

3 November 2016

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Revised version of 2016 Annual Report

I refer to BT Investment Management Limited's 2016 Annual Report lodged with the ASX Company Announcements Office, earlier today.

Due to an administrative error, page 75 of the original version of the 2016 Annual Report was duplicated and page 47 was omitted.

These errors have now been corrected and a revised version of the 2016 Annual Report is attached for lodgement.

Yours sincerely



Christopher Millard
Company Secretary

Delivering Investment Strategies Globally

Annual Report 2016

GROWTH

DIVERSIFICATION

TALENT

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Key dates

Record date for final dividend	9 December 2016
2016 Annual General Meeting	16 December 2016
Payment date for final dividend	21 December 2016
Interim results announcement	11 May 2017
Final results announcement	7 November 2017

Please note the above dates are subject to change

2016 Annual General Meeting

Date:	Friday, 16 December 2016
Time:	10.00 am (Sydney time)
Venue:	The Westin Sydney 1 Martin Place Sydney NSW 2000

Full details of the meeting are included in the Notice of Meeting

Our vision

To be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent.



Go to **annual-report-2016.btim.com.au** to review the Group's online annual review for 2016, including a video address from the Group CEO and the philosophies behind our investment strategies.



2016 Highlights

Successful execution of growth and diversification strategy

- Uninterrupted growth despite tougher markets
- Business diversity demonstrating resilience
- Sustained long term investment outperformance

Investment performance

88% of FUM
outperforming

benchmark over
3 years (2015: 97%)

Revenue

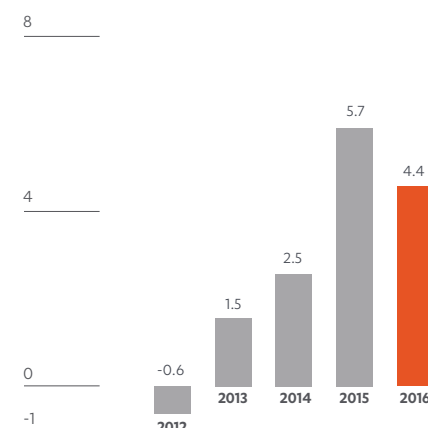
\$494 million,
↑13%

Base management fees
\$400 million, **↑8%**

Performance fees
\$77 million, **↑49%**

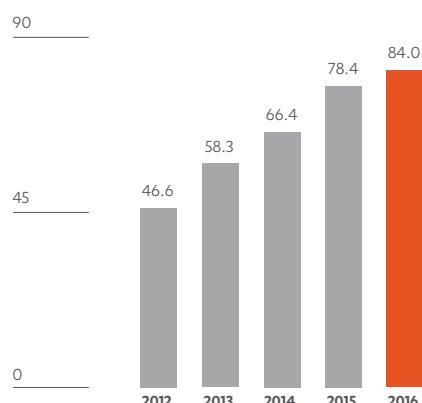
Net investment flows

\$4.4 billion
new money into funds



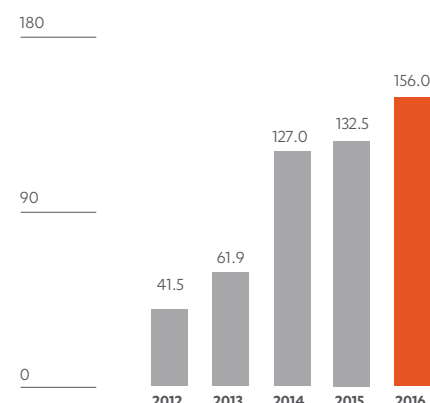
Closing funds under management (FUM)

\$84 billion,
↑7%



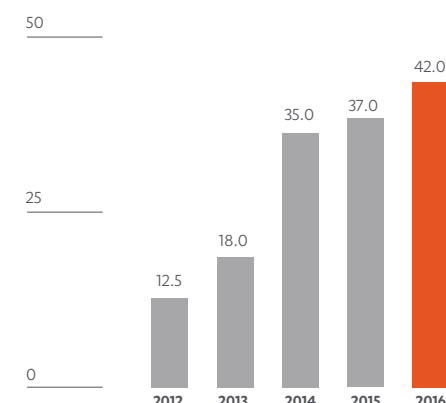
Cash net profit after tax (NPAT)

\$156 million,
↑18%



Total dividends per share

42.0 cents,
↑14%



Chairman's Letter



This year marks five years since our transformative acquisition of J O Hambro Capital Management (JOHCM). Over this period, BT Investment Management (BTIM) has increased Cash NPAT five-fold and more than doubled Cash EPS, dividends and funds under management (FUM).

Total shareholder return, which measures both dividend and share price growth, has increased annually by 42 percent on average over this period. This compares with the annual on average increase of 11 percent in returns delivered by the S&P/ASX 200 Accumulation Index over the same period.

It is pleasing that this strategic acquisition, aimed at diversifying our business in order to deliver reduced risk and resilience, has delivered these strategic objectives for our shareholders.

In the 2016 Financial Year, BTIM again delivered a record result despite a backdrop of heightened uncertainty in the markets and regions in which we operate. Particularly pleasing was the strong net fund flows of \$4.4 billion into both our Australian and offshore businesses, across a broad range of our investment products. This contributed to the growth in FUM, which increased by seven percent during the 12 months and, as at 30 September 2016, was a record \$84.0 billion.

Our key measure of financial performance, Cash Net Profit After Tax (NPAT), increased 18 percent to \$156.0 million, compared with \$132.5 million last year. Cash Earnings Per Share (EPS) increased 15 percent to 50.8 cents per share. Total dividends for the year increased by 14 percent, to 42 cents per share, and represents an 83 percent pay out ratio, in accordance with our policy to pay between 80-90 percent of Cash NPAT.

