A copy of the Company's Diversity Policy is available on the Company's web-site.

Details of the gender diversity targets set by the Board and the progress towards those targets are set out in the report on Corporate Sustainability and Responsibility on page 30 of this Annual Report.

6.3 Insider Trading Policy and Personal Account Trading Policies

Under the Company's Insider Trading Policy and Personal Account Trading Policy, Directors and any employee in possession of undisclosed materially price sensitive information is prohibited from dealing in BTIM securities or other securities in which the individual has material non-public information.

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

Directors and employees may trade in BTIM 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 Policy also provides 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 where:

- failure to do so would cause financial hardship
- the person is not in possession of undisclosed materially price sensitive information
- the trade will not affect the interests of the Company's shareholders or clients, and
- no other conflicts of interest exist.

7. Shareholders

7.1 Market Communications

BTIM 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 ASX Listing Rules.

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

BTIM has a Market Disclosure Policy, which sets out how BTIM communicates with its shareholders and the market. The policy establishes a Disclosure Committee. The members of the Disclosure Committee are the CEO, the Chief Financial Officer, the General Counsel, the Chief Executive of JOHCM and the Company Secretary.

The Disclosure Committee is responsible for managing compliance with BTIM'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 BTIM employees to understand BTIM's 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 acquisition related announcements
- changes to corporate structures
- changes to Senior Executives or KMPs, and
- matters involving significant reputational risk e.g. regulatory issues.

7.2 Shareholder Communications

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

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

7.3 Shareholder Meetings

The participation of shareholders at the Annual General Meeting 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 BTIM's auditors in relation to the conduct of the audit, the audit report, the accounting policies adopted in preparing the financial statements and the independence of the auditors.

BTIM provides all shareholders with an opportunity to submit written questions prior to the AGM and seeks to respond to those questions during the course of the AGM.

8. JOHCM governance framework

The operations of the BTIM Group's offshore business is overseen by the Board of J O Hambro Capital Management Holdings Limited (JOHCM Holdings).

8.1 Board composition

The Board of JOHCM Holdings is comprised of the following directors: James Hambro (Chairman), Christopher Bannister, Andrew Fay, Emilio Gonzalez, Gavin Rochussen and Cameron Williamson.

8.2 Role and responsibilities of the JOHCM Holdings Board

The JOHCM Holdings Board is responsible for providing oversight of the operations of JOHCM and reporting to the BTIM Board on matters relating to the operation of the JOHCM business.

The Board of JOHCM Holdings has a Charter which sets out its responsibilities and functions, which include, to:

- approve JOHCM's long term objectives and strategies
- approve operating and capital expenditure budgets
- approve the annual financial accounts, and
- ensure that a sound system of internal controls and risk management is in place.

8.3 JOHCM Board Committees

The JOHCM Holdings' Board has two Committees: the Audit & Risk Committee and the Remuneration 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 Committee meeting.

9. Risk Management and Internal Controls

9.1 Risk management principles

The BTIM Group is committed to maintaining a sound system of risk oversight, management and ongoing internal control assurance and an appropriate risk management culture within the business.

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

- **strategic risks** – may include the risks that the Company:
 - has adopted the wrong strategic objectives, or
 - has adopted the right strategic objectives but fails to effectively execute those objectives, or
 - has successfully executed the right strategic objectives, but this does not produce the expected results for the business.

- **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, and
- **operational risk** – the risk arising from inadequate or failed internal processes, people or systems or from external events.

9.2 Roles and responsibilities

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

9.3 Risk Management Framework

To ensure its risk management principles are met, the Company has established a Risk Management Framework (**Framework**). The Framework sets out the overarching philosophy, principles, requirements and responsibilities for a sound approach of risk oversight, management and ongoing internal control assurance within the BTIM Group. The Framework formalises and communicates the Group's approach to risk management.

The success of BTIM's business is based on taking risks that are known, understood, assessed and managed within the limits of our risk appetite. Management of compliance risk is a key element of risk management. For most risks, the Company adopts a threshold level of materiality which will influence the level of risk mitigation applied. By contrast, all statutory compliance obligations must be managed strictly in accordance with the relevant statutory or regulatory obligation.

9.4 Our Risk Management Principles

- The BTIM Board determines the company's risk appetite and is responsible for the establishment and oversight of an effective system of risk management. The Board delegates authority to the CEO and senior management to conduct business activity within the limits of the risk appetite, approved business plans, policies and codes
- A Risk & Compliance team (R&C) team, suitably skilled and resourced, will assist the business and support business units to manage their business risks and provide reporting to the Board and management

- The CEO and senior management are accountable for managing business risks and maintaining an appropriate control framework and promoting a positive risk culture. In such a culture, good corporate governance is demonstrated and effective management of risks is encouraged, rewarded and becomes a core element of all BTIM business activity.

9.5 Internal audit

Deloitte Touche Tohmatsu has been appointed to provide internal audit services to BTIM in Australia, and:

- has all necessary access to Company information to effectively conduct their audits
- works with senior management and the Chief Risk Officer to develop an internal audit plan that complements other assurance work conducted
- 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 BT Investment Management (Fund Services) Limited (BTIMFS).

9.6 Risk management at JOHCM

The Audit & Risk Committee of the JOHCM Holdings Board is responsible for reviewing JOHCM's overall risk assessment processes, providing advice to the board on JOHCM's risk appetite, current risk exposures and strategies to manage risk. The Audit & Risk Committee is comprised of Andrew Fay (Chairman), James Hambro and Cameron Williamson.

JOHCM has identified the following categories of risk as having the potential to impact its business: operational risk; concentration risk and investment risk.

The Audit & Risk Committee receives regular reports on risk issues, including a risk and controls matrix which identifies the key risks faced by the business; the controls established to mitigate those risks; results from the regular assessment of those controls and any actions proposed to manage residual risk.

Where necessary, significant risk issues are elevated to the BTIM Risk & Compliance team and the BTIM Audit & Risk Management Committee.

Corporate Governance Statement continued

9.7 Chief Executive Officer and Chief Financial Officer Assurance

The Chief Executive Officer and the Chief Financial Officer 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, and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively managing the Company's material business risks.

10. Responsible entity governance

BT Investment Management (Fund Services) Limited (BTIMFS) is the responsible entity of the BTIM Funds and 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 in the Funds. The Directors of BTIMFS are conscious of their fiduciary obligations to investors in the Funds and continually assess their decisions in light of these obligations.

The BTIMFS Board is comprised of the following executive directors: Emilio Gonzalez (CEO), Alan Artyun (Head of Investment Operations) and Cameron Williamson (CFO). Mr Gonzalez is the Chairman of the BTIMFS Board.

The BTIMFS Board has responsibility for the management of risks that arise from its duties as the responsible entity of the BTIM Funds and the provision of financial services under its Australian Financial Services Licence (AFSL).

10.1 MICC

As the BTIMFS Board is not comprised of a majority of external directors (as defined by section 601JA of the Corporations Act) the Board has appointed a Managed Investments Compliance Committee (**MICC**).

The MICC is comprised of two external members and one internal member.

The external members of the MICC are Penni James (Chair) and David Prothero. The internal member of the Committee is Alan Artyun.

The MICC has the functions and responsibilities of a compliance committee as set out in Sections 601JC and 601JD of the Corporations Act.

11. Auditors

11.1 Appointment of statutory auditor

The Company's statutory 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 statutory auditors attend the Committee's meetings when the half year and full year financial statements are being considered. The statutory auditors also attend other meetings when relevant items are on the Committee's agenda.

Members of the Audit & Risk Management Committee are able to contact the auditors directly at any time. Similarly, the statutory auditors are 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 statutory auditor at least annually, including making an assessment whether the statutory auditor is independent of the Company and there are no conflicts of interest that could compromise the independence of the statutory auditor
- ensure that the statutory auditor meets the audit independence tests set out in relevant standards
- review statutory audit plans and audit opinions
- discuss any issues relating to the conduct of the audit with the statutory auditor
- review the findings of statutory audits to ensure that issues are being appropriately managed and rectified, and
- periodically consult the statutory 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.

11.2 Non-audit services

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

11.3 Attendance at the Annual General Meeting

The Company's statutory auditors attend the Company's annual general meeting and are 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 auditors.

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

12. Documents

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

- BTIM Board Charter
- Charter for the Audit & Risk Management Committee
- Charter of the Remuneration & Nominations Committee
- BTIM Board Statement on Director Selection and Appointments
- Code of Conduct
- Insider Trading Policy
- Personal Account Trading Policy, and
- Market Disclosure Policy.

2014 Financial Report

Contents

38	Directors' Report
45	Remuneration Report
72	Auditor's Independence Declaration
74	Consolidated Statement of Comprehensive Income
75	Consolidated Statement of Financial Position
76	Consolidated Statement of Changes in Equity
77	Consolidated Statement of Cash Flows
78	Notes to the Financial Statements
118	Directors' Declaration
119	Independent Auditor's Report to the Members

Directors' Report

The Directors present their report and the annual financial report for the BTIM Group for the 2014 Financial Year.

Directors

The following persons were Directors during the 2014 Financial Year and up to the date of this report:

DIRECTORS	APPOINTMENT DATE	PERIOD
James Evans	Appointed to the Board on 2 June 2010 Appointed Chairman on 6 December 2013	Full year
Emilio Gonzalez	22 January 2010	Full year
Meredith Brooks	1 April 2013	Full year
Brad Cooper	29 April 2010	Full year
Andrew Fay	1 October 2011	Full year
Deborah Page	7 April 2014	Part year. Appointed on 7 April 2014
Carolyn Hewson	25 September 2007	Part year. Retired on 20 December 2013
Brian Scullin	25 September 2007	Part year. Retired on 6 December 2013

Details of the qualifications, experience and responsibilities of the current Directors are set out below:



James Evans

BEC, CPA, F Fin, FAICD

Term: Appointed a Non-executive Director on 2 June 2010. Appointed Non-executive Chairman on 6 December 2013

Independent: Yes

Board Committees: Member, Audit & Risk Management 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 at the Commonwealth Bank of Australia. As part of this role, James held directorships in the Commonwealth Bank's funds management, general insurance, life insurance and lease financing businesses. James also held a number of other senior executive roles with the Commonwealth Bank in the areas of finance, accounting, business development and strategy. Before joining the 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 a non-executive director of the Equigroup companies, Hastings Funds Management Limited, Investa Wholesale Funds Management Limited, Macquarie Generation and Suncorp Portfolio Services Limited.

Directorships of other listed entities

over the past three years: Australian Infrastructure Fund Limited (2010–2013)



Emilio Gonzalez

BCom (Ec), CFA

Term: Appointed Chief Executive Officer on 22 January 2010

Independent: No

Board Committees: Nil

Emilio Gonzalez is the Company's Chief Executive Officer. Prior to his appointment as Chief Executive Officer 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 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 BTIMFS and BTIMI, a director of J O Hambro Capital Management Holdings Limited, a director of BTIM UK Limited and a director of JOHCM (USA) Inc.

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



Meredith Brooks

BA, FIAA

Term: Appointed a Non-executive Director on 1 April 2013

Independent: Yes

Board Committees: Chair, Remuneration & Nominations Committee

Meredith Brooks has over 30 years' experience in the financial services industry, including extensive experience in funds management both in Australia and overseas. Meredith held the position of Managing Director, US Institutional Investment Services at Frank Russell Company, based in New York between 2000 and 2004. Prior to that, she held a number of other senior positions at Frank Russell Company, including Managing Director, Australasia (1996–2000) and Director, European Funds (1991–1996).

Meredith is currently the Chair of Balmain Investment Management Limited, Chair of Critical Path Inc and a member of the Industry Advisory Board for the Faculty of Business and Economics at Macquarie University.

Directorships of other listed entities

over the past three years: Perpetual Limited (2004–2011)

**Brad Cooper***DipBM, MBA***Term:** Appointed a Non-executive Director on 29 April 2010**Independent:** No**Board Committees:** Member, Remuneration & Nominations Committee

Brad Cooper is the Chief Executive Officer of the BT Financial Group, 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 Westpac Financial Services Group Limited and an alternate director of a number of other companies within the Westpac Group, including: 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 the past three years: Nil**Andrew Fay***BAGec (Hons), A Fin***Term:** Appointed a Non-executive Director on 1 October 2011**Independent:** Yes**Board Committees:** Chairman, Audit & Risk Management Committee

Andrew Fay has over 25 years' experience in the financial services sector and was Chief Executive Officer 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 2006, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew was, until September 2011, 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 J O Hambro Capital Management Holdings Limited, Spark Infrastructure RE Limited, South Australia Power Networks, Tasman Lifestyle Continuum Limited and Victoria Power Networks Pty Limited.

Directorships of other listed entities over the past three years: Nil**Deborah Page***AM, BEC, FCA, MAICD***Term:** Appointed a Non-executive Director on 7 April 2014**Independent:** Yes**Board Committees:** Member of the Audit & Risk Management Committee and the Remuneration & Nominations Committee

Deborah Page is currently the Independent Chairman of Investa Listed Funds Management Limited (the responsible entity of the Investa Office Trust) and a non-executive director of Australian Renewable Fuels Limited, Brickworks Limited and Service Stream Limited.

Previously, Deborah held senior executive roles with the Commonwealth Bank, Allen Allen & Hemsley and the Lend Lease Group. Prior to undertaking those roles, Ms Page was a Partner at KPMG Peat Marwick/Touche Ross.

Directorships of other listed entities over the past three years: Nil**Company Secretary****Chris Millard***(LLM, DipLaw (SAB), GradDipAppCorpGov, FCIS, FCSA)*

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 and in senior in-house counsel and company secretary roles.

Directors' Report continued

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2014 Financial Year and the number of meetings attended by each Director during that year are set out in the following table:

	BOARD		AUDIT & RISK MANAGEMENT COMMITTEE			REMUNERATION & NOMINATIONS COMMITTEE		
Director	A	B	A	B	C	A	B	C
James Evans	6	6	4	4	–	–	–	5
Emilio Gonzalez	6	6	–	–	4	–	–	5
Meredith Brooks ¹	6	6	1	1	3	3	3	2
Brad Cooper	6	6	–	–	2	5	5	–
Andrew Fay ²	6	6	3	3	1	2	2	3
Deborah Page AM ³	3	3	2	2	–	2	2	–
Carolyn Hewson AO ⁴	2	2	1	1	–	–	–	2
Brian Scullin ⁵	2	2	1	1	–	2	2	–

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.

Notes

1 Meredith Brooks was a member of the Audit & Risk Management Committee from 1 October 2013 until 31 December 2013, when she was appointed the Chairman of the Remuneration & Nominations Committee.

2 Andrew Fay was the Chairman of the Remuneration & Nominations Committee from 1 October 2013 until 31 December 2013, when he was appointed the Chairman of the Audit & Risk Management Committee.

3 Deborah Page was appointed a Director on 7 April 2014.

4 Carolyn Hewson resigned as a Director on 20 December 2013.

5 Brian Scullin retired as Director and Chairman of the Board on 6 December 2013.

Senior Management Team

The following persons are the current members of the Senior Management Team:

NAME OF EXECUTIVE	POSITION	JOINED BTIM	APPOINTED TO CURRENT POSITION
Emilio Gonzalez	Chief Executive Officer	2010	2010
Geraldine Bouquet	Head of Human Resources	2008	2008
Daniel Campbell	Head of Investment Products	2010	2013
Chris Clayton	Head of Sales & Marketing	2014	2014
Jennifer Davies	Chief Risk Officer	2009	2009
Hayden King	Chief Operating Officer	2014	2014
Gavin Rochussen ¹	Chief Executive, JOHCM	–	–
Cameron Williamson	Chief Financial Officer	2008	2010
Brian Wright	Head of Corporate Development	2009	2012

1 Gavin Rochussen is Chief Executive of JOHCM and joined JOHCM in November 2008.

Details of the qualifications, experience and responsibilities of the current members of the Senior Management Team are set out on page 41–42.



Emilio Gonzalez

BCom (Ec), CFA

Chief Executive Officer

Refer to Directors' biographies.



Daniel Campbell

MA (Hons), GradDipAppFin

Head of Investment Products

Daniel Campbell was appointed BTIM's Head Portfolio Specialist in 2010. He was appointed to his current role on 1 October 2013.

Daniel's responsibilities include management of a number of BTIM's critical relationships, including BT Financial Group and Research Houses. Daniel is also responsible for investment and portfolio analytics at BTIM and chairs the BTIM Investment Review Committee which has oversight of BTIM's portfolios risk and performance.

Prior to joining BTIM, Daniel spent ten years at Perpetual Investments. Most recently, he held the position of General Manager, Institutional Business for Global Equities. Daniel also worked as the General Manager, Analytics & Research during his tenure at Perpetual.



Jennifer Davies

LLM, LLB

Chief Risk Officer

Jennifer Davies was appointed BTIM's Chief Risk Officer in November 2009.

Jennifer has responsibility for leading BTIM's Risk & Compliance and Legal teams. She also works closely with the CEO and senior management to integrate risk management into business strategy.

Prior to joining BTIM, Jennifer held various legal, risk and compliance positions in Australia, Singapore and Hong Kong. Her previous employers include the Westpac Group, Deutsche Asset Management (Asia) Limited, UBS Global Asset Management (Hong Kong) Limited and Deacons (Hong Kong).



Geraldine Bouquet

BCom (HRM & IR), CAHRI

Head of Human Resources

Geraldine Bouquet was appointed the 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.

Prior to joining BTIM, Geraldine held a number of senior human resources roles with Westpac Institutional Bank, supporting businesses across debt markets, corporate & institutional banking and risk management.



Chris Clayton

BBus (Econ), GradDipAppFin, MAppFin

Head of Sales & Marketing

Chris Clayton was appointed BTIM's Head of Sales & Marketing in May 2014. Chris is responsible for the sales, marketing and client service functions.

Chris has extensive experience in the Australian Financial Services industry having worked in asset management, superannuation, insurance and financial planning. His focus over the past 15 years has been the retail and institutional marketplace. Chris was the inaugural CEO of Acadian Asset Management (Australia) and has held senior roles with Colonial First State, National Australia Bank, Tower and Sunsuper.



Hayden King

Chief Operating Officer

Hayden King was appointed BTIM's Chief Operating Officer in March 2014. Hayden is responsible for product management, trading, investment operations and technology.

Prior to joining BTIM, Hayden was General Manager, Operations at FuturePlus Financial Services where he was responsible for Operations, Client Services, Financial Planning and Program Management.

Hayden has also held senior operational roles at OneVue Limited, Macquarie, Challenger Financial Services and Colonial First State Investments.

Hayden's early career was spent in various management, operational, and client services roles with MLC Investments, Australian Bank and Commonwealth Bank of Australia.

Directors' Report continued



Gavin Rochussen

BCom, BAcc, Chartered Accountant (SA)

Chief Executive Officer, J O Hambro Capital Management

Gavin Rochussen joined J O Hambro Capital Management (JOHCM) in November 2008 as Chief Executive Officer. Gavin's primary responsibility is to lead the JOHCM business, which was acquired by BTIM in October 2011.

Gavin is a director of J O Hambro Capital Management Limited and J O Hambro Capital Management Holdings Limited.

Prior to joining JOHCM, Gavin was the Chief Executive of Fleming Family & Partners, one of Europe's pre-eminent multi-family offices.

Gavin has 28 years' experience in the finance industry, including the establishment and operation of a consulting practice in South Africa.



Cameron Williamson

BAcc, CA

Chief Financial Officer

Cameron Williamson was appointed BTIM's Chief Financial Officer in February 2010, having assumed that role since May 2009.

Cameron is responsible for BTIM's overall financial operations and reporting, business planning, taxation and investor relations.

Cameron is a director of BTIMFS, BTIMI, J O Hambro Capital Management Holdings Limited and BTIM UK Limited.

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 Corporate Development

Brian Wright joined BTIM as Head of M&A and Strategy in January 2009. Brian was appointed to his current role as Head of Corporate Development in 2012.

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 a number of senior positions at Bankers Trust, including Operations Manager for Equity & Currency Derivatives in the Investment Bank. In 1995, he moved to funds management where he held the position of Business Manager for Currency & International Bonds before being appointed Business Manager for the Australian and International Equity business.

Principal activities

The principal activity of the BTIM Group during the 2014 Financial Year was the provision of investment management services. There has been no significant change in the nature of this activity during the year ended 30 September 2014.

Operating and Financial Review

The Operating and Financial Review (OFR) containing the information on the operations and financial position of the BTIM Group is set out in the Chairman's Letter, CEO's Report, Strategic Report and Operating Review on pages 2 to 13 of this annual report. These pages also deal with the BTIM Group's business strategies and prospects for future financial years.

The BTIM Group continued to operate under two operating segments since the acquisition of J O Hambro Capital Management (JOHCM) effective 1 October 2011. These two segments comprise of the investment management business in Australia (BTIM) and outside of Australia (BTIM UK). The statutory net profit after tax (NPAT)¹ of the BTIM Group for the 2014 Financial Year was \$121,504,043 (2013: \$51,245,291).

The BTIM Group's cash net profit after tax (Cash NPAT)¹ for the 2014 Financial Year was \$127,016,358 (2013: \$61,883,006). The increase on the prior year is predominantly driven by higher funds under management (FUM) and an increase in performance fee revenue in JOHCM.

Reconciliation of statutory NPAT to Cash NPAT	2014 \$'000	2013 \$'000
Statutory NPAT	121,504	51,245
Add back: amortisation of employee equity grants	32,371	19,795
Deduct: cash cost of ongoing equity grants	(36,410)	(21,262)
Add back: amortisation and impairment of intangibles ²	9,642	9,806
Add back: loss on financial liabilities at fair value through the profit and loss ³	—	7,213
Deduct: tax effect	(91)	(4,914)
Cash NPAT	127,016	61,883

Funds under management at 30 September 2014 was \$66.4 billion, an increase of 13.9% from the FUM of \$58.3 billion at 30 September 2013. The movement for the full year ended 30 September 2014 has been driven by positive market and investment performance of \$3.9 billion, net inflows of \$2.5 billion and a weaker Australian dollar relative to the Pounds sterling which contributed to a positive foreign exchange movement of \$1.7 billion.

