

BT INVESTMENT MANAGEMENT LIMITED

ABN 28 126 385 822

AND ITS CONTROLLED ENTITIES

INTERIM PROFIT ANNOUNCEMENT

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

APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2016

The Directors of BT Investment Management Limited (BTIM or the Company) announce the results of the consolidated entity (BTIM Group) for the half year ended 31 March 2016 (prior corresponding period: half year ended 31 March 2015), which have been subject to review by our auditors, PricewaterhouseCoopers. The results are as follows:

Results for the half year ended 31 March 2016

	% Change	31 March 2016
Total revenue and other income	30.5%	281,197,506
Net profit after income tax ¹	26.4%	78,268,407
Profit for the period attributable to members	26.4%	78,268,407
Interim 2016 Dividend – cents per security (40% franked ²)		18.0
Record date for determining entitlements to interim dividend		27 May 2016
Payment date for interim dividend		1 July 2016

Explanation of results:

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

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

Cash NPAT for the half year ended 31 March 2016 was \$88,599,384 (2015: \$66,535,799) which is an increase of 33.2% on prior the half year.

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

Dividend Reinvestment Plan

The Board has determined that the Dividend Reinvestment Plan (DRP) will remain active for the 2016 interim dividend. Shares issued under the DRP will be a zero discount to the allocation price as determined by the DRP Rules.

Shareholders who have not previously registered to participate in the DRP or who wish to alter their participation in the DRP, must complete a DRP Instruction Form and return it to BTIM's share registry, Link Market Services, by no later than 5.00pm on Monday, 30 May 2016. The DRP Instruction Form can be obtained at www.linkmarketservices.com.au.

**BT INVESTMENT MANAGEMENT LIMITED
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**APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

Other information

	31 March 2016	31 March 2015
Net tangible asset backing (cents per ordinary security)	57.8	40.9
Basic EPS (cents)	30.3	24.6
Diluted EPS (cents)	30.0	23.8
Final 2015 dividend paid during the period	\$57,206,100	
Dividend-linked coupon paid during the period ²	\$627,028	

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

Both the final 2015 dividend and dividend-linked coupon were paid on 18 December 2015.

Please refer to the attached 31 March 2016 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

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

BT INVESTMENT MANAGEMENT LIMITED
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INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2016

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The interim financial report was authorised for issue by the Company's Directors on 5 May 2016 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2015 and any public announcements made by BT Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2016**

The Directors present their report on the consolidated entity (the BTIM Group) consisting of BT Investment Management Limited (BTIM or the Company) and the entities it controlled at the end of, or during, the half year ended 31 March 2016.

Directors

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

James Evans
Emilio Gonzalez
Meredith Brooks
Brad Cooper (retired on 1 March 2016)
Andrew Fay
Deborah Page AM
Les Vance (appointed on 1 March 2016)

Principal activities

The principal activity of the BTIM Group during the half year was the provision of investment management services. There has been no significant change in the nature of this activity during the half year ended 31 March 2016.

Review of operations

The BTIM Group continued to operate under two operating segments comprising the investment management business in Australia (BTIM) and outside of Australia (BTIM UK). The statutory net profit after tax (NPAT)¹ of the BTIM Group for the half year ended 31 March 2016 was \$78,268,407 (2015: \$61,937,316).

The BTIM Group's cash net profit after tax (Cash NPAT) for the half year was \$88,599,384 (2015: \$66,535,799). The increase on the prior half year has been driven by:

- Higher average funds under management (FUM), up 11 percent to \$78.8 billion;
- Positive net inflows of \$1.5 billion;
- Expansion of base management fee margins, up 2 basis points to 50 basis points from 48 basis points;
- Increased performance fee revenue, up 97 per cent to \$74.9 million; and
- Favourable currency movements which saw the average level of the Australian dollar 8 per cent lower relative to the British pound.

Despite lower average market levels, average FUM for the half year increased 11 per cent on the prior half year to \$78.8 billion as a result of strong flows over the last 12 months and a weaker Australian dollar. During the half year, the average level of the S&P/ASX 300 Price Index and the MSCI ACWI (GBP) Index were both down by 8 per cent and 2 per cent respectively when compared to the same period last year.