Capital position

We are in a strong capital position having fully repaid the debt of \$83 million that the business took on in 2011 to part fund the purchase of the JOHCM business. This positions the business to weather uncertainty and take advantage of future opportunities.

The Dividend Reinvestment Plan (DRP) remained open during the year and while we have no immediate need for additional capital, we continue to keep the DRP active to benefit those shareholders who want to reinvest in the business without incurring transaction costs.

A global asset manager with diversity and resilience

As a global asset manager, we operate in markets we cannot control and expect volatility and a level of uncertainty. However, we continue to build resilience in the business by diversifying across geographies, clients and products. These varied revenue sources reduce our reliance on earnings from any one region, client or product. We also take a long term view as we review and assess the strategy each year, ensuring it remains appropriate to market cycles and events. The strategy objectives for the year are detailed in this report on pages 8 and 9.

Supporting our continued growth and success is our investment talent. Talent management is fundamental to our business and supports our strong culture of performance excellence.

A tangible example of this has been the establishment of a Global Executive Committee, led by the Group's Chief Executive Officer, Emilio Gonzalez, to provide leadership and management bandwidth across the Group. This recognises the global nature of the business and will actively support the execution of our strategic objectives.

You will have observed that the UK referendum to exit the European Union negatively impacted equity and currency markets and investor confidence. However, over the last few months we have seen markets regain lost ground and in the UK and Europe we are seeing investor confidence return. We continue to provide our UK and European clients with investment expertise and products and are confident that we are in a position to respond to any changes that may be required.

The benefits of building a resilient business are clearly evident in our ability to manage our exposure to such market volatility.

Board composition

BTIM's strong growth and successful execution of its strategy requires a Board and executive management with the skills and experience matched to the size and objectives of the business.

In March this year, Brad Cooper retired from the Board. Brad had been a Director since 2010 and served on the Board during the purchase and integration of JOHCM, delivering enhanced diversity and resilience for the Group. I am very grateful to Brad for his outstanding contribution over the past six years and wish him every success for the future.

I am delighted to welcome Les Vance to the Board, who comes from the Westpac Group, our largest shareholder and replaces Brad Cooper. Les was appointed in March this year and will be up for election at the Annual General Meeting in December. Les has broad financial industry experience and has already made a significant contribution to the Board and the Remuneration and Nomination Committee.

Last year we sought and received your approval to increase the aggregate remuneration paid to Non-executive Directors each year. This provides for the addition of new Directors and allows existing Directors to participate as members on the Group's subsidiary Boards. Consequently, we have expanded Board membership with an additional Non-executive Director.

I am pleased that Kathryn Matthews has been appointed to the Board, as an Independent Non-executive Director, with effect from 1 December 2016. Kathryn has the relevant background and understanding of the global asset management industry, both as an Executive and a Non-executive Director. Kathryn brings a new international perspective to the Board, and her experience and global industry knowledge will be a valuable addition to the Board's existing mix of skills and experience. From her London base, Kathryn will also serve as a Director on our JOHCM subsidiary Board, and as a member of the Board's Remuneration & Nominations Committee.

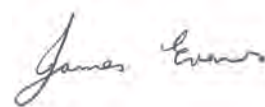
In this coming year I will work with my fellow Directors to review and enhance our involvement in BTIM's subsidiary Boards as well as Board Committees, ensuring the best fit of skills and experience is available for our international Boards, where the majority of BTIM's diversification and profit is generated.

Outlook

The result achieved this year is testament to the successful execution of our strategy, the enhanced scale and diversity of our business and our ongoing investment in talent. However, we are mindful of the global uncertainty that continues to affect markets in which we operate.

I would like to acknowledge and thank the management team and all our people for their significant individual contributions and the team effort required to deliver another record result for BTIM shareholders. I would also like to thank my Board colleagues for their continued support and for willingly taking on the additional work and time associated with our transformation into a truly global asset manager.

In the year ahead we will aim to continue our strategy of diversification, identifying new investment talent and opportunities, expanding our investment capabilities and strengthening our distribution. Building out our global business remains a priority for the future, generating further value for all our stakeholders and increasing rewards for our shareholders.



James Evans
Chairman

Group Chief Executive Officer's Report



The 2016 Financial Year represented another year of double digit growth for the Group and is particularly pleasing given the more difficult trading conditions over the past 12 months.

The year in review

The business has continued to perform strongly and in many respects the 2016 outcome represents a watershed year as it demonstrates how the strategy of diversifying our business across regions, investment strategies and distribution channels has been an important factor in the ability to deliver uninterrupted growth.

As we look back on 2016 there were a number of headwinds across the industry which we navigated very well. Markets were not as favourable to us this year compared to previous years. In fiscal 2016 global markets in local currency terms on average were 4 percent lower, the first average negative return since fiscal 2012. We also witnessed the continued rise in passive investment as well as investors' concerns over global growth and geopolitical risks, resulting in the industry experiencing net outflows from equity funds. I will comment further on these global trends shortly. Despite these headwinds I am pleased to report continued growth in funds under management (FUM) and profitability. FUM grew by \$5.6 billion, to \$84.0 billion on the back of another strong year in net inflows of \$4.4 billion.

Cash NPAT, our measure of profitability, was up 18 percent on last year. This translated into Cash EPS of 50.8 cents, a 15 percent increase on last year and total dividends to shareholders of 42 cents per share, an increase of 14 percent.

Base fee revenue was up 8 percent driven by higher FUM and margin expansion. Performance fees were up 49 percent on last year. Operating expenses were also up 11 percent largely due to our business model which links reward to revenue as well as ongoing investment in distribution, investment teams and higher regulatory costs as our business expands globally.