Dividends

The Directors have resolved to pay a final dividend and dividend-linked coupon of 19.0 cents (35% franked⁴) per share, (2013: 10.0 cents per share 50% franked) on ordinary shares and converting notes. The amount of dividend and dividend-linked coupon which has not been recognised as a liability at 30 September 2014 is \$57.0 million (2013: \$29.5 million). The Company paid an interim dividend and dividend-linked coupon of 16.0 cents per share (\$45.4 million) on 2 July 2014.

Equity dividends on ordinary shares	2014 \$'000	2013 \$'000
(a) Dividends declared and paid during the Financial Year		
Final 50% franked ⁴ dividend for the 2013 Financial Year: 10.0 cents per share (2012 Financial Year: 7.0 cents per share fully franked)	27,097	18,770
Interim 35% franked ⁴ dividend for the 2014 Financial Year: 16.0 cents per share (2013 Financial Year: 8.0 cents per share fully franked)	42,963	21,437
	70,060	40,207

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

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

3 Loss on financial liabilities at fair value through the profit and loss relates to the fair value adjustment on the converting notes issued as purchase consideration in relation to the JOHCM acquisition.

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

Directors' Report continued

Equity dividends on ordinary shares	2014 \$'000	2013 \$'000
(b) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2014 Financial Year 19.0 cents (35% franked ¹) per share (2013 Financial Year: 10.0 cents per share 50% franked)	54,031	27,810

Dividend-linked coupons on converting notes	2014 \$'000	2013 \$'000
(a) Coupons paid during the Financial Year		
Final 50% franked ¹ coupon for the 2013 Financial Year: 10.0 cents per converting note (2012 Financial Year: 7.0 cents per converting note fully franked)	1,556	1,184
Interim fully franked coupon for the 2014 Financial Year: 16.0 cents per converting note (2013 Financial Year: 8.0 cents per converting note fully franked)	2,462	1,332
	4,018	2,516
(b) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2014 Financial Year: 19.0 cents (35% franked ¹) per converting note (2013 Financial Year: 10.0 cents per converting note 50% franked)	2,919	1,665

Significant changes in the state of affairs

There has been no significant changes in the state of affairs of the BTIM Group during the 2014 Financial Year.

Matters subsequent to the end of the financial year

A final dividend of 19.0 cents (35% franked¹) per share on ordinary shares and a final dividend-linked coupon of 19.0 cents per note on converting notes, is to be paid on all ordinary shares and converting notes outstanding at the record date.

Except for the dividend declaration no other matters or circumstances have arisen since 30 September 2014 that have 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

The OFR sets out the information on the business strategies and prospects for future financial years (refer to our Chairman's Letter, CEO's Report, Strategic Report and Operating Review on pages 2 to 13 of the Annual Report accompanying this Directors' Report). Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of 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 insurance policies covering directors' and officers' liabilities for the BTIM Group. Under the terms of the policies, disclosure of the amount of cover and premiums paid is prohibited.

Rounding of amounts

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

Loans to Directors and Senior Executives

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

¹ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

INTRODUCTION TO THE 2014 REMUNERATION REPORT

The Directors present the Remuneration Report for the year ended 30 September 2014. The Remuneration Report provides a description of BTIM Group's overall remuneration approach and current practices and forms part of the Directors' Report.

The Remuneration Report also more specifically sets out remuneration information for the Company's Key Management Personnel (KMP) who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities.

The KMP for BTIM includes the Non-executive Directors, Chief Executive Officer (CEO) and other Senior Executives as listed in the tables below:

Non-executive Directors

Name	Position	Term as KMP
James Evans	Chairman	Full year ¹
Brian Scullin	Chairman	Part year ²
Meredith Brooks	Director	Full year
Brad Cooper	Director	Full year
Andrew Fay	Director	Full year
Carolyn Hewson	Director	Part year ³
Deborah Page	Director	Part year ⁴

CEO and other Senior Executives

Name	Position	Term as KMP
Emilio Gonzalez	Chief Executive Officer	Full year
Geraldine Bouquet	Head of Human Resources	Full year
Chris Clayton	Head of Sales & Marketing	Part year ⁵
Jennifer Davies	Chief Risk Officer	Full year ⁶
Hayden King	Chief Operating Officer	Part year ⁷
Gavin Rochussen	Chief Executive Officer, JOHCM	Full year
Cameron Williamson	Chief Financial Officer	Full year

In the 2013 Remuneration Report it was disclosed that Jennifer Davies was appointed to the Executive Committee from 1 October 2013 as Chief Risk Officer.

Following changes to the Senior Executive Team, the roles and responsibilities of two executives were assessed and neither role is considered to be KMP of BTIM.

The information provided in this Remuneration Report has been audited by the Company's auditors, PricewaterhouseCoopers, as required by section 308(3C) of the *Corporations Act 2001*.

1 James Evans changed position during the Financial Year and was appointed as the Chairman 6 December 2013

2 Retired as Chairman 6 December 2013

3 Retired from the Board 20 December 2013

4 Appointed 1 April 2014

5 Appointed 1 July 2014

6 KMP effective 1 October 2013

7 Appointed 17 March 2014

Directors' Report continued

REPORT STRUCTURE

The Remuneration Report is structured in the following sections:

Section	Page
A Message from the Chairman of the Remuneration & Nominations Committee	46
BTIM Group's Business Model and Approach to Remuneration	47
Fund Manager Remuneration	48
Senior Executive/Corporate Employee Remuneration	50
Sales Remuneration	50
How the Share of Profits (pre-tax pre-variable reward) is Divided	50
Oversight and governance of Remuneration	51
Employee Remuneration Structure and Policy (including Senior Executives)	52
CEO and other Senior Executive Remuneration Components and Performance	55
Detail of the CEO and the CEO, JOHCM Remuneration	56
Link between Remuneration Outcomes and Group Performance	59
CEO and other Senior Executive Remuneration in the 2014 Financial Year	60
CEO and other Senior Executive Employment Agreements	67
Non-executive Director Remuneration and Employment Agreements	68
Director and Senior Executive holdings	70

A MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION & NOMINATIONS COMMITTEE

BTIM Group is now a substantial global business with investment boutiques operating in the UK, Singapore, the US as well as Australia. The success of our global expansion is reaping substantial rewards for our shareholders but also means we are operating in a more complex employment and remuneration environment. This remuneration report seeks to explain how we focus and reward our unique investment professionals and entrepreneurial driven management teams across multiple jurisdictions.

Our remuneration systems reflect that the value we create for our shareholders and clients relies essentially on the insights, judgement and experience of a group of highly specialised fund managers. The global funds management industry offers significant rewards but is highly volatile and extremely competitive so we need to attract and retain smart motivated people to drive the business. To extract and deliver this value, we support them with an effective corporate platform, which enables the fund managers to focus on client portfolios while we continue to grow.

Therefore, talent management is at the centre of our remuneration systems and our policies are designed to clearly align and equitably reward the interests of our employees, clients and shareholders.

This report provides considerably more detail than the minimum listed company disclosure requirements to allow you insight into how and why we have created various reward systems. We aim to be as transparent as we can without jeopardising our competitive position, which would be to the detriment of shareholders and clients alike.

This year's report explains the workings of a number of existing equity plans that have now reached anticipated milestones. 2014 presents the first instance of the test of hurdles and vesting for the Performance Reward Scheme introduced in Australia in 2012; this scheme has now been rolled out globally. We have provided expanded information about the Fund Linked Equity schemes for the international investment boutiques as these are of increased significance following periods of exceptional growth and performance.

The acquisition of the JOHCM business three years ago was a watershed transaction for BTIM and has delivered well in excess of expectations. Not only have the JOHCM funds under management gone from strength to strength over that period, we are extremely proud of the effective interaction of the two businesses. In particular, Gavin Rochussen, CEO of JOHCM, is now a vital member of our Senior Executive team and we have consequently refreshed his long term incentive to reflect our growth strategy for the coming years. Details of these arrangements are set out in this report.

Our remuneration arrangements are reviewed regularly to ensure they remain relevant and competitive for the changing business environment, legislative reform and to reflect your feedback.



Meredith Brooks

Chairman of the Remuneration & Nominations Committee

BTIM GROUP'S BUSINESS MODEL AND APPROACH TO REMUNERATION

The BTIM Group has key employees operating in different core areas of the business which requires remuneration arrangements to be tailored accordingly. As our objective is to be as transparent as possible regarding our remuneration arrangements (subject to non-disclosure of commercially sensitive information), this report provides our shareholders with a comprehensive overview of how we reward our people. As such, the disclosures in this report are beyond those we are required to provide and the report outlines the remuneration structures employed for the CEO and other Senior Executives as well as other employees in the corporate, investment and sales teams.

BTIM Group's Multi-Boutique Business

BTIM Group follows a 'multi-boutique' business model, where small teams of investment professionals focus exclusively on asset management, while management, compliance and business functions are delivered centrally. To support our business model, our remuneration approach provides distinctly different reward structures for the investment boutiques from more typical arrangements for those in the corporate centre.

In Australia, the Company enters into contractual arrangements with teams of investment professionals to pay a variable reward based on the profit generated from fees on the investment pools they manage. In the case of JOHCM, fund manager variable reward is based on an agreed revenue share when individuals are introduced to the business which is later partially converted to a direct equity stake to align their long-term reward with performance of the fund. The model is designed to provide 'the best of both worlds' where fund managers operate in a boutique environment (investment-led with independence, share in economic value created, creative independence, absence of bureaucratic structures) combined with the strengths of a significant institution that provides a strong operational platform (i.e. brand, distribution, compliance, back-office). We believe this approach makes it possible to attract and retain the very best investment talent to be able to grow our business.

All the investment teams and those in the corporate centre receive a portion of their variable pay in BTT equity. Becoming shareholders in BTIM provides a direct line of sight for all to the success of the Company as well as clearly aligning management and shareholder interest.

The BTIM Group's approach to a multi-boutique structure

BTIM's multi-boutique approach differs from other corporate structures in the funds management industry and allows us to compete effectively for the best talent. Our structure provides the benefits of independent boutique managers – fund managers have a direct financial interest in their own business – with the liquidity and sustainability of a more diversified listed company.

This has a number of significant advantages over alternative structures. BTIM Group takes 100% of the equity in all the fund management businesses and teams that form part of the Group. BTIM Group then contracts with each of the teams to give them a defined proportion of the revenue (or profit) from the funds they manage but requires that a proportion of the income generated to them through this arrangement be taken in the form of deferred BTT equity. The result for fund management teams is that their income each year is a direct function of the financial success of their own efforts but their longer-term wealth is driven by the success of the Group. This creates an investment management organisation with consistent alignment.

BTIM Group believes that this approach provides considerable advantages to fund managers, clients and shareholders. For fund managers it means that their equity is not tied up in small unlisted vehicles whose securities have no liquidity other than through a business sale as the only true means to realise value. By having equity in BTIM our fund managers know the value of their shareholding on a day-to-day basis and can realise value over time, allowing for more team stability and orderly succession planning.

As a result of the BTIM Group being a pure asset manager, the equity holding is not in a remote company operating in a different industry and perhaps subject to a different P/E multiple.

This approach also works for our clients, who are primarily interested in ensuring that there is a performance oriented, stable and culturally-attuned environment for their chosen fund managers.

We have been careful to ensure that fund managers do not fall prey to an asset gathering mentality at the cost of investment performance:

- investment performance, and the individual contribution to it, is a key factor in how the boutique pool is divided up;
- there is no evidence of an asset-gathering mentality – indeed every boutique has voluntarily imposed capacity constraints where appropriate on some or all of their products. In the case of JOHCM every product has a stated capacity agreed with the fund managers; and
- interests are also aligned by earning performance fees on fund returns that exceed benchmarks.

For our shareholders our approach produces a very strong alignment between the fund managers and shareholder interests. Our senior fund managers are among our most significant shareholders and consequently have the same interests as other shareholders in terms of dividends and earnings per share (EPS) growth. Many of our fund managers would gain or lose much more from BTT share price movements than they would expect in terms of the fluctuations in their annual revenue share.

Directors' Report continued

FUND MANAGER REMUNERATION

Percentage of profits awarded to fund management teams

Our fund management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the BTIM Group CEO or the CEO, JOHCM upon joining the Company.

In the case of BTIM Australia, the revenue sharing arrangement is expressed as a percentage of direct profit determined by reference to revenue and direct expenses incurred by the fund management team. The revenue share can depend upon the source of funds. Where revenue is directly attributable to the skill and efforts of the fund management team (e.g. performance fees) this will generally attract a higher revenue share arrangement. On the other hand, assets which have come from the Company attract a much lower revenue share.

In the case of JOHCM, fund managers have a revenue share arrangement which differs between the more established funds and the newer investment strategies. Performance fees attract a higher revenue share relative to base fees.

The total remuneration paid to fund managers as a percentage of total revenue will not necessarily be constant over time. For example, in years in which performance fees are a high proportion of total revenue, the revenue share earned by fund managers will be higher and the reverse will be true in years when the Group earns less in performance fees.

Revenue share split within individual teams

All fund managers are paid a fixed remuneration package which is set at the beginning of each financial year in consultation between the CEO and the boutique heads in the case of BTIM Australia and the CEO, JOHCM and the fund managers within the JOHCM business. In the case of JOHCM, those investment professionals managing more established funds receive a variable reward as part of the revenue share which is based on their fund performance after taking into account direct costs. Those fund managers with newly established investment strategies are also given the opportunity to convert part of the revenue generated from the growth in FUM related to their investment strategies into BTT equity based on a pre-determined formula over multiple years. The value of BTT equity received at the time of conversion is directly linked to the funds raised for the underlying fund. Further detail on this fund-linked equity (FLE) scheme is provided later in this report in Table 2 outlining equity-based reward schemes. BTT equity received will be subject to vesting restrictions over five years.

For the Australian operations, the recommended allocation of the variable remuneration pool is discussed with the CEO for the Australian business to ensure that individual allocations are fair and reasonable. The CEO then reports to the Remuneration & Nominations Committee, outlining the process that has been followed, the outcomes for individual fund managers, particularly senior fund managers, and confirms that appropriate processes have been followed.

How fund managers earn equity in the business

Equity in the business is only earned when the investment strategies that a fund management team runs has been successful in raising funds under management resulting in revenue generation for the business.

For teams managing established funds, and not part of the FLE scheme further explained below, a proportion of each variable reward payment is required to be taken in the form of deferred equity. The equity vests over five years.

The equity allocations vest over time as they have already been "earned" through the revenue share arrangement and hence are not subject to any additional performance based hurdles. Provided the recipient remains employed by BTIM Group the equity attracts dividends and voting rights from the time of issuance.

Dividend payments are an important part of the overall remuneration structure and reflect the time value of the deferral period.

Fund linked equity for JOHCM Fund Managers

To attract new teams and reward for value creation in newly established strategies, JOHCM operates an FLE scheme that rewards fund managers with BTT equity as a result of growing funds under management (FUM).

The FLE scheme has been a successful part of the JOHCM business model in attracting investment talent to the firm. Like the established funds, managers of new strategies have a contracted revenue share with the Company but have no immediate requirement to defer reward partially into equity. Over time the FLE scheme allows the fund managers to convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM equity based on a pre-determined formula that shares the value created between fund managers and the Company. Once the conversion is exercised, the Company retains a higher share of investment revenue and the fund managers own BTT equity.

The FLE scheme was introduced in the 2009 Financial Year with the first take-up of the scheme maturing in the 2017 Financial Year. The scheme runs for seven years from product launch and the fund managers have the right to partly convert the revenue generated by the investment strategy into BTT equity over time, with full conversion required by the end of the seven year period. The conversion formula takes revenue generated by the FUM linked to the strategy, applies an after-tax operating margin and then applies a multiple to determine an implied market value of the investment strategy. This capitalised value is shared between the managers and the Company and delivered to fund managers in the form of BTT equity. The benefit of the model for shareholders is that no equity is granted until FUM and revenue is generated by the strategy.

When the FLE is converted to BTT equity, the revenue share to which the fund managers are entitled decreases in exchange for the equity grant which has a positive contribution to the future earnings of the Group. If shares are issued to satisfy the equity grant the net result is designed to be broadly cash earnings per share neutral provided FUM is maintained. In a scenario where FUM declines post issuance of the grant, the EPS outcome may be adversely affected. A key mitigant against EPS dilution is the diversification across investment strategies and the vesting conditions attached to the equity grant. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. As the BTT equity is considered as having been earned it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

As with all of the equity plans, the risk to the business and shareholder is loss of FUM post the allocation of shares as the allocation represents the value of the FUM related to the investment strategy at a point in time. However, the five year vesting period post conversion clearly aligns shareholder and fund manager incentives to retain and grow the assets.

Table 1a – Operation of Fund Linked Equity Scheme

	Year 0 through to Year 7	End of Year 7
Funds Under Management	FUM grows over time.	At the end of year 7, revenue from FUM raised in the investment strategy is used as the basis to determine rights to BTT equity.
Revenue Share	Pre-determined percentage to fund manager.	Fund manager revenue share reduces with a proportion of remaining revenue share to be taken in the form of equity with vesting restrictions up to five years.
Equity	No equity granted during the period as revenue share entitlement paid in cash.	Equity award on FLE conversion approximates market value of decrease in revenue share. Vesting restrictions apply up to five years.
Cash Earnings Per Share ⁽¹⁾	Reflected in earnings as a result of growth in FUM.	Due to reduction in fund manager revenue share, Cash EPS should be broadly neutral provided FUM is maintained.

Note 1: Cash EPS outcomes will also be impacted by other factors including but not limited to Group FUM flow, market movements, currency movements, and operational expenses.

How equity is issued to fund managers

Equity ownership is central to building BTIM's culture of alignment between investment employees and shareholders. As already described each remuneration scheme is predicated on investment strategies being revenue generating for fund managers to earn equity in the business.

For employee incentive arrangements to date, we have either purchased BTT shares on market, accessed shares from employees selling post restrictions, or through the Dividend Re-investment Plan. In the case of the FLE, share allocations are offset by a reduction in the revenue share that the fund managers earn, and are expensed in the year they are granted. At some point in the future, a need may arise to issue new shares to fund the grants for the FLE scheme.

There are some investment strategies which are contracted to participate in the FLE scheme and others with rights to participate in the FLE scheme. Both groups of strategies represents FUM of \$12.5 billion as at 30 September 2014. These investment strategies have been supporting the strong growth in the business of which there is a requirement under the scheme to deliver BTT equity to the investment teams over the next few years. Based on the FUM level as at 30 September 2014, the value of the equity that would be granted for all investment strategies that are contracted in the FLE scheme approximates \$48 million, and for others with rights to participate in the scheme it would approximate \$27 million. These figures will vary from year to year based on market movements, FUM growth, management fee margins, foreign currency, and new teams participating in the FLE scheme.

If shares are issued to meet the delivery of the \$75 million in BTT equity, this would equate to 12.2 million newly issued shares based on the closing BTT share price of \$6.15 as at 30 September 2014. The 12.2 million shares would increase the fully diluted share count by 4.1%.

Assuming the investment teams are issued equity at the end of year 7 of the program, the profile of the issuance of shares over the coming years can be seen in tables 1b and 1c below:

Table 1b: Investment Strategies currently contracted to FLE Scheme

Financial Years	FY15	FY16	FY17	FY18	FY19	FY20-22
Number of shares to be issued (m)	–	–	7.9	–	–	–

Table 1c: Investment Strategies with rights to participate in FLE Scheme

Financial Years	FY15	FY16	FY17	FY18	FY19	FY20-22
Number of shares to be issued (m)	–	–	2.5	1.4	0.2	0.2

As a consequence of the share issuance the shareholders share of revenue increases such that Cash EPS should be broadly neutral provided FUM is maintained.

The investment strategies under the FLE scheme are at different stages of their development and extend to as far as the 2022 Financial year. The 2022 Financial Year represents the final exercise date for the newly established US small/mid cap team.

The FLE arrangement provides a significant incentive and retention component for JOHCM fund managers, directly aligning their interests with performance of the underlying fund and long-term returns to BTIM shareholders. It is expected that as new investment teams and strategies are added to our multi-boutique business and improve our growth prospects the program will expand over time. For every \$1 billion in FUM raised under the FLE scheme, this would equate to approximately 1 million shares issued based on the 30 September 2014 closing BTT share price.

Directors' Report continued

SENIOR EXECUTIVE/CORPORATE EMPLOYEE REMUNERATION

Our corporate employees consist of the Senior Executives (although the CEO is covered separately below), Finance and Tax, Investment Products, Human Resources, Investment Operations, Information Technology, Product Management, Client Services, Marketing, Sales Support, Legal and Risk & Compliance teams. All corporate employees have a fixed remuneration package which is set at the beginning of each year. A variable reward pool is also set aside each year for allocation to corporate employees.

Individual employees have a target variable reward which is established using market data, having regard to the seniority, complexity and responsibility associated with their position. Each employee undergoes a performance review based on specified key performance objectives. Depending on individual and business performance, employees can achieve up to 200% of their target reward. Subject to the quantum of an individual's variable reward, corporate employees are required to take a proportion of their remuneration in the form of deferred equity vesting over five years. The amount of variable reward taken in the form of deferred equity will vary depending on the seniority of the individual and the amount of variable reward earned.

The performance of each business and capacity to pay has a significant influence on the variable outcome of Senior Executives and the size of the Variable Pool.

A broad-based, long-term incentive scheme, the Performance Reward Scheme (PRS), aimed at creating alignment between employees and shareholders and a culture of business ownership also applies to all corporate employees, including Senior Executives. The PRS provides all permanent corporate employees with a minimum of 12 months service with a performance-based equity award.

Performance share rights may vest at the end of a three year performance period, subject to meeting employment and performance conditions. The performance conditions vary for different groups of employees and are either based on Cash EPS and Total Shareholder Return (TSR), linked to revenue or on cash operating profit targets. Upon meeting the performance hurdles, the performance share rights vest and convert into BTT ordinary shares. As they are performance share rights and not yet earned, these rights do not earn dividends during the performance period.