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

**BT INVESTMENT MANAGEMENT LIMITED
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**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

Review of operations (continued)

Total expenses of \$180,776,473 were higher than the \$134,920,271 in the prior half year largely impacted by increased variable employee costs linked to higher fee revenue and ongoing investment in the operating platform to support recent and future growth of the business.

FUM as at 31 March 2016 was \$77.2 billion, a decrease of 1.5% from \$78.4 billion at 30 September 2015. The \$1.2 billion decline in FUM for the half year ended 31 March 2016 has been driven by a 16 percent increase in the value of the Australian dollar relative to the British pound which reduced FUM by \$5.6 billion, partially offset by net inflows of \$1.5 billion and a positive market and investment performance of \$2.9 billion.

The \$1.5 billion in net inflows for the half came via JO Hambro Capital Management's (JOHCM's) US pooled funds (+\$1.0 billion), and segregated mandates (+\$1.0 billion), while BTIM (Australia) saw net outflows of \$0.5 billion, predominantly through the lower margin legacy book.

Reconciliation of statutory NPAT to Cash NPAT

	Half year ended 31 March 2016	Half year ended 31 March 2015
	\$'000	\$'000
Statutory NPAT	78,268	61,937
Add back: amortisation of employee equity grants	33,116	18,888
Deduct: cash cost of ongoing equity grants	(24,330)	(19,777)
Add back: amortisation and impairment of intangibles ²	4,029	3,970
Add back/(deduct): tax effect	(2,484)	1,518
Cash NPAT	88,599	66,536

Fund Linked Equity

As outlined in the Remuneration Report contained in the Directors' Report for the year ended 30 September 2015, the JOHCM fund managers have the ability to participate and receive equity grants under the fund linked equity (FLE) scheme. The FLE scheme allows fund managers to convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM ordinary shares (BTT restricted shares) based on a pre-determined formula. The BTT restricted shares have a subsequent 5 year vesting period.

Based on the FUM as at 30 September 2015, the value of the BTT restricted shares that would have been granted to the participants in the FLE scheme was approximately \$138.1m which equated to 14.6 million newly issued shares required to meet the conversion value.

During the half year BTIM issued 8,195,499 ordinary shares to satisfy a partial exercise of the equity rights by fund managers under the FLE scheme. The shares were issued on 29 January 2016 and are subject to vesting conditions of up to 5 years.

The value of BTT restricted shares that would be granted for the investment strategies operating under the FLE scheme approximates \$59.3 million as at 31 March 2016 (\$138.1 million as at 30 September 2015). The decrease of \$78.8 million in the implied value of the FLE scheme as at 31 March 2016 as compared to 30 September 2015 can be primarily attributed to a decrease of \$83.5 million as a result of the issuance of the BTT restricted shares on 29 January 2016, partly offset by an increase in FUM for the remaining strategies in the scheme.

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

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

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

Review of operations (continued)

Fund Linked Equity (continued)

The number of implied BTT restricted shares to allocate to the fund managers to meet the \$59.3 million conversion value equates to 6.2 million shares at 31 March 2016 based on a BTT Allocation Price of \$9.44 as determined by the scheme rules.

The Company has received notice of another partial conversion of FLE rights effective 30 April 2016. Newly issued BTT shares will be issued to satisfy the conversion and as at 31 March 2016, this represents approximately 0.3 million issued shares. The exact number of shares to be issued are not yet known and will be subject to a number of variables at the effective date including market movements, fund flows, currency movements and the BTT share price.

Assuming other remaining FLE rights are converted into BTT restricted shares on their final conversion dates, the estimated number of BTT shares to be issued over the coming years can be seen in **Table 1**:

Table 1: Timing of shares required to meet future FLE Conversions

Financial Years	2H16 ³	FY17	FY18	FY19	FY20-22
Number of Shares to be issued (m)	0.3	3.5	0.9	1.1	0.4

An issue of 6.2 million additional shares would increase the fully diluted share count by 2.0%. This compares to 4.8% as at 30 September 2015 for the issuance of 14.6 million shares in meeting the conversion value at that time.