Factors that contributed to the 2016 Financial Year result were:

- higher revenue margins
- strong support from institutional clients in the form of inflows
- continued flows into US pooled vehicles
- strong flows into our fixed income strategies

Investment performance over the long term remains strong, notwithstanding some softer short term performance this year. As in previous years, our investment managers have provided a brief summary of their investment strategies starting on page 20. I encourage you to take time to review this section of the annual report which outlines our approach to managing client portfolios and perspectives going forward.

Net inflows of \$4.4 billion this Financial Year has been particularly pleasing. This has been mostly raised through the institutional channel which saw net inflows of \$3.6 billion. The wholesale channel, being fund flows from financial advisers, mostly through platforms as well as from high net worth and private client businesses was positive \$2.0 billion. Outflows of \$1.2 billion were primarily driven by the attrition in the legacy book. The products that generated the most in net inflows during the year were global and emerging market equities, as well as our fixed income strategies.

This demonstrates the resilience of our business and the importance of diversification. Over the past five years net inflows have varied between -\$0.6 billion in 2012 to a high of \$5.7 billion in 2015. This includes flows from different channels and across investment strategies in varying market environments. During that period the majority of our net inflows have come from the wholesale channel, with the exception of this fiscal year. The 2016 Financial Year represented a negative year on average for global markets in local currency terms and therefore having the institutional book (albeit at lower margins) provides resilience in tougher times and a good counterbalance to the 'retail' investor. We have found that when markets reverse, our institutional investors tend to buy on the dip whereas the retail investor retreats.

If we look back over time we find the investment strategies that drive our flows changes with investor appetite and the contribution from different regions also varies. In 2012 and 2013, flows were predominantly into our global, UK and emerging market portfolios. In 2014 and 2015 demand for global equities continued, but we saw a resurgence of interest for European equities and growing interest in our fixed income strategies. In addition, our investment in the US was starting to pay off with increasing flows from that part of the world.

The key change in 2016 has been the strong growth in our institutional book and continued positive flows from the US, with support predominantly for global equities and fixed income. In contrast we saw a slowdown in the OEICs (UK and Europe) with geopolitical concerns around Europe following the UK referendum to exit the European Union.

Throughout this whole period markets faced a number of factors both positive and negative but importantly our growth momentum has continued uninterrupted. I attribute this to the growing diversity of our book of business which will continue to serve us well going forward.

As I look back on 2016, whilst our financial results were strong, it was quite a difficult year for markets and the industry. As I mentioned earlier, in local currency terms, markets had their worst year since 2012 with investors retreating, margins continuing to come under pressure and passive funds continuing to take a growing share of flows. With the exception of how market levels directly impact our revenue we have managed to buck the trend by 'sticking to our knitting'.

Our strategic focus remains unchanged in building out a global asset management business.

Globally, investor flows in 2016 slowed dramatically. Total global flows (across all asset classes except cash) for the 12 months ending June 2016 were \$185 billion, whereas in 2015 total global flows were \$1,224 billion. With the benefit of hindsight the period between 2012 and 2015 represented a period of strong flows for the industry. Coming out of the debt crisis of 2011, which represented a low year in terms of global net flows, investors over the ensuing four years through to mid-June 2016 generated strong net positive flows. Albeit many were forced to take on more risk through the need to earn an income stream by accessing dividend yields as a negative interest rate policy was pursued by a number of central banks around the globe. This also had the effect of pushing up asset prices, in turn creating confidence and generating more flows. We were beneficiaries of these flows as we expanded our product range and distribution reach geographically into the US and Europe.

The December quarter of 2015, the start of our 2016 Financial Year, marked a stark change in global flows with a significant decline in net flows across the industry triggered by a re-assessment of China's growth outlook following a devaluation of the Chinese Yuan currency. Commodity prices fell and "risky" assets such as equities declined. Pressure on markets was added to with a quarter percentage point rise in official US interest rates. Global flows declined and whilst remaining positive have not recovered to the levels seen in previous years.

Group Chief Executive Officer's Report continued

For the 12 month period ending June 2016, investors around the globe withdrew \$65 billion from equity strategies compared with net inflows of \$234 billion the previous year. Yet despite these headwinds, net flows across our equity book were sustained with net positive flows of \$2.4 billion which demonstrates the strength of our investment teams and strong distribution efforts.

This has been particularly the case for our European and US investors where our European investment strategies had net positive flows of GBP86 million and the US pooled funds with positive flows of USD1.2 billion. This diversity of investment strategies and broader distribution across geographies meant we were able to better weather the tougher market conditions. Diversification of asset classes also helped in a year where investors are more cautious, with our fixed income business delivering \$1.3 billion in net new flows.

Continued growth in FUM is good for the business but sustaining strong investment performance is critical to retaining assets, future growth and maintaining the confidence of clients. An important ingredient of sustaining long term investment performance is the courage to limit the capacity of investment strategies as asset growth can reach a point where it becomes an impediment to generating above market returns.

This year we 'soft-closed' a further two investment strategies bringing the total number of strategies that are now 'soft-closed' to five as of September 2016. In a world where margins are under pressure and passive strategies a threat, ensuring our assets under management do not grow to a size that limits our ability to continue to deliver investment performance is key to protecting both margins and market share. We also find that allowing our portfolio managers the ability to manage their capacity is a positive when attracting investment talent to the business.

...through continuing to attract and retain investment talent and utilising our distribution channels to market our expertise to clients across different geographies...

The preservation of investment performance is becoming increasingly important as the trend to passive style investments continues. An increased focus on costs in a low return world, increased regulation, ease of access and what has been a tougher environment for active managers as low interest rates have played havoc with asset prices, has seen a renewed interest in passive investments. Behind this trend there is the increasing opportunity to differentiate on investment performance, given the greater likelihood of mispricing of assets over the long term, as securities are priced on the weight of money as opposed to fundamentals, which provides opportunities for active managers to exploit. This is predicated on the ability of our business to retain and attract the best talent, a core part of our business strategy.