SALES REMUNERATION

Under the sales remuneration arrangements, the business development managers in our retail and institutional sales teams (sales teams) are paid a fixed remuneration package which is reviewed at the beginning of each financial year. Additional variable remuneration is derived from the actual sales performance of individual members of the sales teams according to an agreed formula which is based on generating revenue. There is also a variable component expressed as a percentage of fixed remuneration that is determined by non-sales factors such as team cooperation, business profitability, client retention and sales support.

The formula is different for the 'institutional' sales channels versus the 'retail' (in Australia the wholesale channel and in Europe OEICS) channels. In line with fund managers and other employees, sales employees are required to take a portion of their variable remuneration in the form of deferred equity, vesting between three and five years.

Payments in relation to sales achievement are typically spread over a one to three year period but with considerable front-end loading. The result is that in periods of strong sales success, the payments to the sales teams will run ahead of the revenue increase to shareholders which will come over time. Importantly, the system creates a strong alignment between generating revenue and rewarding the sales teams.

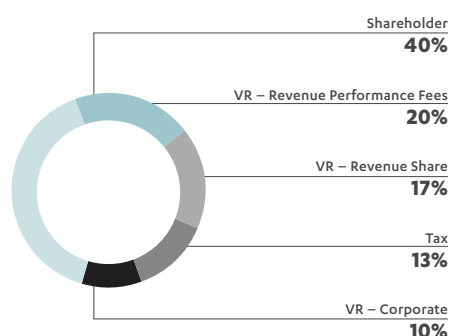
HOW THE SHARE OF PROFITS (PRE-TAX PRE-VARIABLE REWARD) IS DIVIDED

As mentioned in the introduction outlining BTIM Group's remuneration philosophy, our 'multi-boutique' business involves sharing the profits between shareholders and employees, which can be generated by the efforts and skill of the fund management teams with the support of corporate employees. The variable reward schemes vary for different groups of employees to provide the right level of alignment to drive performance and reward outcomes.

The reward outcomes may vary depending on an individual's role in the business. Taking into account all of the variable remuneration schemes across the business as described above, when the share of pre-tax pre-variable reward profits (revenue less operating costs of running the business prior to distribution of variable reward and profits to shareholders) is assessed, as shown in the chart below, the proportion as a percentage of profits attributed to:

- shareholders is 40%;
- the revenue share linked to fund manager remuneration schemes is 17%;
- performance fees to fund managers is 20%;
- corporate and sales employees is 10%; and
- the payment of taxes is 13%.

Chart 1: Share of profits (pre-tax pre-variable reward)



OVERSIGHT AND GOVERNANCE OF REMUNERATION

The Board, through its Remuneration & Nominations Committee (Committee) and its subsidiary JOHCM Remuneration Committee (together, the Remuneration Committees), provides oversight of remuneration and incentive policies. This includes specific recommendations on remuneration packages and other terms of employment for Executive Directors, Senior Executives, Non-executive Directors (NEDs) and fund managers.

In summary, the Committees are responsible for recommending to the Board for approval:

- remuneration for Senior Executive appointments
- remuneration arrangements and all reward outcomes for the CEO and senior direct reports to the CEO, and
- significant changes in remuneration policy and structure, including employee equity plans and benefits.

During the 2014 Financial Year, or shortly thereafter, the Board & Committee actioned the following significant decisions in relation to remuneration arrangements, including:

Review the CEO's remuneration	Reviewed the CEO's remuneration and completed high level benchmarking of the CEO's remuneration elements to the external market having regard to the complexity and market capitalisation of comparator companies. Where the Board and Committee are of the view that the remuneration in peer companies has not moved significantly year-on-year, a full benchmark may not be undertaken, but rather consideration will be given to prior benchmarking and general market movements.
Review of Long Term Incentive (LTI) arrangements for CEO, JOHCM	Reviewed LTI arrangements for the CEO, JOHCM with the aim of creating greater alignment between the CEO, JOHCM and shareholders and longer term retention. Refer to Table 4 for further details.

Engagement of remuneration consultants

Guerdon Associates continues to act as the Committee's nominated remuneration adviser. The Committee has Charters in place that acknowledge its obligations under the *Corporations Act 2001* in respect to remuneration advice or remuneration recommendations for KMPs. 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, and
- precludes dialogue between KMP to whom the advice relates and the remuneration consultant, 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 receives assurance that the remuneration advice and recommendations provided by remuneration consultants are independent from management.

Independent Board advice and services

No consultants were engaged to provide recommendations to the Remuneration & Nomination Committee in relation to KMP remuneration that fit within the definition of a 'remuneration recommendation' under the *Corporations Amendment (Improving Accountability on Directors and Executive Remuneration) Act 2011*.

Services provided to management

The following organisations provided management with remuneration benchmarking data for all employees:

- Financial Institutions Remuneration Group (FIRG)
- McLagan
- PRPi
- Kepler Associates
- PWC

Throughout the year, BTIM received external advice from Ernst & Young in relation to the JOHCM fund-linked equity arrangements and assistance with the preparation of this remuneration report. PWC were also engaged to provide management with guidance and advice on the Fund Manager Remuneration Scheme and updates on legislative and regulatory developments in the financial services industry.

None of the advice provided during the year from any advisor included a remuneration recommendation (as defined in the *Corporations Amendment (Improving Accountability on Directors and Executive Remuneration) Act 2011*).

Directors' Report continued

EMPLOYEE REMUNERATION STRUCTURE AND POLICY (INCLUDING SENIOR EXECUTIVES)

The remuneration paid and payable to employees including Senior Executives, comprises of fixed and variable cash and deferred equity components. The way these components are determined and their alignment to BTIM Group's performance are outlined below.

Fixed remuneration

Fixed remuneration package consists of base compensation (and includes any fringe benefits and other applicable tax charges related to employee benefits) as well as employer contributions to superannuation⁸ (in the case of BTIM Australia and other legislated payments such as superannuation). The fixed remuneration package for all employees is reviewed annually. The level of fixed remuneration is determined based on competitor market data for each role, internal relativities and in some cases, independent advice. It is aimed at market median (based on geographical location) using external benchmark and anecdotal data. The fixed remuneration package varies based on an employee's role, responsibilities, skills and experience. There are no guaranteed fixed increases included in contracts.

Variable remuneration

While fixed remuneration is an important part of an employee's total remuneration, it is the variable remuneration that provides opportunity for significant financial upside subject to meeting performance hurdles. Further, the equity component of variable remuneration provides alignment with BTIM Group and its shareholders.

Variable remuneration may be granted in the form of a Short Term Incentive (STI) and Long Term Incentive (LTI). In most cases a proportion of the STI is paid in the form of equity with vesting periods of up to five years, whilst the LTI can vest between three and five years and is subject to meeting performance hurdles.

Short Term Incentive

STI plans have been put in place to help retain our people, to reward performance and balance short and long term results by aligning remuneration with shareholders' interests through the allocation of equity.

STI is governed by equity plan rules and the various Corporate, Sales and Boutique/Fund manager variable reward schemes. All variable reward schemes include a cash component and in some cases a deferred equity component, and are designed to motivate employees to meet and exceed their financial and non-financial performance measures. It is important to note the deferred component will typically be greater at higher levels of total remuneration. STI is awarded annually based on an individual's performance against financial and non-financial objectives. In some instances STI may be granted as a sign on or retention-based payment.

Long Term Incentive

An LTI plan (the Performance Reward Scheme (PRS)), was put in place in the 2012 Financial Year for the BTIM Group CEO and in the 2013 Financial Year, the Board extended the application of the LTI plan to all corporate colleagues, including Senior Executives and JOHCM employees. In 2014 a new LTI award was granted to the CEO, JOHCM to reflect the targeted growth strategy in this business.

The PRS is designed to be a broad-based LTI program which provides all corporate employees (with more than 12 months service), with a performance-based equity award aimed at creating alignment between employees and shareholders and a culture of business ownership. Further information on the plan is provided in Table 2a below.

JOHCM remuneration arrangements

BTIM Group has kept in place JOHCM's existing bonus arrangements for sharing in the management and performance fee revenue. JOHCM fund managers with newly established investment strategies are able to participate in the FLE scheme as described above. Transitional arrangements have also been implemented so that equity based remuneration is paid in BTT equity, and is subject to forfeiture restrictions for up to five years.

BTIM Group has put in place other incentive schemes for management and investment professionals together with a broader employee equity program under which BTT equity is earned over a period of time.

The CEO, JOHCM has been granted a new LTI award in the 2014 Financial Year subject to performance hurdles related to BTIM cash EPS growth and net funds under management within JOHCM funds.

Further detail on the fund-linked equity arrangements and the new LTI award for the CEO, JOHCM is provided in Table 2a, 2b and Table 4.

Details of equity-based remuneration

Details of the various equity-based reward plans are noted in Table 2a and 2b below.

⁸ The Superannuation Guarantee Contribution (SGC) increased by a further 0.25% on 1 July 2014 to 9.5% and this increase is reflected in the current Fixed Remuneration Package for the CEO and Senior Executives.

Table 2a: Equity-based employee reward schemes/plans

Table 2a provides an overview of short-term and long-term, equity-based employee variable reward schemes/plans that are in place across the group and their objective. All senior employees of the BTIM group earn part of their remuneration in the form of company shares and as at 30 September 2014, approximately 12% of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible to manage the two employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

Variable Reward Scheme/Plan	Description
BTIM Australia Corporate Variable Reward (VR) Scheme, JOHCM Senior Staff Bonus Scheme and General Staff Bonus Scheme	The three schemes are designed to reward performance specifically for senior and general employees (including the CEO, JOHCM) who work within the BTIM and JOHCM corporate support teams and who do not participate in a revenue share scheme. The variable component for each individual employee is set annually and is based on regular analysis of competitor market data for each role. The schemes are linked to the performance of BTIM Australia and JOHCM through the creation of variable pools from which employees are paid their variable outcomes. The size of the variable pool for each of the three schemes is based on performance against their financial objectives.
Sales Incentive Schemes	The Sales Incentive schemes are designed to reward performance specifically for business development managers who work within the BTIM and JOHCM sales teams. The pool is derived from the actual sales performance of individual members of the sales teams according to an agreed formula which is based on a percentage of net flows from which employees are paid a variable reward. There is also a variable component expressed as a percentage of fixed remuneration that is determined by non-sales factors such as team cooperation, business profitability, client retention and sales support. The formula is different for the 'institutional' sales channels versus the 'retail' (in Australia the wholesale channel and in Europe OEICS) channels.
BTIM Australia and JOHCM Performance Reward Schemes (PRS)	The PRS was implemented in 2012 and is a broad-based LTI program which provides all corporate employees with an amount of equity aimed at rewarding success. Corporate employees who have been employed by BTIM Group for a minimum of 12 months and who commenced employment with BTIM Group prior to, or on, 1 October prior to the award being made are eligible to participate. Under the BTIM Australia PRS, employees may receive an award of performance share rights which vest at the end of a three year performance period, subject to performance hurdles being met, either Cash EPS and TSR or revenue linked targets. Upon meeting the performance hurdles, the performance share rights vest and convert into ordinary BTT shares. Employees are required to be employed by the Company on the date of vesting to be eligible to receive shares granted to them. The award is at the discretion of the Remuneration & Nominations Committee. The performance share rights allocation does not qualify for any dividends throughout the performance period. However, there will be a dividend-equivalent payment made to employees for dividends that apply to the performance period based on the number of performance share rights that ultimately vest at the end of the performance period and are allocated as BTIM ordinary shares. A similar program has been implemented for JOHCM employees who were not employed by JOHCM at the time of the acquisition. This program is aligned to the BTIM Australia scheme except that the hurdle is based on annual growth in JOHCM Cash Operating Profit over a three year performance period. The award is at the discretion of the JOHCM Remuneration Committee.
CEO, JOHCM LTI arrangements	As CEO of JOHCM, in the 2012 Financial Year Gavin Rochussen was granted converting notes subject to performance hurdles over a five-year performance period. During the 2014 Financial Year, to align the remuneration of the CEO, JOHCM with the long-term performance of JOHCM, and BTIM as a whole, and to provide a further retention mechanism, Gavin Rochussen was granted an award of performance shares. The performance shares are fully paid BTT ordinary shares subject to performance hurdles and vesting conditions relating to the CEO JOHCM's continued employment, and are held under the terms of an escrow agreement until the performance shares vest. The performance hurdles relate to growth in BTIM's cash EPS and JOHCM's Cumulative Net FUM Flow. The hurdles are independent and will be tested separately over three, four and five-year performance periods as outlined in Table 4.
BTIM Australia Boutique Variable Reward (VR) Scheme	The Boutique VR Scheme is a scheme to reward performance specifically for investment employees who are in boutiques on a revenue share arrangement. For the 2014 Financial Year, the Equity Strategies and Income & Fixed Interest boutiques operated under their own 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 directly attributable to the boutique.

Directors' Report continued

Variable Reward Scheme/Plan	Description
JOHCM Fund Manager Remuneration Schemes (FMRS)	The FMRS are designed to recognise and reward fund managers for fund performance and asset/client retention. The FMRS cater for two plans depending on the lifecycle of the fund. Those investment professionals managing more established funds receive a variable reward as part of the revenue share which is based on the funds that they manage after taking into account direct costs. A portion of the variable reward is required to be taken in the form of BTT equity with a vesting period of up to five years. FLE Scheme The FMRS also cater for fund managers who are rewarded for growth in newly established investment strategies by receiving a share of the fund's revenue. A key component of the remuneration arrangements for new investment strategies is the FLE scheme. The FLE arrangement provides fund managers with the opportunity to be issued BTT equity depending on the revenue generated by the investment strategies they manage. Three years after the launch of their investment strategy, fund managers can elect to convert a percentage of their FLE to BTT equity over five years (the conversion period). Where fund managers elect to convert FLE to BTT equity, the revenue share to which the fund managers are entitled decreases. The FLE is converted to BTT equity based on a valuation formula which calculates a market value for the FLE based on revenue generated by the relevant fund and other market factors. Following conversion of the FLE to BTT equity, the BTT equity is subject to further vesting criteria and disposal restrictions for up to five years provided the fund manager remains employed with JOHCM. BTIM intends to expand the FLE scheme in the 2015 Financial Year to several investment teams who have been offered a right to participate in the scheme.
JOHCM Long Term Retention Equity	An LTI plan has been put in place to provide long-term retention of certain fund managers which is linked to individual performance. Part of the LTI plan is time-based where a portion of the variable reward is issued as equity and vests over a period up to six years. Selected employees were also issued retention equity which vests over a specified holding period or after cessation of employment, provided certain conditions have been satisfied.

Table 2b: Legacy equity-based employee reward schemes/plans

Table 2b provides an overview of legacy short-term and long-term, equity-based employee variable reward schemes/plans that are in place across the group and their objective.

Variable Reward Scheme/Plan	Description
BTIM Australia General Reward Plan (GRP)	The GRP was discontinued in the 2013 Financial Year and has been replaced with the PRS (as noted in table 2a above). The last award made under the GRP was in the 2012 Financial Year and will vest in the 2015 Financial Year. The GRP was a reward scheme that allowed certain eligible employees to participate in BTIM Australia's success by receiving an offer of BTT equity. The award was at the discretion of the Remuneration & Nominations Committee and took into consideration BTIM Australia's overall financial performance, measured by a relative increase in cash earnings achieved versus the prior year. The maximum value of shares each eligible employee was able to receive was \$2,000 per annum.
JOHCM Long Term Incentive Reward Schemes	Following the JOHCM acquisition, selected employees were granted an equity award that vests subject to performance hurdles linked to the growth in the profitability of the JOHCM business measured over three to five years. Where performance hurdles are not met, the equity lapses. The schemes replaced pre-acquisition LTI schemes and dividends are payable during the performance period.

CEO & OTHER SENIOR EXECUTIVE REMUNERATION COMPONENTS AND PERFORMANCE

The key components of CEO and other Senior Executive remuneration including target remuneration mix for the 2014 Financial Year are summarised below.

Target remuneration mix

The Remuneration & Nominations Committee takes into account a target remuneration mix in determining the level of each remuneration component. When setting target remuneration levels, our key objective is to remain competitive by attracting and retaining highly talented executives. We do this by considering the size and responsibilities of each role, using any relevant executive remuneration surveys and disclosed data. Target remuneration is generally set around the market median.

Each component of remuneration has a direct link to our business strategy as detailed above in the Remuneration Structure section.

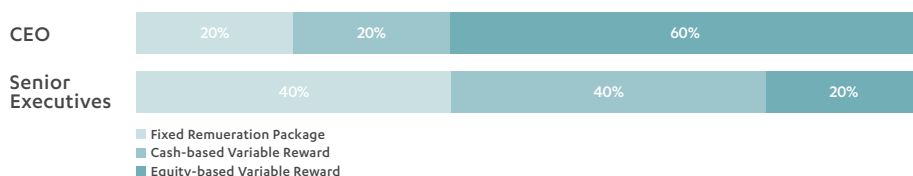
In determining total remuneration levels for the 2014 Financial Year, the Remuneration & Nominations Committee:

- Reviewed fixed remuneration packages⁹ effective from 1 January 2014 as outlined in Table 5a, b and c; and
- 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 which are expected to be provided to the CEO and other Senior Executives in December 2014.

Chart 2 illustrates the target remuneration mix for the CEO and other Senior Executives.

Details of the remuneration components for the 2014 Financial Year for the CEO and other Senior Executives are included in Table 5a.

Chart 2: CEO and other Senior Executives – target remuneration mix



⁹ The fixed remuneration packages set out in Tables 5a, b and c include the mandatory SGC increase effective from 1 July 2014.

Directors' Report continued

Other Senior Executive performance

Each year the CEO, taking into consideration market data and the scope of the role, considers the appropriate variable reward target for each Senior Executive and makes recommendations to the Committee who discuss and approve the remuneration package for the CEO's direct reports. Changes in company profitability that impact the size of the Corporate VR pool are an important determinant in Senior Executive variable outcomes with non-financial factors also having an influence. Financial performance indicators considered include Company profitability, expense management and sales performance.

At the beginning of each year, the CEO outlines for each Senior Executive a set of priorities and key deliverables that align with the goals of the business. These discussions include a review of key achievements during the period under review as well as areas for improvement and focus going forward. The non-financial measures that are incorporated will differ from one Senior Executive to the next depending on the role but will capture areas specific to that Senior Executive's role such as business strategy, people management, quality and delivery of project work, client satisfaction, support to the boutiques, ability to resolve issues and risk management.

The CEO meets regularly with his direct reports to assess progress and adjust or change priorities depending on the needs of the business. A more formal review of achievements and an assessment against objectives is carried out twice a year. The CEO reviews the performance of his Senior Executives annually with the Committee.

DETAIL OF CEO AND CEO, JOHCM REMUNERATION

Detail of remuneration awarded to the CEO in 2014

The following table outlines the CEO's remuneration structure and remuneration awarded in relation to performance for the 2014 Financial Year.

Table 3: CEO remuneration structure

Remuneration component	Description										
Fixed remuneration \$602,753	Fixed remuneration package consists of base compensation (and includes any fringe benefits and other applicable tax charges related to employee benefits) as well as employer contributions to superannuation¹⁰. There was no change in the CEO's fixed remuneration package for 2014, other than the mandatory increase in SGC of 0.25%, effective 1 July 2014.										
Short Term Incentive \$1,400,000	The VR outcome is approved annually by the Board. Under the current structure, 50% of the awarded STI outcome is delivered as deferred equity, subject to vesting over five years. The CEO's STI target is directly linked to performance measures that are set annually by the Board, as part of the annual performance review cycle. The CEO's target STI in the 2014 Financial Year was \$1.4m. 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 2014 outcome of \$1.4m reflects the Boards assessment of the CEO's performance against a set of financial and non-financial measures.										
Long Term Incentive \$1,000,000	The CEO's long term incentive arrangements have been put in place to align the CEO to longer term company performance and success. The LTI award for which performance is measured over three years, from 1 October at the beginning of the performance period, was first issued in the 2012 Financial Year under the PRS (refer to table 8). For the 2014 Financial Year allocation, the award vests based on performance over three financial years (i.e. 2014 Financial Year to 2017 Financial Year). No value is delivered unless hurdles are met. The award is subject to two equally weighted hurdles: 1. 50% (\$500,000) subject to relative TSR against a comparator group, and 2. 50% (\$500,000) subject to Cash EPS growth. TSR performance hurdle The TSR portion of awards vests as follows, subject to relative performance against the S&P/ASX 200 Accumulation Index. <table> <tr> <th>TSR performance</th><th>Percentage of TSR-tested award to vest</th></tr> <tr> <td>Below weighted median</td><td>Nil</td></tr> <tr> <td>At weighted median</td><td>50%</td></tr> <tr> <td>Between the median and top quartile</td><td>Straight line between 50% and 100%</td></tr> <tr> <td>At or above top quartile</td><td>100%</td></tr> </table>	TSR performance	Percentage of TSR-tested award to vest	Below weighted median	Nil	At weighted median	50%	Between the median and top quartile	Straight line between 50% and 100%	At or above top quartile	100%
TSR performance	Percentage of TSR-tested award to vest										
Below weighted median	Nil										
At weighted median	50%										
Between the median and top quartile	Straight line between 50% and 100%										
At or above top quartile	100%										

¹⁰ The CEO's fixed remuneration package includes the mandatory SGC increase effective from 1 July 2014.

Remuneration component
Description
EPS performance hurdle

The Cash EPS portion of awards vests as follows, based on compounded annual growth (CAGR) performance.

Cash EPS CAGR	Percentage of cash EPS-tested award to vest
Less than or equal to 5% CAGR	Nil
Above 5% CAGR	50%
Above 5% CAGR but less than 10% CAGR	Vesting occurs on a straight-line basis from 50% to 100%
At or above 10% CAGR	100%

If the hurdles are not met, the award will be forfeited. The CEO can only access up to 100% of the award based on both performance hurdles being met at the maximum level.

For the LTI award for which performance is measured over three years from 1 October 2011, the TSR and Cash EPS performance have been tested and the performance hurdles have both been achieved at the maximum level. (Refer to Chart 2 for further details).