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

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

Dividends

The Directors have resolved to pay a partly franked interim dividend and dividend-linked coupon of 18.0 cents (40% franked)⁴ per share (2015: 17.0 cents per share – 40% franked) on ordinary shares and converting notes. The amount of dividend and dividend-linked coupon which has not been recognised as a liability at 31 March 2016 is \$55.8 million (2015: \$51.2 million).

Rounding of amounts

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

³ Includes shares to be issued under the conversion notice effective 30 April 2016 received by the Company.

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

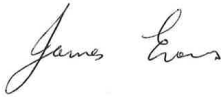
**BT INVESTMENT MANAGEMENT LIMITED
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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



James Evans
Chairman
5 May 2016



Emilio Gonzalez
Managing Director
5 May 2016



Auditor's Independence Declaration

As lead auditor for the review of BT Investment Management Limited for the half-year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been:

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

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


Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
05 May 2016

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**BT INVESTMENT MANAGEMENT LIMITED
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 MARCH 2016**

	Notes	31 March 2016 \$'000	31 March 2015 \$'000
Revenue from continuing operations			
Investment management fees	3	196,520	171,667
Performance fees	3	74,895	37,984
Transaction fees	3	7,541	2,205
		278,956	211,856
Other Income	4	2,242	3,686
Expenses			
Employee expenses			
Salaries and related expenses		109,791	80,295
Amortisation of employee equity grants		33,116	18,888
Fund administration		6,285	6,331
Depreciation, amortisation and impairment		4,818	4,790
Investment management		5,360	4,876
Business development and promotion		5,453	4,264
General office and administration		4,278	3,766
Professional services		3,444	3,249
Occupancy		2,300	2,723
Information and technology		4,800	3,172
Distribution		760	1,743
Finance costs	5	372	823
Total expenses		180,777	134,920
Profit before income tax		100,421	80,622
Income tax expense	6	22,153	18,685
Profit attributable to owners of BTIM		78,268	61,937
Other comprehensive income for the half year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	14	(59,207)	16,812
Net unrealised gain on available-for-sale assets	14	4,087	3,808
Income tax relating to components of other comprehensive income	6, 14	(832)	(956)
Other comprehensive income, net of tax		(55,952)	19,664
Total comprehensive income for the half year attributable to owners of BTIM		22,316	81,601
Earnings per share for profit attributable to the ordinary equity holders of the company		Cents	Cents
Basic earnings per share	15	30.3	24.6
Diluted earnings per share	15	30.0	23.8

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Notes	31 March 2016 \$'000	30 September 2015 \$'000
Current assets			
Cash and cash equivalents	8	146,973	166,752
Trade and other receivables		54,552	58,731
Prepayments		3,887	5,016
Total current assets		205,412	230,499
Non-current assets			
Property, plant and equipment		3,561	2,087
Available-for-sale financial assets	9	70,686	87,975
Deferred tax assets		29,785	38,396
Intangible assets	10	578,713	636,324
Total non-current assets		682,745	764,782
Total assets		888,157	995,281
Current liabilities			
Trade and other payables		30,445	37,587
Employee benefits		56,860	112,745
Borrowings	9, 11	26,352	18,038
Converting Notes	9, 12	121	13,680
Lease incentive		91	320
Current tax liabilities		10,894	21,259
Total current liabilities		124,763	203,629
Non-current liabilities			
Employee benefits		12,934	7,234
Converting Notes	9, 12	-	121
Lease incentive		804	-
Deferred tax liabilities		18,566	22,424
Total non-current liabilities		32,304	29,779
Total liabilities		157,067	233,408
Net assets		731,090	761,873
Equity			
Contributed equity	13	438,562	454,094
Reserves	14	176,860	212,546
Retained earnings		115,668	95,233
Total equity		731,090	761,873