We are in continuous dialogue with individuals who either we identify or approach us to join the business. Our due diligence in these discussions is extensive as we do not compromise on investment excellence. We must be comfortable that any new strategies we launch, through the addition of new teams or individuals, complements our existing strategies, we have confidence in the portfolio managers' abilities to deliver investment performance and there is a strong cultural fit.

A new addition to the team in 2016, was the establishment of a global equities team based in Sydney. This team will broaden our global equities capability and will be focused on gaining market share in the Australian retail market. This is a growing segment in Australia, but one in which we have not actively participated. The new team is led by Ashley Pittard who joins us with over 19 years' experience in global equity markets. It will take time to build this franchise and we will be patient,

as we are with all our new investment strategies, with the knowledge that once investment performance is generated we have a distribution network to further grow our FUM.

It is important that we continue to invest in the business, particularly in investment talent to foster future growth. We have been successful in building new strategies internally and this year, like previous years, we have seen net new monies invested into strategies that we have organically built. Since 2011 we have raised net new FUM of \$10.3 billion into new products, generating annualised revenue of \$55 million.

Global Executive Committee

The business has experienced significant growth yet our management structure remained unchanged despite the increasing demands of a broader and bigger business. As investment managers ourselves we recognise the importance of prudently managing growth and there are numerous examples of companies who have not done this well. Critical to continuing to grow is ensuring we do not lose sight of the success to date whilst continuing to look for growth opportunities. This needs to be done in a manner where our investment teams remain focused on managing client monies and continue to receive strong support.

For this reason we expanded the senior management team and established the Global Executive Committee. We have made two new senior appointments, who will sit on the Global Executive Committee, being Michael Bargholz as Chief Executive Officer, BTIM (Australia) and Ken Lambden as Chief Executive Officer, JOHCM Group. Gavin Rochussen, who has led the successful growth of the JOHCM Group, takes on a new role as Group Executive, International to focus on driving BTIM's growth strategy in international markets. Completing the Global Executive Committee is Cameron Williamson as Group Chief Financial Officer and the addition of a Group Chief Risk Officer who we are in the process of recruiting.

This structure provides for continued focus on international growth with strong local leadership and increased management bandwidth to execute on the strategy.

We are very fortunate to have been able to attract such an experienced and high calibre talent and I very much look forward to working with them as a team.

Strategy

Our strategic focus remains unchanged in building out a global asset management business. The strategy which is outlined in the Strategic Report (pages 8 and 9) is centred on continuing to attract and retain investment talent and utilising our distribution channels to market our expertise to clients across different geographies. More specifically, we remain focused on building out our US business by diversifying our product offering and launching new strategies. Across the UK and Europe the focus will be on expanding our reach in markets where we see further opportunity such as southern Europe. We remain committed to servicing our clients in Europe and will navigate our way through the Brexit outcomes by putting in place the jurisdictional structures necessary to satisfy any new arrangements. The UK government has confirmed that it intends to trigger Article 50 by the end of March 2017 thereby starting, the formal process of leaving the EU which will need to be in place two years later.

When looking at investment teams, we continue to look for opportunities in global equities and we are conscious of the growing demand for income in a low interest rate environment which combined with an aging population will lead to a growing number of retirees in search of income streams. We are also aware that equity markets are well supported by historically low interest rates with equity multiples at historically high levels in some areas, so we remain mindful of where we are in the cycle.

In Australia, we are seeing an improved flow environment for the business as a result of building out new products, growth in our fixed income capabilities and success in broadening our distribution channels. This focus remains, as well as continuing to service our largest client in BT Financial Group in providing investment solutions for their clients.

As mentioned earlier in my report, an important part of building on the success to date is building out the leadership and management team to support the execution of our strategy. I very much look forward to working with the team in continuing to build-out a successful global investment management business that our shareholders and staff can be proud of.

In what has been another successful year, I take this opportunity to thank all our people across the Group for their dedication and hard work. We are a people business and without the talent and quality of our staff these outcomes for shareholders would not be possible.



Emilio Gonzalez, CFA
Group Chief Executive Officer

Strategic Report

Our strategy remains focused on building a global asset management business that delivers exceptional investment returns to clients.

We continued our building-out of the US business and added to our capabilities with new investment teams and strategies. In the face of a varied and more difficult investment climate our revenues and margins have continued to grow as a result of a diverse portfolio of assets that have created a more resilient business. We continued to invest in talent; strengthened our distribution and operations; and have added management bandwidth, to manage a substantially larger business and drive growth whilst maintaining investment excellence.

We have achieved record financial results, growing Cash NPAT to \$156.0 million, up 18 percent on last year. Consequently, we have increased returns to our shareholders, distributing 83 percent of Cash NPAT in dividends in line with our policy and paying a total dividend of 42 cents per share, up 14 percent on last year.

The table on the right details our strategic priorities, our achievements and progress during the 2016 Financial Year and focus for the year ahead.



Grow in new and existing markets
Build our business in the US



Build effective distribution channels
Utilise our distribution channels to drive sales



Expand investment capabilities
Identify new investment capabilities to diversify and provide for future growth



Organisational structure
Operationalise the Group's organisational structure to execute on strategy

Purpose

- BTIM has significant presence in the Australian and UK/European markets. These markets together represent approximately 35 percent of the global asset management industry.
- BTIM is expanding its business in the US. The North American markets represent approximately half the global asset management industry.
- The Asian market is a fast growing and sizeable market which presents opportunities for BTIM's participation in the future.