Performance rights do not carry any dividend or voting rights throughout the performance period. However, there will be a dividend-equivalent payment made to the CEO for dividends that apply to the performance period based on the number of performance share rights that ultimately vest at the end of the performance period and are allocated as BTT ordinary shares. The payment will be cash settled and paid on or around the date of allocation and will be subject to PAYG withholding tax.

It is intended that a new LTI grant will be made to the CEO in the 2015 Financial Year.

Details of the JOHCM CEO's Long Term Incentive Arrangements

The following table outlines the JOHCM CEO's LTI arrangements introduced in the 2014 Financial Year.

Table 4: CEO, JOHCM LTI arrangements

Remuneration component	Description	
JOHCM CEO's Long Term Incentive arrangements	As CEO of JOHCM, in the 2012 Financial Year Gavin Rochussen was granted 968,728 converting notes subject to performance hurdles over a five-year performance period.	
	During the 2014 Financial Year, as an additional incentive to align the remuneration of the CEO, JOHCM with the long-term performance of JOHCM, and BTIM as a whole, and to provide a further retention mechanism, Gavin Rochussen was granted 2,049,230 performance shares, comprising of fully-paid BTT ordinary shares.	
	The performance shares are subject to performance hurdles and vesting conditions relating to the CEO, JOHCM's continued employment, and are held (along with dividends that arise during the performance period) under the terms of an escrow agreement until the performance shares vest.	
	The performance hurdles relate to growth in BTIM's cash EPS and JOHCM's Cumulative Net FUM Flow. The hurdles are independent and will be tested separately over three, four and five year performance periods as outlined below.	
	(1) Cash EPS CAGR	
	60% of the performance shares are subject to a cash EPS hurdle based on compound annual growth in BTIM's Cash EPS over the relevant performance period.	
	The performance shares subject to the EPS growth hurdle are split into two equal tranches with separate growth targets and performance periods for each tranche. Within the first tranche (Tranche A), the performance shares are split into three equal sub-tranches with performance periods of three, four and five years respectively. The second tranche (Tranche B) is split into two equal sub-tranches with performance periods of three and four years respectively.	
The proportion of performance shares subject to the EPS hurdle that vest will be determined by reference to the growth in Cash EPS achieved over the relevant performance period as follows:		
Tranche A		
Annual compound growth in cash EPS	Proportion of tranche that vests (%)	Performance period for each sub-tranche – from 1 October 2013 to:
Less than 5%	0%	
5% to 10%	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Sub-tranche 1: 30 September 2016 Sub-tranche 2: 30 September 2017 Sub-tranche 3: 30 September 2018
10% or higher	100%	

Directors' Report continued

Remuneration component

Description

Annual compound growth in cash EPS

Proportion of tranche that vests (%)

Performance period for each sub-tranche – from 1 October 2013 to:

Less than 16%

0%

16% to 24%

Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)

Sub-tranche 1: 30 September 2017
Sub-tranche 2: 30 September 2018

24% or higher

100%

Tranche B

(2) Cumulative Net FUM Flow

40% of the performance shares are subject to a hurdle based on Cumulative Net FUM Flow ("FUM hurdle"), relating to net funds into the JOHCM range of funds, segregated mandates and any other JOHCM pooled vehicles.

The performance shares subject to the FUM hurdle are split into two equal sub-tranches. The first sub-tranche has an initial performance period of four years, with ability to re-test performance over an extended five-year period to the extent the FUM hurdle is not achieved over the initial four-year period. The second sub-tranche has a performance period of five years.

The percentage of performance shares subject to the FUM hurdle that vest, if any, will be determined by reference to the Cumulative Net FUM Flow over the relevant performance period, as follows:

Cumulative Net FUM Flow

Awards subject to FUM hurdle that vest (%)

Performance period for each tranche – from 1 October 2013 to:

Less than £4bn

0%

£4bn to £8bn

Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)

Sub-tranche 1: 30 September 2017
(with opportunity to re-test performance at 30 September 2019)
Sub-tranche 2: 30 September 2018

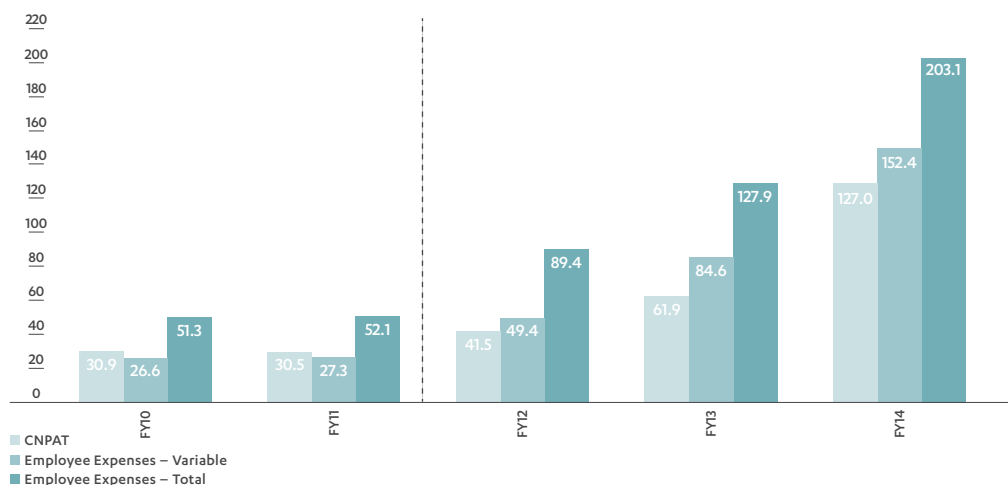
£8bn or higher

100%

LINK BETWEEN REMUNERATION OUTCOMES AND GROUP PERFORMANCE

Chart 3 demonstrates the linkage between Group performance (i.e. Cash NPAT) and overall remuneration outcomes (i.e. variable reward and total employee expenses) over the last five years. The 2010 and 2011 Financial Years are not comparable with the 2012 to 2014 Financial Years given the expanded BTIM Group following the acquisition of JOHCM. Remuneration outcomes and company performance is linked primarily via the contracted revenue scheme with the fund managers and the variable reward scheme for corporate employees including Senior Executives. The schemes link variable remuneration to either a change in revenue as is the case for the fund managers under a revenue sharing agreement or a change in company profitability in the case of corporate employees. The 2014 Financial Year variable remuneration was impacted by a strong outcome on performance fees where fund managers have a greater share.

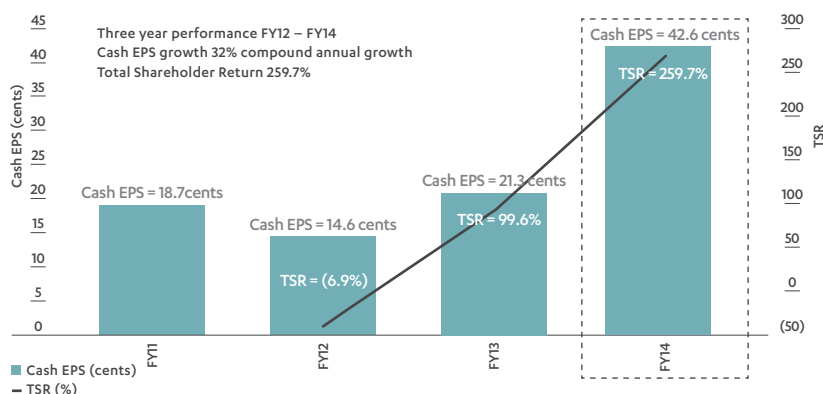
Chart 4: VR Outcomes compared to Company performance over the last five years ¹



The 2012 Financial Year LTI grant valued at \$1 million and issued to the CEO under the Performance Reward Scheme was subject to two performance hurdles including TSR and Cash EPS and is the first grant to mature under this scheme. Chart 3 illustrates the performance of the hurdles during the three year period as follows:

- TSR: 50% of award.** BTIM's TSR over the three-year performance period of 259.7% was in the top quartile of the ASX 200 comparator group and so, 100% of the relative TSR portion of the award will vest.
- Cash EPS growth: 50% of award.** Target range of greater than 5% to 10% annual compound growth in EPS over the three year performance period has been exceeded, therefore 100% of the Cash EPS portion of the award will vest.

Chart 4: Performance Reward Scheme – TSR and Cash EPS outcomes over the three year performance period



¹ Some FY10–12 items have been re-classified for consistency purposes.

Directors' Report continued

CEO AND OTHER SENIOR EXECUTIVE REMUNERATION IN THE 2014 FINANCIAL YEAR

The following Section contains both statutory (in accordance with AASB2) and voluntary disclosures of awarded remuneration for the CEO and Senior Executives. The differences between tables 5a, 5b and 5c are typically in relation to the treatment of share-based payments:

- Table 5a: Voluntary disclosure outlining the grant value of share-based payments under the short- and long-term equity awards for the current financial year (i.e., the potential value, at grant, of equity awards assuming the satisfaction of all performance hurdles)
- Table 5b: Voluntary disclosure outlining the vested value of share-based payments under the short- and long-term equity awards for the current financial year (i.e., the realised value of equity awards based on current performance; a "cash" table)
- Table 5c: Mandatory disclosure in accordance with AASB2 outlining the amortised value of share-based payments under the short- and long-term equity awards for the current financial year

Table 5a: Voluntary disclosure of awarded remuneration for the CEO and other Senior Executives in the 2014 and 2013 Financial Years, based on the grant value of share-based payments

EMPLOYMENT BENEFITS										

Notes to Table 5a

- The cash component of VR represents the award for performance during the 2014 Financial Year and will be paid in December 2014. These projected amounts were determined on 25 September 2013, after performance reviews were completed, and approved by the Board. 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 5a represents the actual short term equity awarded for performance for the 2014 Financial Year. These projected amounts were determined on 25 September 2014, after performance reviews were completed, and approved by the Board. 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 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 non-monetary benefits provided to Gavin Rochussen include healthcare coverage, life cover and long term disability cover.
- Gavin Rochussen is remunerated in Pounds Sterling. An average exchange rate of 0.5473 (2013: 0.6384) has been applied to convert his remuneration to Australian dollars. His remuneration package consists of a fixed remuneration component of £330,000 and he is a participant in four equity schemes including the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.
With effect from 26 October 2011, a portion of any annual bonus in respect of the relevant financial year payable under the Senior Staff Bonus Scheme is deferred and paid in BTT equity (Senior Staff Bonus Deferred Shares). The Senior Staff Bonus Deferred Shares will be held over the period of five years from the date the bonus is deferred (the Deferral Period). 20% of the Senior Staff Bonus Deferred Shares will become capable of sale or transfer on the Relevant Date after each anniversary of the date the bonus is deferred into Senior Staff Bonus Deferred Shares.

- 6 Jennifer Davies was appointed to the Executive team from 1 October 2013 and was not a KMP in the 2013 Financial Year. Therefore remuneration details for the 2013 Financial Year are not required to be disclosed.
- 7 Chris Clayton commenced employment with BTIM on 1 July 2014. His fixed remuneration package has been pro-rated for period employed during the 2014 Financial Year. He did not qualify for a bonus in the 2014 Financial Year. The short term equity granted in the 2014 Financial year represents a sign on grant. Hayden King commenced employment with BTIM on 17 March 2014. His fixed remuneration package and bonus has been pro-rated for the period employed during the 2014 Financial Year. The Long Term equity granted in the 2014 Financial year represents a sign on grant.
- 8 Geraldine Bouquet was on maternity leave during the 2014 Financial Year. Her fixed and variable remuneration represents a pro-rata amount for the 2014 Financial Year.
- 9 Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
- 10 All LTI awards granted to Senior Executives are subject to performance hurdles. The amounts represented in Table 5a represent the face value of the grants at time of issue. Actual outcomes may differ materially from zero to the value of shares represented by the number of shares that meet the performance hurdles at the time of vesting.

Table 5b: Voluntary disclosure of awarded remuneration for the CEO and other Senior Executives in the 2014 Financial Year based on the value of vested share-based payments

EMPLOYMENT BENEFITS										

Directors' Report continued

Table 5c: Mandatory disclosure of awarded remuneration for the CEO and other Senior Executives in the 2014 and 2013 Financial Years based on AASB2 requirements

EMPLOYMENT BENEFITS										
SHORT TERM							LONG TERM	SHARE-BASED PAYMENTS		
FY	Salary & fees \$	Super-annuation benefits ⁷ \$	Total fixed remuneration \$	Cash component of VR ¹ \$	Non-monetary benefits ⁴ \$	Long service leave ⁷ \$	LTI Equity payments ^{3&9b} \$	STI Equity payments ^{2a&3} \$	Total \$	
CEO and other Senior Executives										
Emilio Gonzalez ⁸	14	562,997	27,500	590,497	700,000	12,502	14,014	889,721	1,115,750	3,322,484
	13	564,549	25,000	589,549	700,000	10,768	5,877	625,286	957,968	2,889,448
Geraldine Bouquet ⁶	14	221,253	20,511	241,764	67,500	0 (29,044)	43,235	11,537		334,992
	13	211,305	19,067	230,372	90,000	0	12,705	22,081	24,327	379,485
Chris Clayton ⁵	14	79,920	7,371	87,291	0	0	1,306	0	118,654	207,251
	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jennifer Davies	14	252,276	23,362	275,638	113,827	0	7,766	30,814	12,486	440,531
	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hayden King ⁵	14	146,977	13,249	160,226	86,112	0	2,220	26,443	6,954	281,955
	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Gavin Rochussen	14	602,960	0	602,960	844,144	9,342	0	3,333,053	480,538	5,270,037
	13	505,169	0	505,169	723,684	7,816	0	383,616	274,729	1,895,014
Cameron Williamson ⁸	14	311,890	25,573	337,463	274,338	0	10,588	67,382	153,457	843,228
	13	291,941	24,924	316,865	262,733	0	4,491	27,601	145,155	756,845
Total CEO and other Senior Executive Remuneration	14	2,178,273	117,566	2,295,839	2,085,921	21,844	6,850	4,390,648	1,899,376	10,700,478
	13	1,572,964	68,991	1,641,955	1,776,417	18,584	23,073	1,058,584	1,402,179	5,920,792

Notes to Table 5b and 5c

- The cash component of VR represents the award for performance during the 2014 Financial Year and will be paid in December 2014. These projected amounts were determined on 25 September 2014, after performance reviews were completed and approved by the Board. It should be noted there may be immaterial changes to these figures following finalisation of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- Equity-based remuneration in Tables 5b and 5c are represented differently and as follows:
 - equity-based remuneration in Table 5c 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 2014, and does not represent the vested portions of the grant (refer to Table 7). '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, and
 - In table 5b the actual equity that vested on 1 October 2014 has been treated as vesting the 2014 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2014, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
- The equity component of the VR outcome for KMPs for the 2014 Financial Year is not included in Tables 5b and 5c as the equity was not granted in the 2014 Financial Year and will be reported in the 2015 Financial Year. Table 7 includes equity that vested on 1 October 2014.
- The non-monetary benefit for Emilio Gonzalez 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 non-monetary benefits provided to Gavin Rochussen include healthcare coverage, life cover and long term disability cover.
- Chris Clayton joined BTIM on 1 July 2014. His fixed remuneration package has been pro-rated for period employed during the 2014 Financial Year. He did not qualify for a bonus in the 2014 Financial Year. The short term equity granted in the 2014 Financial year represents a sign on grant. Hayden King joined BTIM on 17 March 2014. His fixed remuneration package and bonus has been pro-rated for the period employed during the 2014 Financial Year. The Long Term equity granted in the 2014 Financial year represents a sign on grant.
- Geraldine Bouquet was on maternity leave during the 2014 Financial Year. Her fixed and variable remuneration represents a pro-rata amount for the 2014 Financial Year.

- 7 Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued during the 2014 Financial Year in accordance with actuarial-based valuation methodologies. Geraldine Bouquet took long service leave during the year which resulted in a negative adjustment of \$29,044.
- 8 Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
- 9 Long term equity payments in tables 5b and 5c are represented differently and as follows:
- In table 5b the actual long term equity that vested on 1 October 2014 has been treated as vesting in the 2014 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2014, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
 - In table 5c the LTI equity has been valued independently by Ernst & Young using Binomial/Monte-Carlo simulation models which take into account the performance hurdles relevant to the issue of those equity instruments. The share-based payment remuneration in relation to the LTI equity is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market hurdles. For grants with non-market conditions including EPS hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed is adjusted accordingly. For grants with market conditions such as TSR, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment are made to the amount expensed in the financial statements (except if the service condition is not met). The accounting treatment of non-market and market conditions is in accordance with Accounting Standards.

Table 6: 2014 and 2013 Financial Years fixed and variable remuneration as a proportion of total remuneration

Table 6 illustrates the relative proportions of remuneration in the relevant financial year (calculated based on AASB2 disclosures; i.e., Table 5c) as a percentage of total remuneration that are linked to performance, IPO, sign on, retention and those that are fixed components. Table 6 differs to Chart 2 which is based on the grant value of any share-based payments (refer to Table 5a).

	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	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
CEO and other Senior Executives						
Emilio Gonzalez	19	21	21	24	60	55
Geraldine Bouquet	64	64	20	24	16	12
Chris Clayton ³	43	n/a	0	n/a	57	n/a
Jennifer Davies ⁴	64	n/a	26	n/a	10	n/a
Hayden King ⁵	58	n/a	31	n/a	11	n/a
Gavin Rochussen	12	27	16	38	72	35
Cameron Williamson	41	42	33	35	26	23

Notes to Table 6

- The equity component represented in this table includes the equity component of VR for the 2014 and 2013 Financial Years and long term incentives.
- Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.
- Chris Clayton commenced employment with BTIM on 1 July 2014 and was not eligible to receive a short term incentive bonus in the 2014 Financial Year. Mr Clayton was not employed by the Company in the 2013 Financial Year and therefore the 2013 remuneration comparison is not applicable.
- Jennifer Davies was not a KMP for the 2013 Financial Year, therefore disclosure of her 2013 remuneration comparison is not required.
- Hayden King commenced employment with BTIM on 17 March 2014 and was only eligible for a pro-rata bonus. Mr King was not employed by the Company in the 2013 Financial Year and therefore the 2013 remuneration comparison is not applicable.

Directors' Report continued

Share based-payments

Table 7: CEO and other Senior Executive short term 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 7:

	Date of grant	Number of shares granted (#)	Value of award at grant (\$ per award)	Number of shares vested 1 Oct 2014	Proportion of award vested (%)	Proportion of award forfeited (%)
CEO						
Emilio Gonzalez	10 Mar 10	762,650	2.98	76,265	100	0
	2 Dec 10	326,809	2.83	65,362	80	0
	1 Dec 11	553,708	1.95	193,798	55	0
	6 Dec 12	301,265	2.20	60,253	40	0
	5 Dec 13	214,822	4.86	42,964	20	0
Other Senior Executives						
Geraldine Bouquet	2 Dec 10	26,144	2.83	5,810	81	0
	1 Dec 11	30,454	1.95	7,613	100	0
Chris Clayton	3 Jul 14	73,079	6.58	0	0	0
Jennifer Davies	1 Dec 11	21,455	1.95	5,248	98	0
Gavin Rochussen	2 May 12	50,366	2.15	10,073	40	0
	6 Dec 12	61,407	2.20	12,281	40	0
	5 Dec 13	105,979	4.86	21,196	20	0
Cameron Williamson	22 Feb 10	16,148	3.10	3,229	100	0
	2 Dec 10	18,603	2.83	3,721	80	0
	1 Dec 11	204,810	1.95	50,098	96	0
	6 Dec 12	31,375	2.20	6,275	40	0
	5 Dec 13	32,919	4.86	6,584	20	0

Notes to Table 7

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

Long Term Performance

Our remuneration outcomes also focus on driving performance and creating shareholder alignment in the longer term. We do this by providing our CEO and other Senior Executives with LTI awards in the form of performance share rights, performance shares and converting notes with three and five year vesting periods. Vesting is subject to performance against TSR and cash EPS hurdles. The table below provides an overview of the CEO and other Senior Executives current LTI awards which have not yet vested.

Table 8 – CEO and other Senior Executive long term incentive awards

Table 8 details the performance rights and converting notes granted as compensation to the CEO and the other Senior Executives under the Employee Equity Plans during the 2014 Financial Year:

2014 Financial Year	Commencement of Test Period for Grant	Award vehicle	No. of awards granted	Value of award at grant TSR Hurdle ¹ \$	Value of award at grant Non TSR Hurdle \$	Date of vesting ²	Vested during the year ³	Lapsed during the year	Balance as at 1 Oct 2014
Emilio Gonzalez	1 Oct 11	Performance Share Rights	495,417	1.26	1.98	1 Oct 14	495,417	0	0
	1 Oct 12	Performance Share Rights	491,424	1.29	2.08	1 Oct 15	0	0	491,424
	1 Oct 13	Performance Share Rights	228,618	2.66	4.28	1 Oct 16	0	0	228,618
Geraldine Bouquet	1 Oct 12	Performance Share Rights	39,313	1.29	2.08	1 Oct 15	0	0	39,313
	1 Oct 13	Performance Share Rights	18,289	2.66	4.28	1 Oct 16	0	0	18,289
Chris Clayton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jennifer Davies	1 Oct 12	Performance Share Rights	17,199	1.29	2.08	1 Oct 15	0	0	17,199
	1 Oct 13	Performance Share Rights	18,289	2.66	4.28	1 Oct 16	0	0	18,289
Hayden King	1 Oct 13	Performance Share Rights	22,861	2.66	4.28	1 Oct 16	0	0	22,861
Gavin Rochussen	1 Oct 11	Converting Notes	968,728	n/a	1.98	1 Oct 16	0	0	968,728
	1 Oct 13	Performance Shares	204,923	n/a	6.13	1 Oct 16	0	0	204,923
	1 Oct 13	Performance Shares	922,154	n/a	6.13	1 Oct 17	0	0	922,154
	1 Oct 13	Performance Shares	204,923	n/a	6.13	1 Oct 18	0	0	204,923
	1 Oct 13	Performance Shares	717,230	n/a	6.13	1 Oct 19	0	0	717,230
Cameron Williamson	1 Oct 12	Performance Share Rights	49,142	1.29	2.08	1 Oct 15	0	0	49,142
	1 Oct 13	Performance Share Rights	34,392	2.66	4.28	1 Oct 16	0	0	34,392

Notes to Table 8

- Table 8 outlines the fair value of the performance share rights which has been based on Australian Accounting Standards and has been independently calculated using Binomial/Monte-Carlo simulation models. For further details on the fair value methodology, refer to Note 30 in the financial statements.
- The LTIs are subject to performance hurdles which are tested at the end of three years for performance share rights and at the end of five years for converting notes.
- The Performance Share rights allocated to Emilio Gonzalez with a test period commencement date at 1 October 2011 have met both performance hurdles and are treated as having vested in this table.