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 MARCH 2016**

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2015		454,094	212,546	95,233	761,873
Profit for the half year		-	-	78,268	78,268
Other comprehensive income for the half year		-	(55,952)	-	(55,952)
Total comprehensive income for the half year		-	(55,952)	78,268	22,316
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		13,680	-	-	13,680
Treasury shares acquired		(45,751)	-	-	(45,751)
Treasury shares released	13, 14	14,330	(14,330)	-	-
Share-based payments		-	34,596	-	34,596
Dividend reinvestment plan		2,209	-	-	2,209
Dividends and dividend-linked coupons paid	7	-	-	(57,833)	(57,833)
		(15,532)	(35,686)	20,435	(30,783)
Balance at 31 March 2016		438,562	176,860	115,668	731,090

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2014		455,016	115,967	72,120	643,103
Profit for the half year		-	-	61,937	61,937
Other comprehensive income for the half year		-	19,664	-	19,664
Total comprehensive income for the half year		-	19,664	61,937	81,601
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		13,680	-	-	13,680
Treasury shares acquired		(30,956)	-	-	(30,956)
Treasury shares released	13, 14	9,471	(9,471)	-	-
Share-based payments		-	24,048	-	24,048
Dividend reinvestment plan		11,554	-	-	11,554
Dividends and dividend-linked coupons paid	7	-	-	(54,608)	(54,608)
		3,749	34,241	7,329	45,319
Balance at 31 March 2015		458,765	150,208	79,449	688,422

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 MARCH 2016**

	Notes	Half year ended 31 March 2016 \$'000	31 March 2015 \$'000
Cash flows from operating activities			
Fees and other income received		285,761	220,176
Interest received		209	278
Distributions from unit trusts		1,189	1,053
Expenses paid		(200,750)	(154,442)
Income tax paid		(27,697)	(28,991)
Net cash inflows from operating activities		58,712	38,074
Cash flows from investing activities			
Proceeds from sales of available-for-sale financial assets		9,229	42,541
Payments for available-for-sale financial assets		-	(23,792)
Payments for property, plant and equipment		(2,082)	(258)
Payments for IT development		(519)	(41)
Net cash inflows from investing activities		6,628	18,450
Cash flows from financing activities			
Payments for purchase of treasury shares		(45,751)	(30,956)
Proceeds from external borrowings		57,973	38,795
Repayment of borrowings		(48,166)	(33,225)
Interest and other financing costs		(370)	(647)
Dividends and dividend-linked coupons paid		(55,624)	(43,051)
Net cash outflows from financing activities		(91,938)	(69,084)
Net decrease in cash and cash equivalents		(26,598)	(12,560)
Cash and cash equivalents at beginning of the period		166,752	130,151
Effects of exchange rate changes on cash and cash equivalents		6,819	(6,542)
Cash and cash equivalents at the end of the period		146,973	111,049

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2016**

1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2016

This interim financial report for the half year ended 31 March 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2015 and any public announcements made by BTIM during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Comparative revisions

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

New accounting standards and interpretations

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

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

**1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED MARCH 2016
(continued)**

New and revised standards not mandatory and not adopted

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

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in AASB 139 *Financial Instruments: Recognition and Measurement* with a single model that has three classification categories: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss.

While the Group has yet to undertake a detailed assessment of the financial instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income and hence there will be likely be no material change to the accounting or related disclosures of these assets.

AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018)

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

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

AASB 16 *Leases*, (effective from 1 January 2019)

AASB 16 provides a new lessee accounting model which requires lessees to recognise right-of-use assets and liabilities to pay rentals for all leases with a term of more than 12 months, unless the underlying asset is of low value. The adoption of the standard will result in increased disclosure, however the impact on the financial statements is not expected to be material.

2. SEGMENT INFORMATION

(a) Description of segments

The BTIM Group has identified two operating segments based on internal management reports that are reviewed and used by the chief operating decision-maker (CODM)¹ 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 comprise the JOHCM Group of companies together with external debt financing in the UK.