FY16 Achievement

- Continued to build out our US business.
- Added management resources in the US and extended expertise in regulatory and legal with key appointments.
- Attracted net flows of USD1.2 billion into US pooled funds. FUM now USD6.2 billion.
- Launched new strategies, including International Opportunities Fund.

FY17 Focus

- Continue ongoing discussions with investment talent that will add complementary investment strategies for the Group.
- Target key platforms looking for high alpha funds.
- Use strength of existing relationships to broaden our investment offerings.
- Explore and understand Asian market opportunities and how best to participate.

Purpose

- Sales and distribution is critical to driving demand for our products and attracting inflows.
- We build effective distribution channels by:
 - increasing awareness of our investment teams and products
 - strengthening client relationships
 - developing new and existing distributor relationships
 - tailoring our service and products for markets and clients.

FY16 Achievement

- Extended the availability of our products on a number of platforms globally.
- Funded new mandates in equities and fixed interest asset classes.
- Further built on the High Net Worth and private client channel strategy with the addition of new SMAs.
- Increased investment in technology and marketing application to better target clients.
- Achieved net flows of \$4.4 billion, with significant contribution from the institutional channel of \$3.6 billion.

FY17 Focus

- Leverage growth through existing platforms.
- Broaden distribution footprint geographically:
 - In Europe, further penetrate into existing markets and new markets such as in southern Europe.
 - In the US, continue to expand distribution footprint and target platforms seeking high alpha funds.
- Build on strong UK relationships to maintain assets and extend product sales.
- Build on success in the High Net Worth distribution channel and strengthen team with additional resources.
- Greater focus on client head office as model portfolios gain prominence.

Purpose

- We maintain a diverse and attractive product range for existing and new clients.
- Develop opportunities for growth by expanding our investment capabilities that provides for future growth.

FY16 Achievement

- Established Sydney-based global equities team with the launch of a global investment strategy for the Australian market.
- Launched new extension strategy, the International Opportunities Fund in the US.

FY17 Focus

- Continue to identify new investment strategies and teams that will complement our existing investment strategies.

Purpose

- As a growing business ensure there is clarity around strategic objectives and allocation of resources for efficient use of capital to maximise returns.

FY16 Achievement

- Established the Global Executive Committee with the addition of new executives. This includes
 - New executive position to focus on international growth of the business
 - New CEOs for Australia and JOHCM, focused on delivering business strategy and
 - Creation of Group finance and risk functions.

FY17 Focus

- Implement governance structure that reflects growth in the business globally.
- Add offshore Director onto BTIM Group main Board.

Operating Review

Funds Under Management

In the 2016 Financial Year, BTIM Group's FUM increased by seven percent or \$5.6 billion resulting in closing FUM of \$84.0 billion. This growth comprised net inflows of \$4.4 billion, investment outperformance and positive market movements of \$10.8 billion, offset by an unfavourable foreign currency movement of \$9.6 billion on foreign denominated FUM.

FUM \$BILLION	30 SEPT 2015	FLows	MARKET/OTHER	FX	30 SEPT 2016
Institutional	26.2	3.6	4.0	(2.6)	31.2
Wholesale					
- Australia	5.4	0.5	0.4	-	6.3
- OEICs	22.5	(0.2)	3.5	(5.3)	20.5
- US Pooled	6.0	1.7	2.0	(1.7)	8.0
Westpac - Legacy	8.4	(1.0)	0.4	-	7.8
Westpac - Other	9.9	(0.2)	0.5	-	10.2
TOTAL FUM	78.4	4.4	10.8	(9.6)	84.0

The positive market performance over the year saw the S&P/ASX300 Index climb nine percent while the MSCI All Countries World Index (ACWI) in local currency was eight percent higher over the same period. The average levels of the S&P/ASX 300 and the MSCI ACWI, in local currency, were lower by five percent and four percent respectively. The Australian Dollar strengthened during the year versus both the US Dollar and British Pound, finishing nine percent higher and 27 percent higher respectively. The British Pound devalued significantly over the period on the back of the UK referendum to leave the European Union (Brexit).

Total net inflows for the year were \$4.4 billion with positive inflows into both BTIM (Australia) and the JOHCM funds. JOHCM experienced inflows of \$2.8 billion for the year driven by strong flows in the institutional channel and the US pooled funds, while the OEICs saw outflows (-\$0.2 billion) as UK and European investors remained cautious following the Brexit vote.

BTIM (Australia) achieved inflows of \$1.6 billion for the year with significant inflows of \$2.3 billion driven through the institutional channel, \$0.5 billion in the wholesale channel, while Westpac's non-legacy channel (-\$0.2 billion) and legacy book (-\$1.0 billion) were in outflow.

Asset classes that attracted the most inflows over the course of the year included the Group's equity strategies (+\$2.4 billion) and income & fixed interest strategies (+\$1.3 billion). Pleasingly all regional equity strategies were in positive

inflow with significant contributions from global equities (+\$1.0 billion) and emerging market funds (+\$0.5 billion).

A further \$2.0 billion in new mandates were committed to but unfunded as at 30 September 2016, including a \$0.3 billion diversified income mandate, which was funded in the first week of October and a new equities mandate of \$1.7 billion in the Global Opportunities strategy, which was funded in the first week of November 2016.

HIGHLIGHTS	FY16	FY15	CHANGE (%)
Cash NPAT	\$156.0m	\$132.5m	+18%
Statutory NPAT	\$142.0m	\$126.4m	+12%
Operating revenue	\$493.9m	\$436.6m	+13%
Operating expenses	\$297.0m	\$268.2m	+11%
Operating profit margin	40%	39%	+3%
Cash earnings per share (cents)	50.8	44.0	+15%
Dividends (cents per share)	42.0	37.0	+14%
Franking	37.1%	40.0%	-7%
Average FUM	\$80.2b	\$75.2b	+7%
Closing FUM	\$84.0b	\$78.4b	+7%

Investment Performance

Long term investment performance remains strong across the Group as at 30 September 2016, 88 percent of FUM with a sufficient track record outperformed respective benchmarks over three years and 95 percent outperformed over five years.