Directors' Report continued

Table 9: Components of variable remuneration

Table 9 outlines the cash VR and VR deferred to equity awarded to the CEO and other Senior Executives with an associated vesting schedule for the 2014 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 and 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 share at grant as reflected as follows:

CEO and other Senior Executives	Cash component of VR \$	FY of grant	Value of equity grants at grant \$	Minimum total value of grant yet to vest \$	MAXIMUM COST OF EQUITY GRANTS ALLOCATED BY THE COMPANY THAT MAY VEST IN FUTURE YEARS ^{1&2}				
					FY15 \$	FY16 \$	FY17 \$	FY18 \$	FY19 onwards \$
Emilio Gonzalez	700,000	10	2,272,697	Nil	227,270	0	0	0	0
		11	924,869	Nil	184,974	184,973	0	0	0
		12	1,079,731	Nil	377,906	242,941	242,938	0	0
		12	802,576	Nil	802,576	0	0	0	0
		13	662,783	Nil	132,557	132,557	132,556	132,556	0
		13	828,049	Nil	0	828,049	0	0	0
		14	1,044,035	Nil	208,805	208,805	208,805	208,810	208,810
		14	793,304	Nil	0	0	793,304	0	0
Geraldine Bouquet	67,500	11	73,988	Nil	16,442	14,388	0	0	0
		12	59,385	Nil	14,845	0	0	0	0
		13	66,242	Nil	0	66,242	0	0	0
		13	63,463	Nil	0	0	63,463	0	0
		14	0	Nil	0	0	0	0	0
Chris Clayton	n/a	14	480,860	Nil	0	288,516	96,172	96,172	0
Jennifer Davies	113,827	12	40,938	Nil	10,234	0	0	0	0
		12	899	Nil	0	899	0	0	0
		13	28,980	Nil	0	28,980	0	0	0
		14	63,463	Nil	0	0	63,463	0	0
Hayden King	86,112	14	79,328	Nil	0	0	79,328	0	0
Gavin Rochussen	844,144	12	108,289	Nil	21,657	21,657	21,657	21,658	0
		12	1,918,082	Nil	0	0	1,918,082	0	0
		13	135,098	Nil	27,019	27,019	27,019	27,020	0
		14	515,058	Nil	103,013	103,013	103,012	103,012	103,008
		14	12,561,780	Nil	0	0	1,256,178	5,652,804	5,652,798
Cameron Williamson	274,338	10	50,000	Nil	10,000	0	0	0	0
		11	52,646	Nil	10,530	10,526	0	0	0
		12	399,380	Nil	97,691	8,613	8,614	0	0
		13	69,025	Nil	13,805	13,805	13,805	13,805	0
		13	82,804	Nil	0	82,804	0	0	0
		14	119,340	Nil	0	0	119,340	0	0

Notes to Table 9

- The equity grants comprise shares, converting notes and performance share rights. The equity grants issued vest over three or five years with vesting dates of 1 October each year in most cases.
- The vesting schedule for the sign on equity allocation and a component of VR equity allocations for Emilio Gonzalez (granted in March 2010 and December 2011) and a component of the VR equity for the other Senior Executives differs from the standard vesting schedule, whereby shares vest equally over five years.

CEO AND OTHER SENIOR EXECUTIVE EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the CEO and other 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 CEO and other 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 10 and 11.

Table 10: Summary of notice periods

Name	Notice period
Emilio Gonzalez	6 months
Geraldine Bouquet	1 month
Chris Clayton	3 months
Jennifer Davies	3 months
Hayden King	3 months
Gavin Rochussen	6 months
Cameron Williamson	3 months

Table 11: 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: • 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, and • 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.
	Gavin Rochussen	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration as at the date of termination of employment • any payment of a VR in the year of termination, including cash and/or equity, will be determined by the Board at its discretion, and • If employment ceases on the grounds of redundancy, ill-health/disability or death, those BTT equity subject to an LTI award, which have not reached their vesting dates, will be subject to Board approval.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: • 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 a 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, and • 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.

Directors' Report continued

Term	Who	Conditions
Termination for cause	Emilio Gonzalez, CEO	Any amount payable on the termination of employment will be made up of the following components: • 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, and • no entitlement to any VR for the year in which termination occurs or to any unvested equity grants.
	Gavin Rochussen	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration as at the date of termination of employment, and • 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.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: • 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, and • any payment of a 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.

Post-employment restraint

Employment agreements for the CEO and other Senior Executives include a post-employment restraint clause which provides that for a period of six months (in the case of Emilio Gonzalez, Gavin Rochussen and Geraldine Bouquet) and three months (in the case of all other Senior Executives) after cessation of employment, there is a prohibition during that period on soliciting employees or clients of the Company.

NON-EXECUTIVE DIRECTOR REMUNERATION AND EMPLOYMENT AGREEMENTS

Non-executive Directors' fees

Non-executive directors (NED) are paid a fixed fee for their service on the Board. NEDs (other than the Board Chairman) receive additional fees for their service on the Board's committees. In addition to these fixed fees, NEDs also receive superannuation contributions 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.

NED fees were initially determined before the Company's listing on the Australian Stock Exchange (ASX) in December 2007. Since that time, NED fees have been reviewed on one occasion (during the 2013 Financial Year). A summary of the changes to NED fees following this review were disclosed in the Company's 2013 Remuneration Report. No further changes have been made to NED fees since the review in 2013.

A summary of the fees payable to NEDs during the 2014 Financial Year are set out in Table 12 below.

Table 12: Non-executive director fees

BTIM Board fees	Fee policy (\$'000s)
Board Chairman	220
Other Non-executive Directors	100
BTIM Committee fees	Fee policy (\$'000s)
Audit & Risk Management Committee – Chairman	40
Audit & Risk Management Committee – Member	20
Remuneration & Nominations Committee – Chair	30
Remuneration & Nominations Committee – Member	15
Subsidiary Board and Committee fees	Fee policy (\$'000s)
Non-executive Director and Audit & Risk Management Committee – Chairman	70

Non-executive directors' annual fee pool

BTIM's Constitution sets a maximum aggregate amount that can be paid in fees to all NEDs each year (Annual NED Fee Pool). At BTIM's Annual General Meeting on 6 December 2013, shareholders approved an increase in the Annual NED Fee Pool from \$800,000 to \$1,000,000 per year. The fees paid to NEDs during the 2014 Financial Year are set out in Table 13.

Fees for Directorship of JOHCM Holdings

Prior to his appointment as Chairman of the Board on 6 December 2013, James Evans was a non-executive director of JOHCM Holdings and the Chairman of the Audit & Risk Committee of JOHCM Holdings. Mr Evans was paid an additional fee in relation to that directorship, which is disclosed in Table 13 below.

On 6 February 2014, Andrew Fay was appointed a Non-executive director of JOHCM Holdings and the Chairman of the Audit & Risk Committee. Mr Fay was paid an additional fee in relation to that directorship, which is disclosed in Table 13 below.

The fees paid to Mr Evans and Mr Fay in relation to their service as a director of JOHCM Holdings is included in the Annual NED Fee Pool.

Retirement allowances

No allowance is payable on the retirement of Non-executive directors. Superannuation payments are made in line with legislative requirements.

Remuneration for Non-executive directors

Listed below (refer to Table 13) are details of the nature and amount of each major element of remuneration for each of the NEDs. The fees paid to NEDs in the 2014 and 2013 Financial Year are shown in Table 13.

Table 13: 2014 & 2013 Non-executive director remuneration

2014 Financial Year	Notes	Fees \$	Superannuation \$	Total \$
Non-Executive directors				
James Evans	2014 3, 4	217,012	17,939	234,951
	2013 3, 4	203,985	18,424	222,409
Meredith Brooks	2014	126,705	11,795	138,500
	2013 1	57,011	5,200	62,211
Brad Cooper	2014 2	0	0	0
	2013 2	0	0	0
Andrew Fay	2014 5	179,847	15,831	195,678
	2013	108,659	9,854	118,513
Carolyn Hewson	2014 6	32,184	2,977	35,161
	2013	114,330	10,359	124,689
Deborah Page	2014 7	61,552	5,771	67,323
Brian Scullin	2014 8	47,203	3,873	51,076
	2013	219,157	16,707	235,864
Total	2014	664,503	58,186	722,689
	2013	703,142	620,544	763,686

Notes to Table 13

- Meredith Brooks was appointed to the Board on 1 April 2013.
- Brad Cooper is an employee of Westpac and did not receive additional remuneration as a Director of BTIM.
- James Evans was appointed Chairman of the Board on 6 December 2013.
- As a result of the ASX Listing Rule 10.17 having been amended to clarify that the fee pool for NEDs is to include: "all fees payable by the entity (BTIM) or any of its child entities (subsidiaries) to a non-executive director for acting as a director of the entity or any child entity (subsidiary) (including attending and participating in any board committee meetings) which came into effect 1 July 2014, James Evans fees for the 2014 Financial Year includes an additional fee of approximately \$19,115 (representing a pro rata amount for the period served) paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings. Fees for the 2013 Financial Year have been re-stated to include the additional fee of \$70,000-paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings.
- Andrew Fay's fees for the 2014 Financial Year include an additional fee of \$45,500 (representing a pro rata amount for the period served) paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings.
- Carolyn Hewson retired as a NED on 20 December 2013.
- Deborah Page was appointed a NED on 7 April 2014.
- Brian Scullin retired as Chairman of the Board and as a NED on 6 December 2013.

Directors' Report continued

Payments to persons before taking office

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

Non-executive director employment 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 in relation to tenure, remuneration and other matters relevant to the office of the NED.

DIRECTOR AND SENIOR EXECUTIVE HOLDINGS

Table 14: Director and Senior Executives holdings

Table 14 represents all holdings, including holdings not yet vested. For vesting, refer to Table 9.

IN THE 2014 FINANCIAL YEAR:						
Non-executive Directors	Type of holding	Equity held at 1 October 2013	Number of securities acquired	Number of securities granted as remuneration	Net change other	Equity held at 30 September 2014
James Evans	Ordinary	5,000	5,000	0	0	10,000
Brad Cooper	Ordinary	0	0	0	0	0
Andrew Fay	Ordinary	12,500	0	0	0	12,500
Deborah Page	Ordinary	0	0	0	0	0
Meredith Brooks	Ordinary	10,000	0	0	0	10,000
Total for Non-executive Directors		27,500	5,000	0	0	32,500
CEO and other Senior Executives						
Emilio Gonzalez	Ordinary	2,024,432	0	214,822	(510,273)	1,728,981
	Performance share rights	986,841	0	228,618	0	1,215,459
Geraldine Bouquet	Ordinary	36,288	0	0	(18,507)	17,781
	Performance share rights	39,313	0	18,289	0	57,602
Chris Clayton	Ordinary	0	0	73,079	0	73,079
Jennifer Davies	Ordinary	22,181	0	0	(16,472)	5,709
	Performance share rights	17,199	0	18,289	0	35,488
Hayden King	Performance share rights	0	0	22,861	0	22,861
Gavin Rochussen ¹	Ordinary	111,773	0	105,979	(32,430)	185,322
	Converting Notes	2,478,870	0	0	0	2,478,870
	Loan notes	2	0	0	0	2
	Performance shares	0	0	2,049,230	0	2,049,230
Cameron Williamson	Ordinary	162,933	0	32,919	(30,000)	165,852
	Performance share rights	49,142	0	34,392	0	83,534
Total for CEO and other Senior Executives		5,928,974	0	2,798,478	(607,682)	8,119,770

Notes to Table 14

Loan notes and converting notes awarded to Gavin Rochussen were granted in exchange for his shares in JOHCM at the time of the acquisition.

Auditors

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 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, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the 2014 Financial Year the following fees paid or payable for non-audit services provided by the auditor of the BTIM Group, its related practices and non-related audit firms:

	2014 \$	2013 \$
Other assurance services		
PricewaterhouseCoopers – Australian firm	39,460	–
PricewaterhouseCoopers – UK firm	5,572	58,740
Total remuneration for non-audit services	45,032	58,740

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 72.

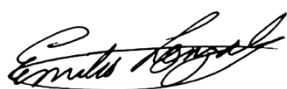
This Directors' Report is made in accordance with a resolution of Directors.



James Evans

Chairman

30 October 2014



Emilio Gonzalez

Director

30 October 2014

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of BT Investment Management Limited for the year ended 30 September 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'V. Papageorgiou'.

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
30 October 2014

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

2014 Financial Report

Contents

74	Consolidated Statement of Comprehensive Income
75	Consolidated Statement of Financial Position
76	Consolidated Statement of Changes in Equity
77	Consolidated Statement of Cash Flows
78	Notes to the Financial Statements
78	1. Summary of significant accounting policies
86	2. Financial risk management
91	3. Segment information
92	4. Revenue from continuing operations
92	5. Other income
92	6. Finance costs
93	7. Income tax
95	8. Cash and cash equivalents
95	9. Trade and other receivables
95	10. Prepayments
96	11. Property, plant and equipment
97	12. Available-for-sale financial assets
98	13. Intangible assets
100	14. Trade and other payables
100	15. Employee benefits
100	16. Borrowings
101	17. Converting notes
102	18. Contributed equity
103	19. Reserves
104	20. Dividends
105	21. KMP disclosures
106	22. Remuneration of auditors
107	23. Contingent assets and liabilities
107	24. Commitments
108	25. Unconsolidated structured entities
109	26. Related party transactions
111	27. Subsequent events
111	28. Reconciliation of profit after income tax to net cash Inflow from operating activities
112	29. Earnings per share
113	30. Share-based payments
117	31. Parent entity financial information
118	Directors' Declaration
119	Independent Auditor's Report to the Members

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations			
Investment management fees	4	292,413	214,284
Performance fees	4	121,848	43,504
Property administration fees	4	6,482	2,691
		420,743	260,479
Other income	5	7,796	2,161
Expenses			
Employee expenses			
Salaries and related expenses		166,714	106,693
Amortisation of employee equity grants	30	32,371	19,795
Depreciation, amortisation and impairment		11,416	11,263
Fund administration		12,855	11,491
Investment management		8,877	7,558
Business development and promotion		8,218	7,100
General office and administration		5,419	5,144
Information and technology		5,380	4,407
Professional services		5,289	5,347
Occupancy		4,560	4,121
Loss on financial liabilities at fair value through profit and loss	17	–	7,213
Finance costs	6	2,407	4,298
Distribution		3,000	651
Total expenses		266,506	195,081
Profit before income tax		162,033	67,559
Income tax expense	7	40,529	16,314
Profit attributable to owners of BTIM		121,504	51,245
Other comprehensive income for the financial year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	19	20,975	32,411
Net unrealised (loss)/gain on available-for-sale assets	19	(1,386)	3,843
Income tax relating to components of other comprehensive income	7, 19	619	(680)
Other comprehensive income, net of tax		20,208	35,574
Total comprehensive income for the financial year attributable to owners of BTIM		141,712	86,819
Earnings per share for profit attributable to ordinary equity holders of BTIM		Cents	Cents
Basic earnings per share	29	49.1	20.9
Diluted earnings per share	29	46.4	19.9

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 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	8	130,151	83,649
Trade and other receivables	9	45,935	40,762
Prepayments	10	4,580	3,830
Total current assets		180,666	128,241
Non-current assets			
Property, plant and equipment	11	2,347	3,077
Available-for-sale financial assets	12	87,560	48,127
Deferred tax assets	7	22,003	15,350
Intangible assets	13	586,597	571,933
Total non-current assets		698,507	638,487
Total assets		879,173	766,728
Current liabilities			
Trade and other payables	14	25,655	26,264
Employee benefits	15	101,513	59,816
Borrowings	16	11,933	14,921
Converting notes	17	13,740	2,511
Lease incentive		599	556
Current tax liabilities		22,207	11,454
Total current liabilities		175,647	115,522
Non-current liabilities			
Employee benefits	15	863	781
Borrowings	16	24,146	36,414
Converting notes	17	13,740	27,480
Lease incentive		387	967
Deferred tax liabilities	7	21,287	24,109
Total non-current liabilities		60,423	89,751
Total liabilities		236,070	205,273
Net assets		643,103	561,455
Equity			
Contributed equity	18	455,016	469,748
Reserves	19	115,967	67,013
Retained earnings		72,120	24,694
Total equity		643,103	561,455

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2013		469,748	67,013	24,694	561,455
Profit for the financial year		–	–	121,504	121,504
Other comprehensive income for the financial year		–	20,208	–	20,208
Total comprehensive income for the financial year		–	20,208	121,504	141,712
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	18	2,511	–	–	2,511
Treasury shares acquired	18	(53,197)	–	–	(53,197)
Treasury shares released	18	7,519	(7,519)	–	–
Share-based payments	19	–	36,265	–	36,265
Dividend reinvestment plan	18	28,435	–	–	28,435
Dividends and dividend-linked coupons paid	20	–	–	(74,078)	(74,078)
		(14,732)	48,954	47,426	81,648
Balance at 30 September 2014		455,016	115,967	72,120	643,103

Balance at 1 October 2012		462,490	26,068	5,981	494,539
Profit for the financial year		–	–	51,245	51,245
Other comprehensive income for the financial year		–	35,574	–	35,574
Total comprehensive income for the financial year		–	35,574	51,245	86,819
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	18	2,305	–	–	2,305
Treasury shares acquired	18	(28,293)	–	–	(28,293)
Treasury shares released	18	6,744	(6,744)	–	–
Share-based payments	19	–	22,306	–	22,306
Dividend reinvestment plan	18	26,502	–	–	26,502
Dividends and dividend-linked coupons paid	20	–	(10,191)	(32,532)	(42,723)
		7,258	5,371	(32,532)	(19,903)
Balance at 30 September 2013		469,748	67,013	24,694	561,455

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Fees and other income received		432,593	266,420
Interest received		366	450
Distributions from unit trusts		1,877	1,104
Expenses paid		(197,366)	(133,621)
Income tax paid		(35,715)	(17,369)
Net cash inflows from operating activities	28	201,755	116,984
Cash flows from investing activities			
Payments for property, plant and equipment		(775)	(707)
Payments for available-for-sale financial assets		(50,495)	(19,385)
Payments for IT development		(836)	(486)
Proceeds from sales of available-for-sale financial assets		22,643	4,080
Net cash outflows from investing activities		(29,463)	(16,498)
Cash flows from financing activities			
Payments for purchase of treasury shares	18	(53,197)	(28,293)
Proceeds from external borrowings		24,147	55,488
Repayment of borrowings		(42,808)	(80,072)
Interest and other financing costs		(1,583)	(2,828)
Dividends and dividend-linked coupons paid		(45,645)	(16,221)
Net cash outflows from financing activities		(119,086)	(71,926)
Net increase/(decrease) in cash and cash equivalents		53,206	28,560
Cash and cash equivalents at the beginning of the financial year		83,649	53,492
Effects of exchange rate changes on cash and cash equivalents		(6,704)	1,597
Cash and cash equivalents at the end of the financial year	8	130,151	83,649

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2014

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The BTIM Group is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of the BTIM Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. New and revised standards and interpretations effective for the current reporting period that are relevant to the BTIM Group include:

AASB 10 Consolidated Financial Statements (effective 1 January 2013)

The standard introduces a single definition of control that applies to all entities whereby control exists when the investor has power, exposure to variable returns and the ability to use that power to affect its returns from the investee.

The Group has reviewed the relationship between its fund managers and the investment funds that they manage (including any ownership interests in investment funds) in assessing whether the consolidation conclusion is different under AASB 10. The Group is not exposed to significant variable returns of the investment funds and further the Group's fund managers acts as an agent for investors as a result of their substantive right to be removed from their role as manager.

There has been no impact on the Group and its composition as a result of applying the new standard.

AASB 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

AASB 12 requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, significantly influences or has some other interests in other entities. Entities are also required to provide more disclosures around certain 'structured entities' as defined in the standard. The application of AASB 12 has not affected any amounts recognised in the financial statements, however it has resulted in additional disclosures of structured entities as provided in Note 25.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

The new fair value standard requires disclosure of sufficient information to help financial statement users to assess valuation techniques of assets and liabilities measured at fair value and the effect on profit and loss or other comprehensive income. The Group has updated its financial statements to include the required disclosures.

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

The new standard removes the requirement for individual key management personnel disclosures. The BTIM Group has updated its financial statements to reflect the required disclosures. The individual key management personnel disclosures have been included in the Remuneration Report.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009 – 2011 annual improvements project. These include:

- AASB 101 *Presentation of Financial Statements* – Clarification of the requirements for comparative information
- AASB 116 *Property, Plant and Equipment* – Classification of servicing equipment
- AASB 132 *Financial Instruments: Presentation* – Tax effect of distribution to holders of equity instruments
- AASB 134 *Interim Financial Reporting* – Interim financial reporting and segment information for total assets and liabilities

The BTIM Group has applied the amendments in the current annual reporting period ending 30 September 2014. The BTIM Group has not made any adjustments as the result of applying the revised rules.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (effective 1 January 2013)

The new standard requires that all past service costs are now recognised immediately in profit or loss. Previously, past service costs were recognised on a straight line basis over the vesting period if the changes were conditional on the employees remain in service for a specified period of time. The discounting of non-current future benefit entitlements, such as annual leave provisions, has not had a material impact on the BTIM Group.

Historical cost convention

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

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) Critical accounting assumptions and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the BTIM Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined below.

Share-based payments

The BTIM Group measures the cost of equity-settled transactions with employees by reference to the fair value of the ordinary shares at the date at which they are granted. The fair value is determined using Binomial/Monte-Carlo simulation valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted, as discussed in Note 30. The fair value calculation is performed by an external valuer.