¹ The CODM is BTIM's Senior Management Team comprising of the Chief Executive Officer of BTIM, Chief Executive Officer of JOHCM, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Sales & Marketing, Head of Corporate Development, Head of Investment Products and Head of Human Resources. Effective 1 May 2016 the CODM is the BTIM Group Global Executive Committee members comprising the Group Chief Executive Officer, Group Chief Financial Officer, JOHCM Group Chief Executive Officer, Group Chief Risk Officer, and BTIM (Australia) Chief Executive Officer.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

2. SEGMENT INFORMATION (continued)

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

	BTIM		BTIM UK		Total Group	
	31 Mar 2016 \$'000	31 Mar 2015 \$'000	31 Mar 2016 \$'000	31 Mar 2015 \$'000	31 Mar 2016 \$'000	31 Mar 2015 \$'000
Revenue	81,457	70,250	199,741	145,292	281,198	215,542
Inter-segment revenue	267	752	1,393	1,607	1,660	2,359
Total segment revenue	81,724	71,002	201,134	146,899	282,858	217,901
Inter-segment expense	(1,393)	(1,607)	(267)	(752)	(1,660)	(2,359)
Depreciation and amortisation	(544)	(543)	(245)	(277)	(789)	(820)
Finance costs	(28)	(387)	(344)	(436)	(372)	(823)
Other operating expenses	(53,732)	(49,484)	(113,069)	(80,711)	(166,801)	(130,195)
Total segment expenses	(55,697)	(52,021)	(113,925)	(82,176)	(169,622)	(134,197)
Income tax expense	(8,120)	(5,962)	(16,517)	(11,206)	(24,637)	(17,168)
Cash NPAT	17,907	13,019	70,692	53,517	88,599	66,536
Deduct: amortisation of employee equity grants	(12,942)	(9,740)	(20,174)	(9,148)	(33,116)	(18,888)
Add back: cash cost of ongoing equity grants	8,002	6,866	16,328	12,911	24,330	19,777
Deduct: amortisation and impairment of intangibles	-	-	(4,029)	(3,970)	(4,029)	(3,970)
Deduct: loss on financial liabilities at fair value through profit & loss	-	-	-	-	-	-
Add back: tax effect	1,325	514	1,159	(2,032)	2,484	(1,518)
Statutory NPAT	14,292	10,659	63,976	51,278	78,268	61,937
Segment assets	380,034	361,124	508,123	519,651	888,157	880,775
Segment liabilities	(52,232)	(55,820)	(104,835)	(136,533)	(157,067)	(192,353)
Net assets	327,802	305,304	403,288	383,118	731,090	688,422

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

**BT INVESTMENT MANAGEMENT LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

3. REVENUE FROM CONTINUING OPERATIONS

	Half year ended 31 March 2016 \$'000	31 March 2015 \$'000
Management, fund and trustee fees	195,382	169,902
Performance fees	74,895	37,984
Transaction fees	7,541	2,205
Service fees from related parties	764	746
Expense recoveries	291	574
Other revenue	83	445
Total revenue from continuing operations	278,956	211,856

4. OTHER INCOME

	Half year ended 31 March 2016 \$'000	31 March 2015 \$'000
Distributions from unit trusts	1,158	1,025
Interest revenue	209	278
Net gain on sale of available-for-sale financial assets	-	4,488
Net foreign exchange gain/(loss)	875	(2,105)
Total other income	2,242	3,686

5. FINANCE COSTS

	Half year ended 31 March 2016 \$'000	31 March 2015 \$'000
Interest and finance charges paid / payable for borrowings	370	647
Net foreign exchange loss on borrowings	2	176
Total other income	372	823

6. INCOME TAX EXPENSE

	Half year ended 31 March 2016 \$'000	31 March 2015 \$'000
(a) Income tax expense		
Current tax	16,328	14,970
Deferred tax ¹	4,821	3,717
Adjustments for current tax of prior periods	1,004	(2)
Income tax expense	22,153	18,685

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

Decrease in deferred tax assets	6,699	4,530
Decrease in deferred tax liabilities	(1,878)	(813)
Total increase in deferred tax	4,821	3,717

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

Available-for-sale financial assets	832	956
	832	956

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6. INCOME TAX EXPENSE (continued)

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction, adjusted for temporary differences and tax relating to prior periods. The main corporate tax rates applicable for the current period are 30% (2015: 30%) on Australian taxable income, 20.0% (2015: 20.5%) on UK taxable income, and 17% (2015: 17%) on Singapore taxable income.