Fund performance over one year was weaker in what has been a more difficult period for active managers.

However, a number of funds performed strongly through the year and outperformed their benchmarks over the 12 month period to 30 September 2016. These included:

- JOHCM European Select Values Fund (+11.6%),
- JOHCM International Select Fund (+9.4%)
- BT Wholesale MicroCap Opportunities Fund (+8.7%)
- JOHCM Emerging Markets Fund (+7.0%)
- JOHCM Global Opportunities Fund (+5.3%)
- BT Wholesale Monthly Income Plus Fund (+3.6%)
- JOHCM UK Opportunities Fund (+2.9%)

A number of JOHCM and BTIM (Australia) funds earn performance fees for the achievement of above benchmark returns. JOHCM earns performance fees on a calendar year basis and BTIM (Australia) funds on a 30 June performance year. The 2016 Financial Year saw performance fees earned from 12 JOHCM investment strategies and three BTIM (Australia) investment strategies. Notable performance fees were generated from the following funds:

- JOHCM European Select Values Fund
- JOHCM Continental European Fund
- JOHCM Asia Ex Japan Fund
- JOHCM UK Opportunities Fund
- BT Wholesale MicroCap Opportunities Fund

Profitability

Cash NPAT for the year was \$156.0 million, an increase of 18 percent on the previous year (2015: \$132.5 million), while statutory NPAT increased 12 percent to \$142.0 million (2015: \$126.4 million). The result has been achieved due to higher average FUM driven by strong inflows, together with increased fee margins and higher performance fees. Consequently, Cash EPS increased 15 percent to 50.8 cents (2015: 44.0 cents).

Revenue

Total fee revenue was \$493.9 million, an increase of 13 percent on the previous year (2015: \$436.6 million). The increase was driven by:

- higher revenue margins
- strong support from institutional clients in the form of inflows
- continued flows into US pooled vehicles
- strong flows into our fixed income strategies

Base management fees rose eight percent to \$399.8 million (2015: \$371.1 million) due to higher average FUM, which was seven percent higher than the previous year, while fee margins increased one basis point to 50 basis points. The growth in average FUM and

base management fees was achieved despite a more volatile global market environment, with the average levels of the S&P/ASX 300 and the MSCI AWCI in local currency were lower by five percent and four percent respectively, compared to the 2015 Financial Year.

Performance fees for the year totalled \$77.2 million, 49 percent higher than the previous year (2015: \$51.9 million). The performance fees were predominantly earned in JOHCM funds which earned \$73.7 million, while BTIM (Australia) funds delivered \$3.5 million in performance fees for the year. The key funds earning performance fees this year were the JOHCM Continental European Fund, JOHCM European Select Values Fund and JOHCM UK Opportunities Fund.

Transaction fee revenue of \$15.0 million was earned for the year representing a 33 percent increase over the prior year (2015: \$11.3 million). The transaction fees represent fees earned on products which do not earn an annuity style fee and include a number of BTIM products developed for the Significant Investor Visa (SIV) market in Australia. Other fee revenue earned in the year totalled \$1.9 million (2015: \$2.3 million).

ASSET CLASS	FUM 30 SEPT 2016 A\$ BILLION	% FUM OUTPERFORMED RESPECTIVE BENCHMARK AT 30 SEPT 2016 ¹	
		3 YEAR	5 YEAR
Equities			
Australian	13.0	80%	89%
Global/International	17.7	99%	99%
UK	10.9	95%	100%
European	7.6	100%	100%
Emerging Markets	3.1	100%	100%
Asian	3.2	66%	66%
Property	1.9	100%	100%
Cash	7.4	100%	98%
Fixed Income	6.8	100%	89%
Diversified	11.7	50%	88%
Other	0.7	N/A	N/A
TOTAL FUM	84.0	88%	95%

¹ Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only

Operating Review continued

Expenses

Total operating expenses increased by 11 percent to \$297.0 million, (2015: \$268.2 million) largely as a result of higher employee costs, driven by increased headcount, and higher variable costs linked to increased fee revenue, together with investment in operations to support recent and future business growth.

Employee costs of \$227.6 million were 12 percent higher than last year (2015: \$203.0 million), with \$162.6 million of variable costs and \$65.0 million of fixed costs. Fixed employee costs were 17 percent higher driven by 34 additional full time equivalent staff added to growing operations in the US, UK and Australia. Variable employee costs increased 10 percent, largely as a result of higher base fee revenue and increased performance fees.

Other operating costs were \$69.4 million, compared to \$65.2 million in the previous year, representing a six percent increase. The increase is attributable to the ongoing growth of the business including higher legal and regulatory costs, increased travel costs associated with expanded operations, higher marketing and distribution related costs, as well as cost increases for services sourced in US Dollars, including IT and data expenses which were adversely impacted by a weaker average Australian Dollar.

Financing costs for the year were \$0.7 million, 46 percent lower than last year (FY15: \$1.3 million) as a result of reduced debt levels through the year and lower interest rates. The overall operating cost to income ratio was 60 percent which compared to 61 percent in the 2015 Financial Year, while the compensation ratio of 46 percent declined slightly from 47 percent last year.