Deferred tax on share-based payments

The tax effect of the excess of estimated future tax deductions for share-based payments over the related cumulative remuneration expense is recognised directly in equity. The estimated future tax deduction is based on the share price of BTIM ordinary shares at balance date in accordance with AASB 112 *Income Taxes*.

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.

Financial liabilities – converting notes

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

Structured entities

Determination of control of structured entities (refer Note 1 (c) and 25).

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries (including structured entities) of BTIM as at 30 September 2014 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 two employee benefit trusts to administer the BTIM Group's employee share schemes. These trusts are consolidated, as the substance of the relationships is that the trusts are controlled by the BTIM Group. Shares held by BT Investment Management Limited Employee Equity Plan and J O Hambro Capital Management Limited Employee Equity Plan are disclosed as treasury shares and deducted from contributed equity. For further information, refer Note 30.

Structured entities

Structured entities (SEs) are those entities where voting rights or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

The BTIM Group has significant influence over the funds it manages due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreements. The BTIM Group considers all these funds to be structured entities.

(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 the parent company'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.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(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.

Distribution income

Distributions are recognised as revenue when the right to receive payment is established.

Property administration fees

Property administration services include accounting, finance, and company secretarial. Income is recognised on an accrual basis over the period during which the service is performed.

Interest income

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

(f) Expense recognition

Interest expense

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

Distribution and other fees

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

(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 for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and any adjustment to tax payable in respect of previous periods, in relation to amounts recognised in the Statement of Comprehensive Income.

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 in the countries where the Company's subsidiaries operate and generate taxable income. 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 in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the original recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company 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.

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.

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

The head entity, BTIM, and the controlled entities 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.

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 liabilities of the wholly-owned entities in the case of default by the head entity, BTIM. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate BTIM for any current tax payable assumed and are compensated by BTIM for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements and are due when advised by the head entity. The funding amounts are recognised as current inter-company receivables or payables.

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 2014.

(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.

Loans and 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 loans and 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. Available-for-sale financial assets 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 financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial 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.

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 financial 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, amortisation 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.

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 4 – 5 years
- computer software 3 – 5 years
- leasehold improvements 5 – 7 years

Property, plant and equipment

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 between three and five years.

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 and 20 years.

Fund and investment management contracts are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount of each contract is measured using the present value of future cash flows expected to be derived for each asset.

Impairment losses are recognised through the Statement of Comprehensive Income for the amount by which the assets carrying amount exceeds its recoverable amount.

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.

Goodwill is allocated to cash generating units (CGUs) 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 less costs to sell and 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 expires. 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) Financial liabilities

Financial liabilities are recognised in the Consolidated Statement of Financial Position when the BTIM Group becomes party to the contractual provision of an instrument which is initially recognised at fair value plus transaction costs. Financial liabilities are recognised when an obligation arises and derecognised when it is discharged, cancelled or expires.

Converting notes at fair value

Converting notes issued by BTIM for consideration as part of the acquisition of JOHCM are recognised in the balance sheet at fair value with any changes in fair value recorded through profit or loss. Fair value is determined by using option pricing models which incorporate the BTIM share price, time to conversion, dividend yield and volatility in the BTIM share price.

(o) 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 current 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. Liabilities for annual leave expected to be settled more than 12 months from the balance date are recognised in the non-current provision for annual 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. No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise 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 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 Binomial/Monte-Carlo simulation valuation techniques, 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. Shares granted to employees but not yet released are also 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. The BTIM Group 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 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.

(p) Equity

Ordinary shares

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

Notes to the Financial Statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 plans, the cost of such shares is treated as a reduction in treasury shares. The corresponding offset is reflected in the share-based payment reserve.

(q) 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 combination under common control reserve.

Share-based payment reserve

The share-based payment reserve comprises the amortised portion of the fair value of performance share rights, shares and options 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 are met.

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.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(r) Provision for dividends

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

(s) Funds management and trust activities

Controlled entities within the BTIM Group conduct 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 entities, as RE or trustee, incur 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.

(t) 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, that is, ordinary shares less treasury shares.

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, plus converting notes issued which are considered 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.

Options and performance share rights, where ordinary shares will be acquired on-market over time to settle the exercise of the options, are not included in the calculation of diluted Earnings per Share (EPS).

(u) 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.

(v) 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.

(w) 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.

(x) 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 two operating segments, being the BTIM Group's investment management business in Australia (BTIM Australia) and the BTIM Group's investment management business outside of Australia (BTIM UK).

(y) Parent entity financial information

The financial information for the parent entity, BTIM, disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements of the BTIM Group except for the items disclosed below.

Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the BTIM Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(z) New accounting standards

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 2014 reporting period. 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 for annual reporting periods beginning on or after 1 January 2018)

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

When adopted, the standard will relate in particular to the BTIM Group's accounting for its available-for-sale financial assets. Since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading, and BTIM currently accounts for its available-for-sale financial assets in this manner, it is unlikely to have any impact on the BTIM Group's accounting for financial assets or related disclosures. The standard has not been adopted early by the BTIM Group.

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

The AASB has made small changes to some of the disclosures that are required under AASB 136 *Impairment of Assets*. These may result in additional disclosures if the BTIM Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The BTIM Group intends to apply the amendment from 1 October 2014.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014)

The AASB has made small amendments to AASB 139 *Financial Instruments: Recognition and measurement*. The amendments will allow entities to continue hedge accounting, where a derivative contract that was designated as a hedge has been novated to a central counterparty as a consequence of laws or regulations. The BTIM Group intends to apply the amendments from 1 October 2014.

Since the BTIM Group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities (effective 1 January 2014)

AASB 2013-5 defines an investment entity and provides an exception to the consolidation requirements in AASB 10. Affected entities will account for controlled entities at fair value through profit or loss in the consolidated financial statements, rather than consolidating them. These amendments also set out new disclosure requirements for investment entities.

The BTIM Group will first apply the amendments from 1 October 2014. Application of the amendment will not affect any of the amounts recognised in the financial statements.

AASB 2014-1 Amendments to Australian Accounting Standards (effective 1 July 2014)

This amendment comprises changes to the Australian Accounting Standards as a result of a host of changes by the International Accounting Standards Board.

The AASB has made amendments to AASB2 *Share-based Payment*, AASB3 *Business Combinations*, AASB8 *Operating Segments*, AASB13 *Fair Value*, AASB 116 *Property, Plant and Equipment*, AASB124 *Related Party Disclosures*, AASB138 *Intangible Assets* and AASB140 *Investment Property* as a result of the Annual Improvements cycles 2010-2012 and 2011-2013 amendments.

The BTIM Group intends to apply these amendments from 1 October 2014. The BTIM Group does not believe the amendments will have a material impact on its financial position or performance.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)

The International Accounting Standards Board has issued a new standard IFRS 15 *Revenue from Contract with Customers* for the recognition of revenue. The new standard supersedes the current revenue recognition guidance in place in AASB118 *Revenue* and AASB111 *Construction Contracts*.

The BTIM Group have not yet assessed the impact that the new standard will have on its revenue recognition policy.

Notes to the Financial Statements continued

2. FINANCIAL RISK MANAGEMENT

The BTIM Group manages its business in Australia and the UK and is consequently exposed to a number of financial risks. The key financial risks are market risk (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:

	2014 \$'000	2013 \$'000
Financial assets		
Cash and cash equivalents	130,151	83,649
Trade and other receivables	45,935	40,762
Available-for-sale financial assets	87,560	48,127
	263,646	172,538
Financial liabilities		
Trade and other payables	25,655	26,264
Borrowings	36,079	51,335
Converting notes	27,480	29,991
	89,214	107,590

(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 funds under management (FUM) of the BTIM Group. A reduction in FUM will reduce management fee income, calculated as a percentage of FUM, and consequently reduce NPAT. The BTIM 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

	2014		2013	
	10%	10%	10%	10%
Impact on:	increase	decrease	increase	decrease
FUM (\$ billion)	6.6	(6.6)	5.8	(5.8)
NPAT (\$'000)	19,817	(19,862)	15,064	(15,054)

The sensitivity calculation is made on the basis of FUM as at 30 September 2014 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 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.

(i) Price risk

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

Exposure to price risk also exists from directly held equity securities in funds managed by JOHCM (refer Note 12). The directly held securities consist of shares in unlisted companies and other investments.

Equity price risk sensitivity

The BTIM Group provides seed capital into a number of funds which invest in regions including the UK, Europe, Emerging markets, US and 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 \$8,724,411 or decrease by (\$8,724,411) respectively.

(ii) Interest rate risk

The BTIM Group is also subject to interest rate risk, which impacts both the BTIM Group's FUM and the BTIM 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 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 in interest rates would be applicable to the BTIM Group's cash balances and borrowings. A change of 50 bps in the average of the effective interest rates over the year ended 30 September 2014 would have increased/(decreased) net 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
30 September 2014				
Cash and cash equivalents	464	(464)	–	–
Borrowings	(94)	94	–	–
30 September 2013				
Cash and cash equivalents	300	(300)	–	–
Borrowings	(139)	139	–	–

(iii) Foreign exchange risk

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

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

	30 SEPTEMBER 2014				30 SEPTEMBER 2013			
	GBP \$'000	EUR \$'000	USD \$'000	SGD \$'000	GBP \$'000	EUR \$'000	USD \$'000	SGD \$'000
Financial assets								
Cash at bank	24,669	–	246	1,045	21,155	–	115	500
Trade receivables	27,074	–	910	154	21,161	–	8	63
Available-for-sale	54,588	1,984	30,888	–	37,919	1,695	8,413	–
Financial liabilities								
Trade payables	(17,014)	–	(446)	(118)	(25,917)	–	(7)	(35)
Borrowings	(36,079)	–	–	–	(51,335)	–	–	–
Net exposure in AUD	53,238	1,984	31,598	1,081	2,983	1,695	8,529	528

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

Notes to the Financial Statements continued

2. FINANCIAL RISK MANAGEMENT CONTINUED

The table below shows the impact on the BTIM Group's NPAT and equity of a 10% movement in foreign currency exchange rates against the Australian dollar for financial assets and financial liabilities:

	Movement in variable against A\$	Profit or loss after tax 30 Sep 2014 \$'000	Changes in equity 30 Sep 2014 \$'000	Profit or loss after tax 30 Sep 2013 \$'000	Changes in equity 30 Sep 2013 \$'000
Pounds sterling (GBP)	+10%	(831)	6,511	(1,044)	1,790
	-10%	831	(6,511)	1,044	(1,790)
Euro (EUR)	+10%	—	198	—	169
	-10%	—	(198)	—	(169)
US Dollar (USD)	+10%	—	3,160	—	853
	-10%	—	(3,160)	—	(853)
Singapore Dollar (SGD)	+10%	—	108	—	53
	-10%	—	(108)	—	(53)

Management has considered prior period and expected future movements of its investments and liabilities in order to determine a reasonable possible shift in assumptions.

(b) Credit risk

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

Credit risk exposures are monitored regularly with all BTIM Group counterparties. The major counterparties are The Westpac Group, Bank of Scotland, the funds for which BTIM and JOHCM are the fund managers as well as outstanding receivables including credit exposures to wholesale and institutional clients. 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 can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of financial assets is AA- for The Westpac Group and A-2 for Bank of Scotland (2013: AA- for The Westpac Group and A-2 for Bank of Scotland). For wholesale customers the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to certain parties (refer Note 31). 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 statutory regulatory capital requirements.

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.

	Less than 1 year \$'000	Between 1 – 2 years \$'000	Over 2 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
30 September 2014					
Trade and other payables	25,655	—	—	25,655	25,655
Borrowings	12,529	24,398	—	36,927	36,079
Converting notes	13,740	13,740	—	27,480	27,480
30 September 2013					
Trade and other payables	26,264	—	—	26,264	26,264
Borrowings	16,216	—	36,414	52,630	51,335
Converting notes	2,511	13,740	13,740	29,991	29,991

Financing arrangements

The BTIM Group has a \$84 million (£45 million) revolving loan facility with The Westpac Group which is denominated in GBP and expires on 30 September 2016. BTIM is the guarantor on the above facility and at 30 September 2014, a further \$60 million (£32 million) (2013: \$42 million/£24 million) remains undrawn.

(d) Fair value estimation

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

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

(i) Fair value hierarchy

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

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

30 September 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	–	–	100	100
Shares in James Hambro & Partners LLP ¹	–	–	216	216
Units held in pooled funds ²	–	87,244	–	87,244
Units held in a listed property trust	–	–	–	–
Total financial assets	–	87,244	316	87,560
Financial liabilities				
Borrowings	36,079	–	–	36,079
Converting notes	–	27,480	–	27,480
Total financial liabilities	36,079	27,480	–	63,559

30 September 2013

Financial assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited	–	–	100	100
Shares in James Hambro & Partners LLP ¹	–	–	201	201
Units held in pooled funds ²	–	44,963	–	44,963
Units held in a listed property trust ²	2,863	–	–	2,863
Total financial assets	2,863	44,963	301	48,127
Financial liabilities				
Borrowings	51,335	–	–	51,335
Converting notes	–	29,991	–	29,991
Total financial liabilities	51,335	29,991	–	81,326

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

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

Refer to Note 12, Note 16 and Note 17 for further information.

Notes to the Financial Statements continued

2. FINANCIAL RISK MANAGEMENT CONTINUED

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

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

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

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

Pooled funds

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

Borrowings

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

Converting notes

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

(iii) Unobservable inputs

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

	Shares in Regnan \$'000	Shares in James Hambro & Partners LLP \$'000	Total fair value – level 3 \$'000	Carrying amount \$'000
30 September 2014				
Balance at the beginning of the financial period	100	201	301	301
Effects of foreign exchange movements	–	15	15	15
Balance at the end of the financial period	100	216	316	316
30 September 2013				
Balance at the beginning of the financial period	100	180	280	280
Effects of foreign exchange movements	–	21	21	21
Balance at the end of the financial period	100	201	301	301

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

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

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

(iv) Fair value of other instruments

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

3. SEGMENT INFORMATION

(a) Description of segments

The BTIM Group has identified two operating segments based on internal management reports that are reviewed and used by the chief operating decision-maker (CODM) in assessing performance and in determining the allocation of resources. Segment information is provided on the basis by which the BTIM Group manages its business which is split by the BTIM Group's investment management business in Australia (BTIM) and the BTIM Group's investment management business outside of Australia (BTIM UK). BTIM UK comprises 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		TOTAL GROUP	
	30 Sep 2014 \$'000	30 Sep 2013 \$'000	30 Sep 2014 \$'000	30 Sep 2013 \$'000	30 Sep 2014 \$'000	30 Sep 2013 \$'000
Revenue	143,969	128,841	284,570	133,799	428,539	262,640
Inter-segment revenue	933	125	1,563	317	2,496	442
Total segment revenue	144,902	128,966	286,133	134,116	431,035	263,082
Inter-segment expense	(1,563)	(317)	(933)	(125)	(2,496)	(442)
Depreciation and amortisation	(1,219)	(1,043)	(555)	(415)	(1,774)	(1,458)
Finance costs	(1,349)	(2,333)	(1,058)	(1,965)	(2,407)	(4,298)
Other operating expenses	(99,992)	(91,946)	(156,730)	(81,827)	(256,722)	(173,773)
Total segment expenses	(104,123)	(95,639)	(159,276)	(84,332)	(263,399)	(179,971)
Income tax expense	(12,690)	(10,076)	(27,930)	(11,152)	(40,620)	(21,228)
Cash NPAT	28,089	23,251	98,927	38,632	127,016	61,883
Deduct: amortisation of employee equity grants	(18,942)	(15,116)	(13,429)	(4,679)	(32,371)	(19,795)
Add back: cash cost of ongoing equity grants	13,889	10,872	22,521	10,390	36,410	21,262
Deduct: amortisation and impairment of intangibles	—	—	(9,642)	(9,806)	(9,642)	(9,806)
Deduct: loss on financial liabilities at fair value through profit and loss	—	(7,213)	—	—	—	(7,213)
Add back/(deduct): tax effect	588	88	(497)	4,826	91	4,914
Statutory NPAT	23,624	11,882	97,880	39,363	121,504	51,245
Segment assets	373,506	328,318	505,667	438,410	879,173	766,728
Segment liabilities	(74,299)	(91,744)	(161,771)	(113,529)	(236,070)	(205,273)
Net assets	299,207	236,574	343,896	324,881	643,103	561,455

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

Notes to the Financial Statements continued

4. REVENUE FROM CONTINUING OPERATIONS

	2014 \$'000	2013 \$'000
Management, fund and trustee fees	288,475	211,910
Performance fees	121,848	43,504
Property administration fees ¹	6,482	2,691
Service fees from related parties	1,524	1,488
Expense recoveries	1,179	526
Other revenue	1,235	360
Total revenue from continuing operations	420,743	260,479

¹ Property administration fees relate to administration services provided to Primary Health Properties (PHP) by JOHCM. During the financial year, JOHCM received a payment in lieu of notice following the termination of the contract to provide services to PHP. JOHCM will not receive property administration fees in respect to PHP in future financial years.

5. OTHER INCOME

	2014 \$'000	2013 \$'000
Distributions from unit trusts	1,951	1,135
Interest revenue	366	446
Net gain on sale of available-for-sale financial assets	4,684	322
Net foreign exchange gains	795	258
Total other income	7,796	2,161

6. FINANCE COSTS

	2014 \$'000	2013 \$'000
Interest and finance charges paid/payable for borrowings	1,583	2,828
Net foreign exchange loss on borrowings	824	1,470
Total finance costs	2,407	4,298

7. INCOME TAX

	2014 \$'000	2013 \$'000
(a) Income tax expense		
Current tax	46,647	26,167
Deferred tax ¹	(5,927)	(9,712)
Adjustments for current tax of prior periods	(191)	(141)
Income tax expense	40,529	16,314
¹ Deferred income tax expense/(revenue) included in income tax expense comprises:		
Increase in deferred tax assets	(2,192)	(3,508)
Decrease in deferred tax liabilities	(3,735)	(6,204)
Total decrease in deferred tax	(5,927)	(9,712)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	162,033	67,559
Income tax calculated at the Australian tax rate of 30% (2013: 30%)	48,610	20,268
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee equity grant amortisation	1,228	1,419
Fair value of financial liabilities	—	2,164
Sundry non-deductible items	332	178
	50,170	24,029
Difference in overseas tax rates	(10,497)	(2,350)
Effect on deferred taxes of reduction in tax rates	169	(2,054)
Previously unrecognised timing differences on employee equity grants	—	(3,072)
Previously unrecognised capital losses	131	(222)
Previously unrecognised tax losses recouped	—	(60)
Tax losses for which no deferred tax asset was recognised	747	184
Adjustments for current tax of prior financial year	(191)	(141)
Income tax expense in the Statement of Comprehensive Income	40,529	16,314
(c) Tax expense relating to items of other comprehensive income		
Available-for-sale financial assets	(619)	680
	(619)	680
(d) Amounts recognised directly in equity		
Deferred tax on employee equity grants	(3,894)	(2,511)
	(3,894)	(2,511)
(e) Unrecognised temporary differences		
Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation	56,070	35,095
Unrecognised deferred tax liabilities relating to the above temporary differences	16,821	10,529

¹ A deferred tax liability has not been recognised in respect of temporary differences arising as a result of the translation of the financial statements of the consolidated entity's subsidiaries. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

Notes to the Financial Statements continued

7. INCOME TAX CONTINUED

	2014 \$'000	2013 \$'000
(f) Deferred tax balances		
(i) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee equity grants	12,011	2,746
Employee benefits	8,251	10,836
Accrued expenses	420	362
Lease expenses	(526)	(374)
Property, plant and equipment	1,108	903
Share of partnership income	251	213
Unutilised foreign tax credits	11	–
Business-related costs	75	94
Foreign exchange loss	402	–
Capital losses carried forward	–	570
Deferred tax assets to be settled after more than 12 months	22,003	15,350
Movement in temporary differences during the financial year:		
Balance at the beginning of the financial year	15,350	8,695
Credited to profit or loss	2,192	3,508
Credited to other comprehensive income	567	636
Credited to equity	3,894	2,511
Balance as at the end of the financial year	22,003	15,350
(ii) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	20,508	27,790
Available-for-sale financial assets	779	1,294
Employee equity grants	–	2,346
Foreign exchange loss	–	(676)
Deferred tax liabilities to be settled after more than 12 months	21,287	30,754
Movement in temporary differences during the financial year:		
Balance at the beginning of the financial year	24,109	27,273
Charged/(credited) to profit or loss	(3,735)	(6,204)
Charged to other comprehensive income	913	3,040
Balance at the end of the financial year	21,287	24,109

8. CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash at bank and in hand	29,650	27,846
Deposits at call	100,501	55,803
Balance as per Consolidated Statement of Cash Flows	130,151	83,649

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

Risk exposure

The BTIM Group's exposure to interest rate risk is disclosed in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. TRADE AND OTHER RECEIVABLES

	2014 \$'000	2013 \$'000
Trade receivables	45,935	40,762

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

(a) Related party receivables

Related party receivables are disclosed in Note 26(e).

(b) Impaired receivables and receivables past due

None of the trade receivables are 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 Note 2 for more information on the risk management policy of the BTIM Group and the credit quality of its trade receivables.

10. PREPAYMENTS

	2014 \$'000	2013 \$'000
Prepayments	4,580	3,830

Prepayments substantially relate to prepaid information and technology related expenses.