7. DIVIDENDS

	Half year ended	
	31 March 2016	31 March 2015
	\$'000	\$'000
Ordinary shares		
Dividend paid during the half year	57,206	52,891
Dividend proposed and not recognised as a liability at the end of the half year	55,229	49,709
Converting notes		
Dividend-linked coupon paid during the half year	627	1,717
Dividend-linked coupon proposed and not recognised as a liability at the end of the half year	563	1,537

8. CASH AND CASH EQUIVALENTS

	31 March 2016	30 September 2015
	\$'000	\$'000
Cash at bank and in hand	46,296	31,773
Deposits at call	100,677	134,979
	146,973	166,752

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

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9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

(a) Fair value hierarchy

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

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

31 March 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000	Carrying amount \$'000
Financial assets					
Available-for-sale assets:					
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	-	-	100	100	100
Shares in James Hambro & Partners LLP ¹	-	-	218	218	218
Units held in pooled funds ²	-	70,368	-	70,368	70,368
Total financial assets	-	70,368	318	70,686	70,686
Financial liabilities					
Borrowings	26,352	-	-	26,352	26,352
Converting notes	-	121	-	121	121
Total financial liabilities	26,352	121	-	26,473	26,473

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9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Fair value hierarchy (continued)

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

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

² These securities represent shares held in offshore unlisted pooled funds managed by the BTIM Group and are measured at fair value.

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

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

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

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

Pooled funds

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

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**NOTES TO THE FINANCIAL STATEMENTS
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9. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

Borrowings

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

Converting notes

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

(c) Unobservable inputs

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

	Shares in Regnan \$'000	Shares in James Hambro & Partners LLP \$'000	Total fair value – Level 3 \$'000	Carrying amount \$'000
Balance at the beginning of the financial period	100	225	325	325
Effects of foreign exchange movements	-	(7)	(7)	(7)
Balance at the end of the financial period	100	218	318	318

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

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

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

(d) Fair value of other instruments

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

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10. INTANGIBLE ASSETS

	31 March 2016 \$'000	30 September 2015 \$'000
Goodwill		
Cost	485,284	524,652
Net carrying value	485,284	524,652
Fund and investment management contracts		
Cost	139,618	161,430
Accumulated amortisation and impairment ¹	(47,979)	(51,211)
Net carrying value	91,639	110,219
IT development and software		
Cost	3,220	2,701
Accumulated amortisation	(1,430)	(1,248)
Net carrying value	1,790	1,453
Total intangible assets		
Cost	628,122	688,783
Accumulated amortisation and impairment	(49,409)	(52,459)
Net carrying value	578,713	636,324

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

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

	31 March 2016 \$'000	30 September 2015 \$'000
<i>Fund management contracts</i>		
OEIC fund management contracts	79,790	95,713
<i>Investment management contracts</i>		
Segregated mandates	11,849	14,506
Total fund and investment management contracts	91,639	110,219

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 applied to the cash flow projections (post tax) is 13% (2015:13%), based on the cost of capital.

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10. INTANGIBLE ASSETS (continued)

Goodwill has been derived from the following business combinations:

	31 March 2016 \$'000	30 September 2015 \$'000
Purchase of the investment management business from Westpac Banking Corporation on 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	251,984	291,352
Total goodwill	485,284	524,652

Goodwill is allocated to the BTIM Group's cash-generating units (CGUs) identified according to operating segments (refer Note 2). Goodwill attributable to BTIM and BTIM UK is \$233,300,000 and \$251,984,379 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 applied to the cash flow projections for BTIM and BTIM UK are 11.5% and 13% (2015: 11.5% and 13%) respectively based on the cost of capital (post tax) for each of these CGU's.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 31 March 2016.

There has been no impairment of goodwill during the half year ended 31 March 2016. The amount of goodwill relating to the JOHCM acquisition has been translated from the British pound to Australian dollar using the spot rate at 31 March 2016.

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

	31 March 2016 \$'000	30 September 2015 \$'000
Current	26,352	18,038
Non-current	-	-
Total borrowings	26,352	18,038

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
As at 31 March 2016					
Bank loans					
Revolving loan facility	26,352	-	-	-	26,352
Loan notes	-	-	-	-	-
Total Borrowings	26,352	-	-	-	26,352

As at 30 September 2015

Bank loans					
Revolving loan facility	11,072	-	-	-	11,072
Loan notes	6,966	-	-	-	6,966
Total Borrowings	18,038	-	-	-	18,038

Bank Loans

The BTIM Group has an \$84 million/£45 million revolving loan facility with Westpac Banking Corporation which is denominated in GBP and expires on 30 September 2016.