Earnings per share

Fully diluted Cash EPS was 50.8 cents per share, 15 percent higher than last year (2015: 44.0 cents per share). During the year ordinary shares on issue increased from 292,565,311 to 307,430,721 due to the issuance of new shares as part of the Fund Linked Equity (FLE) program, the ongoing conversion of outstanding converting notes and shares issued as part of the Dividend Reinvestment Plan (DRP) which remained active throughout the year. The fully diluted share base as at 30 September 2016 was 310,557,330

comprising 307,430,721 ordinary shares and 3,126,609 outstanding converting notes. The outstanding converting notes will convert to ordinary shares on 4 November 2016.

Dividends

The Directors declared a final dividend of 24.0 cents per share, bringing total dividends for the year to 42.0 cents per share, a 14 percent increase on last year's dividends of 37.0 cents per share. The total dividends represent a payout ratio of 83 percent, which is within the Group's payout ratio target of 80-90 percent of Cash NPAT.

The franking level for the 2016 Financial Year dividends was 37 percent with a 40 percent franked interim dividend and 35 percent franked final dividend, reflecting the significant contribution of offshore earnings to the Group's profit. Since BTIM does not retain excess franking credits, franking levels in future years will continue to be determined by the relative profits of BTIM (Australia) and JOHCM businesses. For the 2017 Financial Year, franking levels are anticipated to be in the 30-35 percent range.

The Board has maintained the use of the DRP, which was initially activated in the 2013 Financial Year. The DRP has been used to assist in the capital management of the Group including the repayment of external borrowings and funding the ongoing operations of the business. Shares under the DRP are issued at a zero discount and allow shareholders to reinvest dividends to purchase BTIM shares free of commission or brokerage costs.

Financial Position

BTIM actively manages its operational and strategic capital requirements using a combination of appropriate earnings retention, debt and at times, new equity issuance.

During the year BTIM retired its £45 million (\$76 million) revolving loan facility with the Westpac Group and as at 30 September 2016 did not have any borrowings drawn or undrawn. Subsequent to year-end, BTIM has entered into a new three year AUD\$25 million multi-currency revolving loan facility with the Westpac Group. The facility is based in Australia and is to be used to finance strategic capital requirements for the BTIM Group. The financial covenants attached to the facility include maintaining a minimum of \$35 billion in FUM, interest coverage

ratio of at least 10 times and a borrowing to earnings before interest depreciation and amortisation (EBITDA) ratio of no more than 2.5 times. These covenants are consistent with the expired facility.

Included on the Group Balance sheet at 30 September 2016 were intangible assets of \$541.5 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.

In the 2015 Financial Year, BTIM announced the first issuance of equity as part of the FLE program, a remuneration scheme for certain JOHCM fund managers. During the 2016 Financial Year, BTIM issued 8,525,752 ordinary shares to satisfy equity rights by fund managers under the FLE scheme.

For the 2017 Financial Year, there is additional equity that is required to be issued under the FLE scheme in January 2017 and May 2017. While the exact number of shares to be issued can not be determined at this time, the share issuances would equate to a total of 4.3 million shares, based on a valuation as at 30 September 2016. The number of shares to be issued remains subject to a number of variables until this time including market movements, fund flows, foreign exchange and the BTIM share price.

The FLE program is designed to be broadly Cash EPS neutral due to a reduction in revenue share the fund managers subsequently receive, which has a positive contribution to BTIM earnings provided FUM is maintained post share issuance. Full details of the FLE scheme and the share issuance are set out on pages 53 and 54 in the remuneration section of this report.

Exchange rate

BTIM earns revenue and incurs expenses in a number of different currencies with its primary currencies being the British Pound (GBP), US Dollar (USD) and Australian Dollar (AUD). JOHCM's operating results are denominated in British Pounds and for consolidation purposes, these results are converted to Australian Dollars at the prevailing

exchange rate each month throughout the Financial Year.

During the year, BTIM did not enter into any arrangements to hedge the currency and therefore the Group's profitability has been subject to variability via foreign exchange movements.

Over the course of the year the average AUD/GBP exchange rate was 0.5131, which was broadly in line with the average level last year (2015: 0.5110). The AUD/GBP rate fluctuated between 0.4615 and 0.5958 throughout the year and the spot rate at 30 September 2016 was 0.5878. The significant strengthening of the AUD/GBP rate was largely impacted by the Brexit referendum in June 2016, after the UK electorate chose to exit the European Union.

The average level of the AUD/USD exchange rate through the 2016 Financial Year was 0.7368 and was six percent lower than the previous year (2015: 0.7866). The spot AUD/USD rate as at 30 September 2016 was 0.7630.

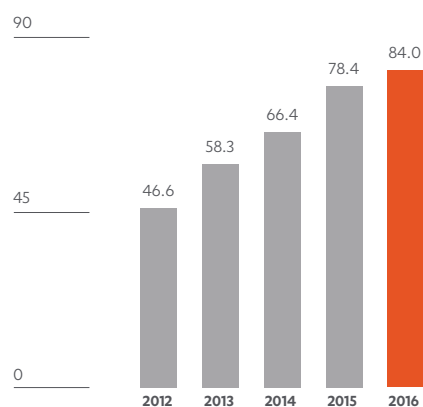
Reconciliation of Cash and Statutory NPAT

BTIM uses Cash NPAT as its headline result in its financial reporting to reflect the underlying profitability of the business. Cash NPAT comprises Statutory NPAT adjusted for certain non-cash items, including the amortisation of employee equity grants less after-tax cash costs of ongoing equity grants in respect of the current year; together with the

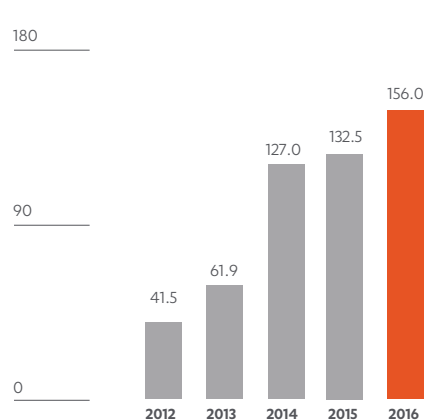
after-tax amortisation and impairment of intangibles and fair value adjustments for equity settled converting notes issued at the time of the JOHCM acquisition. A reconciliation of Statutory NPAT to Cash NPAT is set out below.