Notes to the Financial Statements continued

11. PROPERTY, PLANT AND EQUIPMENT

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

	2014 \$'000	2013 \$'000
Computer hardware		
Cost	3,206	3,629
Accumulated depreciation	(2,334)	(3,059)
Net carrying value	872	570
Office furniture and fittings		
Cost	2,733	2,827
Accumulated depreciation	(2,529)	(2,390)
Net carrying value	204	437
Leasehold improvements		
Cost	4,877	4,809
Accumulated depreciation	(3,606)	(2,739)
Net carrying value	1,271	2,070
Total property, plant and equipment		
Cost	10,816	11,265
Accumulated depreciation	(8,469)	(8,188)
Net carrying value	2,347	3,077

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

	2014 \$'000	2013 \$'000
Computer hardware		
Balance at the beginning of the financial year	570	643
Exchange differences	30	18
Additions	597	203
Disposals	–	(2)
Depreciation	(325)	(292)
Balance at the end of the financial year	872	570
Office furniture and fittings		
Balance at the beginning of the financial year	437	687
Exchange differences	8	12
Additions	119	65
Depreciation	(360)	(327)
Balance at the end of the financial year	204	437

	2014 \$'000	2013 \$'000
Leasehold improvements		
Balance at the beginning of the financial year	2,070	2,498
Exchange differences	22	14
Additions	–	295
Depreciation	(821)	(737)
Balance at the end of the financial year	1,271	2,070
Total property, plant and equipment		
Balance at the beginning of the financial year	3,077	3,828
Exchange differences	60	44
Additions	716	563
Disposals	–	(2)
Depreciation	(1,506)	(1,356)
Balance at the end of the financial year	2,347	3,077

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 \$'000	2013 \$'000
Unlisted securities		
Shares in Regnan-Governance Research and Engagement Pty Limited ¹	100	100
Shares in James Hambro & Partners LLP ²	216	201
Units held in pooled funds ³	87,244	44,963
Units held in a listed property trust ⁴	–	2,863
	87,560	48,127

1 These securities are measured at cost which approximates the fair value of the shares (refer Note 2).

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

3 These securities represent shares held in offshore unlisted OEICs and investment trusts which are managed by the BTIM Group and are measured at fair value. The fair value is measured with reference to underlying net asset value of the OEICs and the investment trusts.

4 These securities represent shares held in a listed property trust which are administered by the BTIM Group and are measured at fair value, with reference to the quoted market price of the listed property trust.

Notes to the Financial Statements continued

13. INTANGIBLE ASSETS

	2014 \$'000	2013 \$'000
Goodwill		
Cost	483,038	466,462
Accumulated impairment	—	—
Net carrying value	483,038	466,462
Fund and investment management contracts		
Cost	138,373	129,189
Accumulated amortisation and impairment	(36,021)	(24,357)
Net carrying value	102,352	104,832
IT development and software		
Cost	2,139	1,308
Accumulated amortisation	(932)	(669)
Net carrying value	1,207	639
Total intangible assets		
Cost	623,550	596,959
Accumulated amortisation and impairment	(36,953)	(25,026)
Net carrying value	586,597	571,933

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

	2014 \$'000	2013 \$'000
Goodwill		
Balance at the beginning of the financial year	466,462	442,282
Foreign exchange gain	16,576	24,180
Balance at the end of the financial year	483,038	466,462
Fund and investment management contracts		
Balance at the beginning of the financial year	104,832	103,690
Foreign exchange gain	7,162	10,947
Amortisation expense	(7,344)	(6,762)
Impairment expense ¹	(2,298)	(4,094)
Reversal of prior year impairment expense ¹	—	1,051
Balance at the end of the financial year	102,352	104,832
IT development and software		
Balance at the beginning of the financial year	639	152
Additions	836	589
Amortisation expense	(268)	(102)
Balance at the end of the financial year	1,207	639

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

	2014 \$'000	2013 \$'000
Total intangible assets		
Balance at the beginning of the financial year	571,933	546,124
Foreign exchange gain	23,738	35,127
Additions	836	589
Amortisation expense	(7,612)	(6,864)
Impairment expense ¹	(2,298)	(4,094)
Reversal of prior year impairment expense ¹	—	1,051
Balance at the end of the financial year	586,597	571,933

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

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

	2014 \$'000	2013 \$'000
<i>Fund management contracts</i>		
OEIC fund management contracts	88,383	89,515
<i>Investment management contracts</i>		
Segregated mandates	13,969	15,317
Total fund and investment management contracts	102,352	104,832

The recoverable amount of each fund and management contract has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections (post tax) is 13% (2013:15%), based on the cost of capital.

Goodwill has been derived from the following business combinations:

	2014 \$'000	2013 \$'000
Purchase of the investment management business from Westpac Banking Corporation effective 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	249,738	233,162
Total goodwill	483,038	466,462

Goodwill is allocated to the BTIM Group's cash-generating units (CGUs) identified according to operating segments (refer Note 3). Goodwill attributable to BTIM Australia and BTIM UK is \$233,300,000 and \$249,737,861 respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost to sell' methodology that utilises cash flow projections (post tax) based on management's best estimates over a 5 year period and then applying a terminal value in perpetuity of 3%. The discount rate used to discount the cash flow projections for BTIM Australia and BTIM UK are 11.5% and 13% (2013: 12.5% and 15%) respectively based on the cost of capital (post tax) for each of these CGU's.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 30 September 2014.

There has been no impairment of goodwill during the year ended 30 September 2014. The amount of goodwill relating to the JOHCM acquisition has been translated from the British pound to Australian dollar using the spot rate at 30 September 2014.

Notes to the Financial Statements continued

14. TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Trade payables	20,989	22,426
Payables – related entities (refer Note 26(e))	4,666	3,838
Total trade and other payables	25,655	26,264

Risk exposure

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

15. EMPLOYEE BENEFITS

	2014 \$'000	2013 \$'000
Current liabilities		
Annual leave	1,446	1,582
Long service leave	1,128	1,095
Provision for bonus	98,939	57,139
Total current employee liabilities	101,513	59,816
Non-current liabilities		
Long service leave	863	781
Total non-current employee liabilities	863	781

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

Defined contribution superannuation expense	3,134	2,871
--	--------------	--------------

16. BORROWINGS

	2014 \$'000	2013 \$'000
Current	11,933	14,921
Non-current	24,146	36,414
Total borrowings	36,079	51,335

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
As at 30 September 2014					
Bank loans					
Revolving loan facility	57	24,146	–	–	24,203
Loan notes	11,876	–	–	–	11,876
Total borrowings	11,933	24,146	–	–	36,079
As at 30 September 2013					
Bank loans					
Revolving loan facility	4	–	36,414	–	36,418
Loan notes	14,917	–	–	–	14,917
Total borrowings	14,921	–	36,414	–	51,335

Bank loans

The BTIM Group has a \$84 million (£45 million) revolving loan facility with The Westpac Group which is denominated in GBP and expires on 30 September 2016.

An amount of \$24 million (£13 million) (2013: \$36 million/£21 million) is drawn and \$60 million/£32 million (2013: \$42 million/£24 million) remains undrawn at 30 September 2014. BTIM is the guarantor on the borrowing facility. Interest on draw-downs has been fixed for between 1 and 12 months.

Loan notes

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

Risk exposures

Details of the BTIM Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

17. CONVERTING NOTES

Conversion profile as at 30 September:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
30 September 2014					
Converting notes	13,740	13,740	–	–	27,480
30 September 2013					
Converting notes	2,511	13,740	13,740	–	29,991

The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided certain conditions are met. The value of the converting notes represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The fair value of the converting notes at balance date has been determined with reference to the BTIM share price at 30 September 2014, which has resulted in no charge being recognised in the Consolidated Statement of Comprehensive Income (2013: \$7.2 million).

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

On 2 November 2013 1,082,302 converting notes converted into 1,082,302 BTIM ordinary shares (refer Note 18).

Notes to the Financial Statements continued

18. CONTRIBUTED EQUITY

	2014 \$'000	2013 \$'000
Ordinary shares 284,384,906 (2013: 278,100,237) each fully paid	559,366	528,420
Treasury shares 35,482,457 (2013: 30,573,893)	(104,350)	(58,672)
Total contributed equity 248,902,449 (2013: 247,526,344)	455,016	469,748

	2014 Shares ('000)	2014 \$ ('000)	2013 Shares ('000)	2013 \$ ('000)
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	278,100	528,420	267,907	499,613
Converting notes converted into ordinary shares	1,082	2,511	1,082	2,305
Dividend reinvestment plan	5,203	28,435	9,111	26,502
Balance at the end of the year	284,385	559,366	278,100	528,420
Movements in treasury shares during the financial year				
Balance at the beginning of the year	(30,575)	(58,672)	(24,541)	(37,123)
Treasury shares acquired	(9,389)	(53,197)	(9,703)	(28,293)
Treasury shares released	4,482	7,519	3,669	6,744
Balance at the end of the year	(35,482)	(104,350)	(30,575)	(58,672)
Total contributed equity	248,903	455,016	247,525	469,748

(a) Ordinary shares

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

(b) Treasury shares

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

	2014 Shares ('000)	2014 \$ ('000)	2013 Shares ('000)	2013 \$ ('000)
Unallocated shares held by trustees	15,746	70,973	10,164	30,134
Shares allocated to employees	19,736	33,377	20,411	28,538
Balance at the end of the financial year	35,482	104,350	30,575	58,672

(c) Capital management

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

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

The BTIM Group has two employee benefit trusts, the trustees of which purchase BTIM shares, intended to be used to satisfy the BTIM Group's obligations under the employee share plans. For further information on the employee share trusts and schemes refer Note 30.

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

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

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

19. RESERVES

	2014 \$'000	2013 \$'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	51,890	46,519
Share-based payment expense	32,371	19,795
Deferred tax	3,894	2,511
Treasury shares released	(7,519)	(6,744)
Dividend and dividend-linked coupon paid	–	(10,191)
Balance at the end of the financial year	80,636	51,890
Foreign currency translation reserve		
Balance at the beginning of the financial year	35,095	2,684
Currency translation difference arising during the year	20,975	32,411
Balance at the end of the financial year	56,070	35,095
Available-for-sale-financial assets reserve		
Balance at the beginning of the financial year	5,500	2,337
Revaluation	(1,443)	3,916
Exchange differences	57	(73)
Deferred tax	619	(680)
Balance at the end of the financial year	4,733	5,500
Total reserves	115,967	67,013

Common control reserve

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

Share-based payment reserve

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

Foreign currency translation reserve

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

Available-for-sale financial assets reserve

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

Notes to the Financial Statements continued

20. DIVIDENDS

Equity dividends on ordinary shares	2014 \$'000	2013 \$'000
(a) Dividends declared and paid during the Financial Year		
Final 50% franked ¹ dividend for the 2013 Financial Year: 10.0 cents per share (2012 Financial Year: 7.0 cents per share fully franked)	27,097	18,770
Interim 35% franked ¹ dividend paid for the 2014 Financial Year: 16.0 cents per share (2013 Financial Year: 8.0 cents per share fully franked)	42,963	21,437
	70,060	40,207
(b) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2014 Financial Year: 19.0 cents (35% franked ¹) per share (2013 Financial Year: 10.0 cents per share 50% franked ¹)	54,031	27,810

Dividend-linked coupons on converting notes

(a) Coupons paid during the Financial Year		
Final 50% franked ¹ coupon for the 2013 Financial Year: 10.0 cents per converting note (2012 Financial Year: 7.0 cents per converting note fully franked ²)	1,556	1,184
Interim 35% franked ¹ coupon paid for the 2014 Financial Year: 16.0 cents per converting note (2013 Financial Year: 8.0 cents per converting note fully franked)	2,462	1,332
	4,018	2,516
(b) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2014 Financial Year: 19.0 cents (35% franked ¹) per converting note (2013 Financial Year: 10.0 cents per converting note 50% franked ¹)	2,919	1,665

¹ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

² Converting notes were issued on 26 October 2011 as part of the acquisition of JOHCM.

Franked dividends

Dividends and dividend-linked coupons declared or paid during the year were 35 to 50% franked at the tax rate of 30%.

The franked portions of the final dividends and dividend-linked coupons declared or paid after 30 September 2014 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 2015.

	2014 \$'000	2013 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	6,632	4,955

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

- (i) franking credits that will arise from the payment of the amount of the provision for income tax
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (iii) 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 declared or paid 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 \$8,542,549 (2013: \$6,222,243).

21. KMP DISCLOSURES

Key Management Personnel are defined as having authority and responsibility for planning, directing and controlling the activities of BTIM, including the Directors, the members of the Senior Management Team and the Chief Executive Officer of JOHCM.

	2014 \$	2013 \$
(a) KMP compensation		
Short-term employee benefits	4,950,541	5,180,980
Post-employment benefits	175,752	185,259
Long-term benefits	6,850	30,427
Share-based payments	6,290,024	2,691,181
Total KMP compensation	11,423,167	8,087,847

Detailed remuneration disclosures are provided in the remuneration report on pages 45 to 70.

(b) Shareholdings

The following table sets out details of number of BTIM ordinary shares held by key management personnel (including their related parties) during the year ended 30 September:

	2014	2013
Held at the beginning of the year	3,054,790	3,350,027
Granted as remuneration	426,799	495,159
Purchases	5,000	18,560
Sales	(591,210)	(426,318)
Other changes ¹	(686,155)	(382,638)
Held at the end of the year	2,209,224	3,054,790

¹ Other changes relate to Directors and members of the Senior Management Team who ceased to be key management personnel during the year.

(c) Other equity instruments

The following table sets out the number of performance share rights and converting notes held by key management personnel (including related parties) for the year ended 30 September:

	2014			2013		
	Performance shares	Performance share rights	Converting notes	Performance shares	Performance share rights	Converting notes
Held at the beginning of the year	–	1,173,580	2,478,870	–	495,417	2,478,870
Granted as remuneration	2,049,230	322,449	–	–	727,305	–
Acquired during the year	–	–	–	–	–	–
Vested during the year	–	–	–	–	–	–
Lapsed during the year	–	(49,142)	–	–	(49,142)	–
Other changes	–	(31,943)	–	–	–	–
Held at the end of the year	2,049,230	1,414,944	2,478,870	–	1,173,580	2,478,870

Notes to the Financial Statements continued

21. KMP DISCLOSURES CONTINUED

(d) Loan notes

The following table sets out the number of loan notes held by key management personnel (including related parties) for the year ended 30 September:

	2014	2013
Held at the beginning of the year	2	2
Granted as remuneration	–	–
Acquired during the year	–	–
Redeemed during the year	–	–
Held at the end of the year	2	2

No loan notes were redeemed during the financial year (2013: \$939,850/£600,000). The total value of loan notes held at 30 September 2014 is \$1,781,046 (£958,890) (2013: \$1,662,719/£958,890).

Loan notes accrue interest at 6% per annum, the amount of interest accrued at 30 September 2014 is \$99,251 (£53,435) (2013: \$18,670/£10,767).

(e) Loans or transactions with KMP

There were no loans or other transactions to KMP during the financial year (2013: Nil).

22. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by the auditor of the BTIM Group, its related practices and non-related audit firms:

	2014 \$	2013 \$
(a) Audit and other assurance services – Australia		
PricewaterhouseCoopers firm		
Audit and review of Financial Reports	409,520	459,951
Other assurance services	39,460	–
Audit of Australian Financial Service Licences	16,480	16,000
Total remuneration for assurance services – Australia	465,460	475,951
(b) Audit and other assurance services – UK		
PricewaterhouseCoopers firm		
Audit and review of Financial Reports	159,733	158,756
Other assurance services	5,572	–
Other services	–	58,740
Audit of Financial Conduct Authority Licence	44,577	27,882
Total remuneration for assurance services – UK	209,882	245,378

(c) 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 the BTIM Group.

(d) Other services to non-consolidated trusts

The external auditor, PwC, provides audit and non-audit services to non-consolidated trusts for which BTIM FS and BTIMI is trustee, manager or responsible entity. The fees in respect of their services were approximately \$1,165,760 for the financial year (2013: \$1,124,557).

23. 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 2014 as they are not able to be estimated or measured reliably and may change significantly. All fees are exposed to significant risk associated with the funds' performance, including market risks (such as price risk, interest rate risk and foreign exchange risk) and liquidity risk.

UK tax liability

The BTIM Group is currently in discussions with the UK tax authorities regarding the treatment of certain prior period tax deductions. The amount which is currently being disputed approximates \$12.1 million (£6.5 million), plus any interest and/or penalties. Under the terms of the Share Purchase Agreement (SPA) BTIM is indemnified by the sellers.

Guarantee on bank loans

BTIM has entered into a guarantee with The Westpac Group in relation to the debts of its subsidiary BTIM UK Limited. For further information about guarantees given by entities within the BTIM Group, including the parent entity, refer Note 31.

Capital guarantee

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

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 30 September 2014, none of those contingent obligations are anticipated to result in any material loss.

24. COMMITMENTS

Lease commitments

	2014 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,020	3,656
Later than one year but not later than five years	2,337	4,624
Later than five years	–	–
Total commitments	6,357	8,280

Capital commitments

	2014 \$'000	2013 \$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets – computer software	–	468
Total commitments	–	468

The above commitment relates to Group's investment in a new financial reporting system.

Notes to the Financial Statements continued

25. UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

The BTIM Group has significant influence over the funds it manages due its power to participate in the financial and operating policy decisions of the investee through its investment management agreements.

The BTIM Group considers all its fund investments to be structured entities. The BTIM Group invests in its own managed funds for the purpose of seeding the funds to develop a performance track record prior to external investment being received. The BTIM Group also receives management and performance fees for its role as investment manager.

The funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The funds invest in a number of different financial instruments including equities and debt instruments. The funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The BTIM Group holds redeemable units in its managed funds.

The nature and extent of the BTIM Group's interests in funds is summarised by asset class below:

30 September 2014	Australian Equities \$'000	Australian diversified and property \$'000	Australian cash and fixed income \$'000	International Equities \$'000	Other \$'000	Total \$'000
Assets						
Cash and cash equivalents	—	—	100,501	—	—	100,501
Trade and other receivables	3,702	852	3,894	17,848	1,166	27,462
Available-for-sale financial assets	—	—	—	87,244	—	87,244
Total Assets	3,702	852	104,395	105,092	1,166	215,207
Maximum exposure to loss	3,702	852	104,395	105,092	1,166	215,207
Net asset value of funds	3,480,071	1,463,195	2,472,859	21,554,359	20,047	28,990,531

Unless specified otherwise, the company's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off balance sheet arrangements which would expose the company to potential loss. During the year the company earned both management and performance fee income from structured entities. Refer to Note 4 for further information.

26. 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 2014 owned 172,800,001 ordinary shares of BTIM. The ultimate parent entity is Westpac, incorporated in Australia, which at 30 September 2014 owned 100% (2013: 100%) of the issued ordinary shares of WFSGL.

(b) Subsidiaries and controlled entities

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

Name	Country of incorporation /formation	Class of shares	EQUITY HOLDING	
			2014 %	2013 %
BT Investment Management (Institutional) Limited	Australia	Ordinary	100	100
BT Investment Management (Fund Services) Limited	Australia	Ordinary	100	100
BTIM UK Limited	UK	Ordinary	100	100
J O Hambro Capital Management Holdings Limited	UK	Ordinary	100	100
J O Hambro Capital Management Limited	UK	Ordinary	100	100
JOHCM (USA) General Partner Inc. ¹	USA	Ordinary	—	100
JOHCM (USA) Inc.	USA	Ordinary	100	100
JOHCM (Singapore) PTE Limited	Singapore	Ordinary	100	100
BT Investment Management Limited Employee Equity Plan Trust	Australia	Ordinary	—	—
BTIM Employee Benefit Trust	Jersey	Ordinary	—	—

¹ JOHCM (USA) General Partner Inc. was dissolved on 1 December 2013.

(c) KMP

Disclosures relating to KMP are set out in Note 21 and the Remuneration Report of the Directors' Report.

(d) Transactions with The Westpac Group of companies	2014 \$	2013 \$
The following transactions occurred with related parties:		
<i>Rendering of services</i>		
Management, fund and trustee fees	64,697,575	58,428,217
Service fees from related parties	1,523,745	1,488,422
<i>Purchase of goods and services</i>		
Service fees to related parties	6,420,848	7,540,380
Insurance premiums to related parties	135,277	131,243
<i>Interest income</i>		
Interest received on cash balances held	—	268,818
<i>Financing costs</i>		
Bank guarantee fee paid for premises lease	16,094	16,663
Establishment fee on borrowings	—	175,578
Interest paid on borrowings	817,705	1,787
<i>Other transactions</i>		
Dividends paid to the immediate parent entity, WFSGL	44,928,000	25,920,000

Notes to the Financial Statements continued

26. RELATED PARTY TRANSACTIONS CONTINUED

(e) Outstanding balances with The Westpac Group of companies arising from sales/purchases of goods and services

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

	2014 \$	2013 \$
<i>Current receivables (rendering of services)</i>		
Other related entities	5,878,562	5,350,634
<i>Current payables (purchase of services)</i>		
Ultimate parent entity	2,667,130	2,322,381
Other related entities	1,998,597	1,515,346

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) Outstanding balances with The Westpac Group of companies relating to outstanding debt

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

	2014 \$	2013 \$
<i>Non-current borrowings – other related entities</i>	24,202,780	36,417,563

(g) Cash and cash equivalents

\$2,930,915 (2013: \$4,907,327) was in bank accounts held with The Westpac Group at 30 September 2014.

(h) Bank guarantees

As part of the lease agreement for its premises, the Company has a bank guarantee with The Westpac Group of \$1,619,393.

(i) 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.

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	Initial five year term extended by mutual agreement.	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.
Master Relationship Agreement	Initial three year term extended to 31 March 2015. Currently under renegotiation.	Governs the terms on which BTIMI 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 FS's appointment.
Investment Management Agreement	Ongoing, subject to termination rights under the agreement and the Master Relationship Agreement.	Appoints BTIMI as the investment manager for the Funds for which members of The Westpac Group act as the RE.
PPM Advisory Agreement	Initial three year term extended by mutual agreement.	Appointment of BTIMI 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 provisions of the agreement.	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.	Provision of investment accounting services by The Westpac Group to the BTIM Group.
Revolving Facility Agreement	Initial three year term expires 30 September 2016.	The BTIM Group has a revolving loan facility with The Westpac Group which is denominated in GBP.

(j) Other related parties

J D Hambro is Chairman of JOHCM Capital Management Holdings Limited. J D Hambro is also a member and has a significant holding directly and indirectly in James Hambro LLP (JH&P) and is a director and substantial holder of Runnall Limited, a designated member of JH&P in which entity JOHCM has a 6.64% (2013: 6.76%) investment. In addition, the Chief Executive of JOHCM GM Rochussen has a 2.99% (2013: 2.99%) investment in JH&P.