An amount of \$26 million/£14 million (2015: \$11 million/£5 million) is drawn and \$58 million/£31 million (2015: \$87 million/£40 million) remains undrawn at 31 March 2016. BTIM is the guarantor on the borrowing facility. Interest on draw-downs has been fixed for between 1 and 3 months.

Loan notes

Loan notes are denominated in GBP and were issued to JOHCM employees in October 2011. The loan notes were fully redeemed during the half year.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2016 (CONTINUED)**

12. CONVERTING NOTES

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Carrying amount liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
31 March 2016					
Converting notes	121	-	-	-	121
30 September 2015					
Converting notes	13,680	121	-	-	13,801

The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided certain conditions are met. The value of the converting notes represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The fair value of the converting notes at balance date has been determined with reference to the BTIM share price at 31 March 2016, which has resulted in no charge being recognised in the Consolidated Statement of Comprehensive Income during the financial period (period to 31 March 2015:\$nil).

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

On 30 October 2015 5,896,390 converting notes converted into 5,896,390 BTIM ordinary shares (refer Note 13).

13. CONTRIBUTED EQUITY

	31 March 2016 \$'000	30 September 2015 \$'000
Ordinary shares	601,965	586,076
Treasury shares	(163,403)	(131,982)
Total contributed equity	438,562	454,094

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13. CONTRIBUTED EQUITY (continued)

	31 March 2016 Shares ('000)	31 March 2016 \$ ('000)	30 September 2015 Shares ('000)	30 September 2015 \$ ('000)
Movements in ordinary shares during the period				
Balance at the beginning of the period	292,565	586,076	292,408	584,600
Converting notes converted into ordinary shares	5,896	13,680	-	-
FLE share issuance ¹	8,196	-	-	-
Dividend reinvestment plan	173	2,209	157	1,476
Balance at the end of the period	306,830	601,965	292,565	586,076
Movements in treasury shares during the period				
Balance at the beginning of the period	(36,401)	(131,982)	(35,771)	(125,835)
Treasury shares acquired	(12,183)	(45,751)	(1,010)	(8,300)
Treasury shares released	5,591	14,330	380	2,153
Balance at the end of the period	(42,993)	(163,403)	(36,401)	(131,982)
Total contributed equity	263,837	438,562	256,164	454,094

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

	31 March 2016 Shares ('000)	31 March 2016 \$ ('000)	30 September 2015 Shares ('000)	30 September 2015 \$ ('000)
Unallocated shares held by trustee	15,273	100,601	18,065	91,584
Shares allocated to employees	27,720	62,802	18,336	40,398
Balance at the end of the period	42,993	163,403	36,401	131,982

(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.

¹ The shares were issued following a partial exercise of rights by fund managers who operate under the FLE program.

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13. CONTRIBUTED EQUITY (continued)

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.

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

Both BTIM FS and BTIMI are required to maintain minimum capital requirements as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions. Both entities have complied with all conditions during the half year ended 31 March 2016.

J O Hambro Capital Management Limited and JOHCM (Singapore) PTE Limited are also required to maintain minimum capital requirements as part of its licencing requirements with the Financial Conduct Authority in the UK and the Monetary Authority of Singapore respectively. Both entities have complied with all capital requirements during the half year ended 31 March 2016.