J D Hambro was a director of Primary Health Properties PLC (PHP) from 1 October 2013 to 30 April 2014 which JOHCM receives fees in addition to Mr Hambro's Fees for his services as a director. Directors fees received during the year were \$26,700/£14,375 (2013: \$39,160/£25,000). During the year, JOHCM received fees for services provided to PHP of \$6,481,766/£3,601,133 (2013: \$2,698,871/£1,722,959) and at balance date the amount due from PHP was \$nil/£nil (2013: \$237,016/£151,311). Following cessation of the services to PHP, JOHCM received payment in lieu of notice in respect of the eighteen month period from 30 April 2014. J D Hambro holds an equity interest in Wiltons Holdings Limited which holds the trademark licences for the Hambro name. The trademark licence is for a term of 7 years at a fee of \$92,870/£50,000 (2013: \$78,320/£50,000) and may be renewed thereafter.

JOHCM provides dealing and IT services to JH&P under an agreement for at a fee of \$92,870/£50,000 (2013: \$78,320/£50,000).

27. SUBSEQUENT EVENTS

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

28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 \$'000	2013 \$'000
Profit after tax for the financial year	121,504	51,245
<i>Adjustments for non-cash expense items:</i>		
Depreciation	1,506	1,356
Amortisation and impairment of intangibles	9,910	9,907
Amortisation of employee equity grants	32,371	19,795
Interest and finance costs	1,583	2,828
Loss on financial liabilities at fair value through profit and loss	–	7,213
Net gain on sale of available-for-sale financial assets	(4,684)	(322)
Net exchange differences	30	1,212
<i>Change in operating assets and liabilities, net of effects from the purchase of JOHCM:</i>		
Increase in trade and other receivables	(5,173)	(10,226)
Increase in prepayments	(750)	(227)
Increase in deferred tax assets	(2,192)	(3,508)
Increase/(decrease) in trade and other payables	(609)	9,288
Increase in employee benefits	41,779	26,393
Decrease in lease liabilities	(538)	(424)
Increase in current tax liabilities	10,753	8,658
Decrease in deferred tax liabilities	(3,735)	(6,204)
Net cash inflow from operating activities	201,755	116,984

Notes to the Financial Statements continued

29. EARNINGS PER SHARE

	2014 Cents per share	2013 Cents per share
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of BTIM	49.1	20.9
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of BTIM	46.4	19.9

(c) Reconciliation of earnings used in calculating earnings per share

	2014 \$'000	2013 \$'000
<i>Basic earnings per share</i>		
Profit attributable to owners of BTIM used in calculating basic earnings per share	121,504	51,245
<i>Diluted earnings per share</i>		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	121,504	51,245

(d) Weighted average number of shares used as the denominator

	2014 Number of shares '000	2013 Number of shares '000
Weighted average number of ordinary shares on issue	282,281	273,946
Treasury shares	(34,792)	(28,402)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	247,489	245,544
<i>Adjustment for calculation of diluted earnings per share</i>		
Converting notes ¹	14,381	11,911
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	261,870	257,455

¹ Converting notes issued on 26 October 2011, and totalling 14,380,940 at 30 September 2014, are considered potential ordinary shares and have been included in the determination of diluted earnings per share from their issue date.

Options totalling 7,676,473 and performance share rights totalling 3,087,756 issued to staff of the BTIM Group have not been included in the calculation of diluted EPS for the year ended 30 September 2014. This is because ordinary shares will be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

30. SHARE-BASED PAYMENTS

The BTIM Group has two employee benefit trusts to administer the BTIM Group's employee share schemes. The BT Investment Management Limited Employee Equity Plan Trust (ESP) is used by BTIM to administer the employee share plan for its Australian employees and the BTIM Employee Benefit Trust (EBT) for the employee share plan for its UK employees. Share purchases are undertaken by the specially established trusts that are funded on an ongoing basis by the BTIM Group and controlled by BTIM.

(a) BTIM employee equity grants

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

New and Existing Employee Equity Grants

BTIM satisfies any grants to new employees, current employees where equity is provided for retention for employees filling new or existing positions by either issuing treasury shares from forfeited shares in the ESP or from shares purchased on market (refer Note 18).

	2014	2013
Number of shares issued under the New and Existing Employee Equity Grants to participating employees under the ESP	121,248	515,375

Each participant was issued shares with a weighted average market price of between \$6.50 and \$6.82 (2013: between \$3.23 and \$3.68).

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).

Annual CEO Award

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

Number of shares issued under the Ongoing Equity Grants	2014	2013
Grants to participating employees of the ESP	2,925,952	3,779,695
Grants to participating employees of the EBT	849,401	61,407
Total grants to participating employees of the BTIM Group	3,775,353	3,841,102

ESP participants were issued shares with a weighted average market price of \$3.26 (2013: \$1.99). EBT participants were issued shares with a weighted average market price of \$2.93 (2013: \$2.02).

Shares granted in Ongoing Equity Grants have time-based vesting conditions and may contain performance hurdles.

(b) JOHCM employee equity grants

As part of the acquisition of JOHCM, BTIM has provided JOHCM employees short, medium and long term equity incentives in the form of BTIM shares or other BTIM securities. These are equity-settled share-based payment transactions, where JOHCM receives consideration for the equity instruments granted. The fair value of the services received cannot be estimated reliably and therefore the Company has measured their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The following share-based payment compensation schemes were in operation during the 2014 Financial Year for JOHCM employees:

Rollover Equity and Fund Equity – Converting Notes

On the date of the acquisition of JOHCM by BTIM, a total number of 14,009,668 BTIM converting notes were issued to JOHCM employees in exchange for their JOHCM Group shares or other equity entitlements. Each converting note will convert into one BTIM ordinary share over a period of up to five years provided that the note holder continues in employment. If the employment conditions are not met the number of converting notes that will convert may be reduced.

The employees are entitled to receive dividend-linked coupons during the vesting period.

The fair value of the converting notes are based on the BTIM share price at the grant date of \$1.98 and allocated between purchase consideration and remuneration. The fair value of the converting notes treated as purchase consideration and classified as a financial liability (refer Note 17), represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The remuneration component is accounted for as equity-settled share-based payment with a vesting period of up to five years.

Notes to the Financial Statements continued

30. SHARE-BASED PAYMENTS CONTINUED

The assessed fair value of the remuneration component is in the range of \$0.26 to \$0.28 per converting note. It was independently determined using Monte-Carlo simulation valuation techniques that take into account the following inputs:

- the term of the converting note
- the impact of dilution
- the share price at grant date of \$1.98
- expected volatility of the underlying share of 30%
- the expected dividend yield of 6%
- the risk free rate of return for the term of the converting note of 3.81%.

On 2 November 2013, 1,082,301 converting notes converted into 1,082,301 BTIM ordinary shares. The number of converting notes outstanding and convertible into BTIM ordinary shares at 30 September 2014 is 11,845,065 (2013: 12,927,366).

Staff Equity Plan – Converting Notes

Equity was granted in the form of BTIM converting notes to JOHCM senior and general staff with performance hurdles attached. The total number of converting notes issued was 4,047,220. The fair value of the converting notes was determined to be the BTIM share price on grant date of \$1.98. The converting notes will vest and convert into unrestricted ordinary shares in BTIM in two tranches after three and five years, subject to operating earnings growth targets and the employee remaining in employment. The number of shares to which the note holder shall be entitled upon conversion will be equal to the number of notes.

The employees are entitled to receive dividend-linked coupons during the vesting period. A total number of 210,470 (2013: 276,510) converting notes were forfeited during the year. The total number of converting notes outstanding at 30 September 2014 is 3,508,575 (2013: 3,719,045).

Fund Linked Equity

The fund linked equity scheme is for investment managers that convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM ordinary shares based on a pre-determined formula.

JOHCM investment managers who held fund linked equity awards under a similar equity scheme prior to the BTIM Group's acquisition have been awarded new equity grants under substantially the same terms.

The fair value of the fund linked equity at the time of grant was independently determined based on a market based valuation of their investment strategies at the time of launch.

No dividends are payable on the fund linked equity and the fund linked equity does not carry voting rights.

The fund linked equity will convert into BTIM ordinary shares over a period of up to eight years through to the year ending 30 September 2017. At the time of conversion, the number of BTIM ordinary shares exchanged for fund linked equity is based on a pre-determined formula which applies a market based measure to the after-tax profits generated by their investment strategy. The BTIM ordinary shares exchanged subsequently have a vesting profile over a period of five years.

The fund linked equity is an equity settled scheme which is not re-measured after grant date. If the scheme was re-measured to reflect current after tax profits generated by the investment strategies, the current value of the fund linked equity issued would exceed the valuation accounted for at grant date.

Long Term Retention Equity

Two tranches of BTIM equity in the form of BTIM nil cost options were awarded to existing JOHCM fund managers as part of the acquisition. A total number of 5,844,665 nil cost options were issued during 2012 which will vest and be exercised into BTIM ordinary shares over a period of up to ten years. The number of shares to which the option-holder is entitled upon exercise will be equal to the number of options.

The employee is not entitled to receive dividends during the vesting period.

The fair value of the options was determined using the binomial method based on the BTIM share price at grant date of \$1.98 and dividend yield of 6%. The assessed fair value of the nil cost options issued based on these inputs was between \$1.09 and \$1.38 depending on their vesting date.

During the year, 26,762 (2013: nil) nil cost options were exercised. The total number of nil cost options at 30 September 2014 is 5,817,903 (2013: 5,844,665).

Following the acquisition fund managers who are awarded BTIM shares in the Fund Manager Remuneration schemes are awarded additional equity in BTIM in the form of other nil cost options. The number of other nil cost options is determined with reference to individual performance each year through the performance period ending 30 September.

The other nil cost options cannot be exercised until 2019. Dividends accrue over the period until they are exercised with additional nil cost options being awarded in lieu of dividends which can also be exercised in 2019.

During the year 1,858,570 (2013: nil) other nil cost options were issued to eligible employees.

Ongoing Equity Grants

Fund Manager Variable Reward Scheme

The ongoing remuneration structure for fund managers has two components : fixed and variable reward. Eligible fund managers will receive a variable reward based on a share of the funds revenue calculated under the Fund Manager Remuneration Scheme for the year ended 30 September 2013 and in subsequent years deferred and paid in BTIM ordinary shares.

The shares will vest over a period of up to five years.

During the year 743,422 shares were issued to eligible participants with a weighted average market price of \$2.93. There were no shares issued in the year ended 30 September 2013.

Corporate Variable Reward Scheme

Management employees of JOHCM employees are paid a combination of fixed remuneration and variable reward made up of cash and/or BTIM ordinary shares in respect of ongoing equity grants. During the year 105,979 (2013:49,125) shares were issued to eligible participants with a weighted average market price of \$2.93 (2013: \$2.02).

The shares will vest over a period of up to five years.

(c) Long-term incentive plans (LTIP)

The BTIM Group has the following long-incentive plans which are aimed at driving performance by delivering value only when specific performance hurdles are met or exceeded.

BTIM Performance Reward Scheme

The BTIM Performance Reward Scheme (PRS) is a long-term incentive plan for BTIM employees where selected BTIM employees will be granted performance share rights which vest into BTIM ordinary shares at the end of a the three year period subject to meeting employment and performance conditions. The performance conditions are either based on total shareholder return (TSR) and, Cash earnings per share (Cash EPS) growth or revenue-linked targets.

Performance share rights do not qualify for any dividends throughout the performance period. However, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.

The scheme has been in place for eligible employees since the 2012 Financial Year.

During the 2014 Financial year a total of 667,533 (2013: 1,556,723) performance share rights were granted. The performance share rights granted that are linked to TSR hurdles over three years have been independently valued using a Monte Carlo simulation model. The performance share rights that are linked to Cash EPS performance hurdles or revenue targets over three years are valued with reference to the BTIM share price at grant date. The fair value at grant date was \$2.66 and \$4.28 (2013: \$1.29 and \$2.08) for the TSR and Cash EPS performance share rights respectively and \$nil (2013: \$3.95) for the revenue-linked performance share rights.

Key inputs in the valuation model performance share rights include a risk free interest rate of 2.84%, 3.62% and 2.39% for the 2014, 2013 and 2012 Financial Years respectively, volatility of 30% and dividend yield of zero for all years.

A total number of 124,169 (2013: 65,112) performance share rights were forfeited during the year. The total number of performance share rights outstanding at 30 September 2014 is 2,530,392 (2013 1,987,528).

JOHCM Performance Reward Scheme

Under the JOHCM PRS scheme selected employees will be granted performance share rights which will vest into BTIM ordinary shares at the end of the three year period subject to meeting employment and performance conditions. The performance conditions are either based on total shareholder return (TSR) and, Cash earnings per share (Cash EPS) growth or the growth in JOHCM Cash Operating Profit over a three year period.

Performance share rights do not qualify for any dividends throughout the performance period. However, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.

During the 2014 Financial year a total of 487,979 performance share rights were granted. The performance share rights granted during 2014 are linked to the same TSR hurdles and Cash EPS hurdles as the BTIM performance rights issued during the 2014 Financial year as detailed above. For the performance share rights issued during the 2014 Financial year, a total number of 13,874 performance share rights were forfeited during the year. The total number of performance share rights outstanding at 30 September 2014 is 474,105.

Notes to the Financial Statements continued

30. SHARE-BASED PAYMENTS CONTINUED

A total of 93,189 performance share rights were granted during the prior Financial Year. The performance conditions for the performance share rights issued during the prior Financial year are based on the growth in JOHCM Cash Operating Profit over a three year period. For the performance share rights issued during the prior Financial year, a total number of 9,930 performance share rights were forfeited during the year. The total number of performance share rights issued during the prior Financial year outstanding at 30 September 2014 is 83,259.

JOHCM CEO Performance Reward Scheme

During the year the BTIM Board Remuneration & Nomination Committee approved a long term incentive plan for the JOHCM CEO. The JOHCM CEO was granted BTIM ordinary shares which will vest over a five year period in three tranches at the end of years 3, 4 and 5 subject to meeting employment and performance conditions. The performance conditions are based on Cash earnings per share (Cash EPS) growth hurdles and net FUM flow targets into products managed by JOHCM.

Dividends payable on the BTIM shares between the grant date and the vesting period will be escrowed and paid only upon vesting. The shares cannot be voted until the shares have vested.

A total of 2,049,230 shares were issued during the year and fair valued based on the BTIM share price at grant date of \$6.13.

(d) Expenses arising from share-based payment transactions

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

	2014 \$000's	2013 \$000's
BTIM employee equity grants	14,412	10,498
JOHCM employee equity grants	12,564	8,091
BTIM Group Long-term incentive plans	5,395	1,206
Total amortisation of employee equity grants	32,371	19,795

31. PARENT ENTITY FINANCIAL INFORMATION

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

	2014 \$'000	2013 \$'000
(a) Summary financial information		
Profit for the financial year	127,180	59,801
Total comprehensive income for the financial year	127,180	59,801
Current assets	119,699	80,679
Total assets	669,083	612,751
Current liabilities	61,786	51,367
Total liabilities	76,777	82,267
Shareholders' equity:		
Contributed equity	455,016	469,749
Reserves		
Common control reserve	(25,472)	(25,472)
Share-based payment reserve	74,337	49,408
Retained earnings	88,425	36,799
Total equity	592,306	530,484

(b) Guarantees entered into by the parent entity

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

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

(c) Contingent liabilities of the parent entity

The parent entity has contingent liabilities as outlined in Note 23.

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

As at 30 September 2014, the parent entity had no contractual commitment for the acquisition of property, plant and equipment (2013: \$467,977 for the purchase of software).

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 74 to 117 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 2014 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.



James Evans

Chairman



Emilio Gonzalez

Director

Sydney, 30 October 2014

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of BT Investment Management Limited (the company), which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 BT Investment Management Limited and its controlled entities (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Directors' Report continued



Auditor's opinion

In our opinion:

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 2014 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*.
- (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 45 to 70 of the directors' report for the year ended 30 September 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of BT Investment Management Limited (the company) for the year ended 30 September 2014 included on BT Investment Management Limited's web site. The company's directors are responsible for the integrity of BT Investment Management Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this website.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
30 October 2014

Shareholder Information

The shareholder information set out below is current as at 15 October 2014.

Number of shareholders and shares on issue

The Company has issued 284,384,906 fully paid ordinary shares and these are held by 9,311 shareholders.

Top twenty shareholders

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

NAME	NUMBER OF SHARES	%
1 Westpac Financial Services Group Limited	172,800,001	60.76
2 JP Morgan Nominees Australia Limited	12,181,431	4.28
3 HSBC Custody Nominees (Australia) Limited	7,421,025	2.61
4 National Nominees Limited	7,318,929	2.57
5 Equiniti Trust (Jersey) Limited	6,249,279	2.20
6 Citicorp Nominees Pty Limited	5,525,316	1.94
7 EFJ Investments Pty Limited	5,138,830	1.81
8 Pacific Custodians Pty Limited	2,856,874	1.00
9 Pacific Custodians Pty Limited	2,524,419	0.89
10 Noel Adrian Webster	2,267,062	0.80
11 James Francis Taylor	1,907,431	0.67
12 Equiniti Trust (Jersey) Limited	1,858,570	0.65
13 Andrew Martin Waddington	1,755,535	0.62
14 Adina Holdings No. 2 Pty Limited	1,698,190	0.60
15 Equiniti Trust (Jersey) Limited	1,669,904	0.59
16 Investor Nominees Pty Limited	1,654,493	0.58
17 Emilio Gonzalez	1,398,467	0.49
18 Paul Brendan Hannan	1,357,440	0.48
19 Sondal Mehmet Bensan	1,156,315	0.41
20 Australian United Investment Company Limited	1,000,000	0.35
20 Diversified United Investment Limited	1,000,000	0.35
	240,739,511	84.65
Grand TOTAL	284,384,906	100.00

Distribution of shareholders

HOLDING	NUMBER OF SHARES	%	NUMBER OF SHAREHOLDERS
100,001 and Over	248,783,590	87.48	41
10,001 to 100,000	14,419,810	5.07	603
5,001 to 10,000	6,702,057	2.36	897
1,001 to 5,000	13,987,954	4.92	6,818
1 to 1,000	491,495	0.17	952
Total	284,384,906	100.00	9,311

Shareholder Information continued

Unmarketable parcels of shares

There are 119 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 and associated entities	206,307,324	72.97

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

The following unquoted securities are on issue:

Converting notes: 15,353,640

Nil cost options: 7,676,473

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.

No voting rights are attached to converting notes or nil cost options.

Glossary

\$

Australian dollars, unless indicated otherwise

£ or GBP

Pounds sterling

2014 Financial Year or FY14

The financial year ended 30 September 2014

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

ACN

Australian Company Number

AFSL

Australian Financial Services Licence

AGM

Annual General Meeting

ASX

Australian Securities Exchange

ASX Recommendations

The Corporate Governance Principles and Recommendations (Second Edition) published by the ASX Corporate Governance Council

AUD

Australian Dollar

b

Billion

Board

Board of Directors of BTIM

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) and its subsidiaries

BTIM (Australia)

BTIM's operations in Australia

BTIM ESP

The BT Investment Management Limited Employee Equity Plan Trust

BTIM Funds

The managed investment schemes or unit trusts of which BTIMFS is the RE or trustee

BTIM Group

BTIM and its subsidiaries

BTIMFS

BT Investment Management (Fund Services) Limited (ABN 13 161 249 332), a wholly-owned subsidiary of BTIM and the RE of the BTIM Funds

BTIMI

BT Investment Management (Institutional) Limited (ABN 17 126 390 627), a wholly-owned subsidiary of BTIM (previously known as BT Investment Management (RE) Limited)

Cash EPS

Cash earnings per share

CEO

Chief Executive Officer of BTIM

CFO

Chief Financial Officer of BTIM

CGU

Cash generating unit

CODM

Chief Operating Decision-Maker, which is the Senior Management Team

COO

Chief Operating Officer of BTIM

Corporations Act

Corporations Act 2001 (Cth)

cps

Australian cents per share

CRO

Chief Risk Officer of BTIM

Director(s)

Director(s) of BTIM

DRP

Dividend Reinvestment Plan

EBITDA

Earnings before interest and tax after depreciation and amortisation

ESG

Environmental, social and governance

FTE

Full time equivalent employees

FUM

Funds under management

IASB

International Accounting Standards Board

GBP

British pound

GDP

Gross Domestic Product

GFC

Global financial crisis

JOHCM

J O Hambro Capital Management Limited

JOHCM EBT

J O Hambro Capital Management Limited Employee Benefit Trust

Key management personnel or KMP

Those persons having authority and responsibility for planning, directing and controlling the activities of BTIM, including the Directors and certain members of the Senior Management Team

KPIs

Key performance indicators

Listing Rules

Listing rules of ASX

LTI

Long-term incentive

m

Million

NED(s)

Non-executive directors

NPAT

Net profit after tax

OEIC

Open-ended investment company

PwC

PricewaterhouseCoopers, the external auditor of the BTIM Group

RE

Responsible entity

Reporting Period

The financial year ended 30 September 2014

Senior Executives

Members of the Senior Management Team

STI

Short-term incentive

Senior Management Team

Senior Management Team of BTIM. During the 2014 Financial Year, the Senior Management Team included the CEO, the Chief Executive Officer of JOHCM, CFO, COO, CRO, the Head of Corporate Development, the Head of Human Resources, the Head of Investment Products and the Head of Sales & Marketing

SMSF

Self-managed super fund

TSR

Total shareholder return

UCITS

Undertakings for Collective Investment in Transferable Securities

UN PRI

United Nations Principles for Responsible Investment

VR

Variable reward

Westpac

Westpac Banking Corporation (ABN 33 007 457 141)

Westpac Group

Westpac and its controlled entities

WIB

Westpac Institutional Bank

WFSGL

Westpac Financial Services Group Limited

Corporate Directory

Directors

James Evans (Chairman)
Emilio Gonzalez (CEO)
Meredith Brooks
Brad Cooper
Andrew Fay
Deborah Page, AM

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 (ABN)

28 126 385 822

ASX Code

BTT

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: +612 8280 7111
Facsimile: +612 9287 0303