14. RESERVES

	31 March 2016 \$'000	30 September 2015 \$'000
Common control reserve		
Balance at the beginning of the financial period	(25,472)	(25,472)
Balance at the end of the financial period	(25,472)	(25,472)
Share-based payment reserve		
Balance at the beginning of the financial period	116,942	95,213
Share-based payments expense	33,116	22,448
Deferred tax	1,480	1,434
Treasury shares released	(14,330)	(2,153)
Balance at the end of the financial period	137,208	116,942
Foreign currency translation reserve		
Balance at the beginning of the financial period	119,628	72,882
Currency translation difference arising during the year	(59,207)	46,746
Balance at the end of the financial period	60,421	119,628
Available-for-sale-financial assets reserve		
Balance at the beginning of the financial period	1,448	7,585
Revaluation	4,086	(7,667)
Exchange differences	1	(66)
Deferred tax	(832)	1,596
Balance at the end of the financial period	4,703	1,448
Total reserves	176,860	212,546

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14. RESERVES (continued)

Common control reserve

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

Share-based payment reserve

The share-based payment reserve comprises the amortised portion of the fair value of equity instruments granted to employees for no consideration, recognised as an expense. Deferred tax in relation to amounts not recognised in the Consolidated Statement of Comprehensive Income is also recognised in the share-based payment reserve.

Foreign currency translation reserve

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

Available-for-sale financial assets reserve

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

15. EARNINGS PER SHARE

	31 March 2016 Cents per share	31 March 2015 Cents per share
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of BTIM	30.3	24.6
(b) Diluted earnings per share		
Profit attributable to the ordinary equity holders of BTIM	30.0	23.8
(c) Reconciliation of earnings used in calculating earnings per share	31 March 2016 \$'000	31 March 2015 \$'000
<i>Basic earnings per share</i>		
Profit attributable to owners of BTIM used in calculating basic earnings per share	78,268	61,937
<i>Diluted earnings per share</i>		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	78,268	61,937

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15. EARNINGS PER SHARE (continued)

(d) Weighted average number of shares used as the denominator	31 March 2016 Number of shares '000	31 March 2015 Number of shares '000
Weighted average number of ordinary shares on issue	300,352	290,591
Treasury shares	(42,395)	(38,802)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	257,957	251,789
<i>Adjustment for calculation of diluted earnings per share</i>		
Weighted average number of converting notes ¹	3,064	8,532
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	261,021	260,321

¹ Converting notes issued on 26 October 2011, totalling 3,128,938 at 31 March 2016, are considered potential ordinary shares and have been included in the determination of diluted earnings per share from their issue date.

Options totalling 11,011,640 and performance share rights totalling 2,662,263 issued to staff of the BTIM Group have not been included in the calculations of diluted earnings per share for the period ended 31 March 2016. This is because ordinary shares are expected to be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

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16. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The BTIM Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 31 March 2016 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.

Guarantee on bank loans

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

Capital guarantee

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

Regulatory breach

During the period, JOHCM received communication from an overseas regulator pertaining to a breach of its reporting obligations regarding its substantial shareholding in a company. Whilst a fine is a likely outcome it cannot be reliably estimated at this time. Based on other market examples for similar breaches, the BTIM Group does not believe any fine imposed would be material.

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 31 March 2016, none of those contingent obligations are anticipated to result in any material loss.

17. SUBSEQUENT EVENTS

The Company has received notice of a partial conversion of FLE rights which is effective 30 April 2016. Newly issued BTT shares will be issued to satisfy the conversion and as at 31 March 2016, this represents approximately 0.3 million issued shares. The exact number of shares to be issued will not be known until after the 30 April 2016 effective date and will be subject to a number of variables at that time including market movements, fund flows, currency movements and the BTT share price.

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

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

**DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 MARCH 2016**

In the Directors' opinion:

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

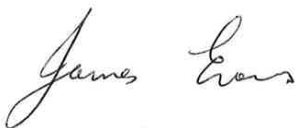
(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the BTIM Group's financial position as at 31 March 2016 and of its performance, for the half year ended on that date; and

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

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

For and on behalf of the Board.



James Evans
Chairman



Emilio Gonzalez
Managing Director

Sydney, 5 May 2016



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 31 March 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the, a summary of significant accounting policies, other explanatory notes and the directors' declaration for BT Investment Management Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at end or from time to time during the financial.

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.

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*.

Auditor's opinion

In our opinion, the financial report of BT Investment Management Limited is in accordance with the *Corporations Act 2001*, including:

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Liability limited by a scheme approved under Professional Standards Legislation.



- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

V. Papageorgiou
Voula Papageorgiou
Partner

Sydney
5 May 2016