RECONCILIATION OF STATUTORY NPAT TO CASH NPAT	FY16	FY15
Statutory NPAT	142.0	126.4
Add back: amortisation of employee equity grants	58.1	41.3
Add back: amortisation and impairment of intangibles	9.9	8.4
Deduct: cash costs of employee equity grants payable during the year	(49.3)	(45.5)
Add/ (deduct): tax effect	(4.7)	1.9
Cash NPAT	156.0	132.5

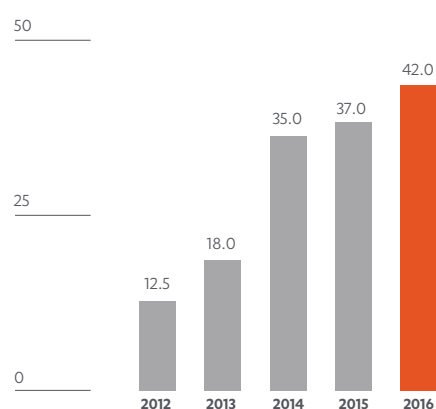
Closing funds under management (FUM) – \$billion



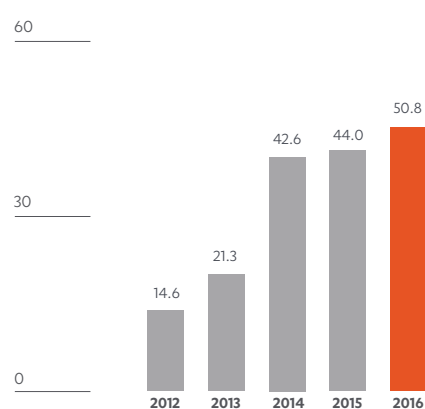
Cash net profit after tax (NPAT) – \$million



Dividend per share – cents per share



Cash earnings per share (Cash EPS) – cents per share



Operating Review continued

Risk Management

Risk Management Principles

The Group is committed to ensuring it maintains a robust risk management framework providing oversight, internal control assurance and the advancement of a strong risk management culture within the Group.

The Board has identified the following key business risks for the 2016 Financial Year:

KEY RISK	RISK DESCRIPTION	RISK MANAGEMENT
Strategic Execution	The risk associated with the failure to effectively execute the Group's strategy. Risk that the strategy does not produce the expected results.	• Deliberated annual strategy and budgeting process • Employee objectives aligned to strategic objectives • Ongoing monitoring and review of strategy
People and Talent Management	The risk of loss of key personnel which may lead to an adverse effect on business growth and/or the retention of existing business.	• Long term retention plans • Competitive remuneration structures • Succession planning • Maintenance of a strong reputation and culture which promotes an attractive workplace
Complexity and Pace of Change in regulation	Risk that the Group will not be able to effectively respond to a change in laws and regulation which could materially affect the Group.	• Clearly defined compliance framework including compliance obligations • Established policies and procedures supporting the risk and compliance framework • Participation on industry bodies • Active and constructive engagement with regulators • Ongoing monitoring of new and proposed legislation that may impact the Group • Appropriate level of resources to manage obligations, change and complexity
Compliance	This risk of the Group not complying with laws, regulations, contracts, industry codes, internal standards and policies applicable to the Group's operations.	• Clearly defined compliance framework including compliance obligations • Established policies and procedures supporting the compliance framework • Experienced legal, risk and compliance teams • Ongoing monitoring, reporting and review of compliance obligations
Outsourced Service Providers	The risk of loss from failing to manage the Group's key outsourced service providers whereby services provided by external parties are not conducted in line with the respective service level agreement.	• Robust due diligence process • Clearly defined framework, policies and procedures • Regular monitoring and review of service level agreements and standards
Acquisitions	Risk that an acquisition is a strategic failure and adversely impacts other parts of the Group.	• Robust due diligence • Engage subject matter experts • Deliberated annual strategy and budgeting process • Clearly articulated objectives and governance structure • Regular monitoring and strong reporting mechanisms
Information Security	The risk that investors or the Group may suffer service disruptions, or that investors or the Group may incur losses arising from system defects such as failures, faults or incompleteness in computer operations, or illegal or unauthorised use of computer systems, including cyber crime.	• Business Continuity and Crisis Management Plans • Annual testing of Disaster Recovery Plans • Independent review of the design and effectiveness of internal controls • Cyber Security Incident Response Plans • Ongoing consultation with cyber security specialists

KEY RISK	RISK DESCRIPTION	RISK MANAGEMENT
Investment Performance	The risk of loss of revenue resulting from ineffective investment strategies resulting in sustained underperformance relative to benchmarks and peers.	• Talent hiring and succession planning • Clearly defined investment strategies and investment processes • Ongoing review of investment strategies and performance
Market	The risk of an adverse impact on earnings resulting from changes in market conditions, such as foreign exchange rates, interest rates or equity markets.	• Diversification across asset classes • Diversification of investment styles and strategies • Strong investment performance
Financial	The risk of financial loss arising from the Group's activities in the financial and investment markets.	• Budgeting and financial forecast management • Ongoing monitoring and review of strategy • Maintaining of seed capital investments
Operational	The risk arising from inadequate or failed internal processes, people or systems or from external events.	• Independent annual audit of the design and effectiveness of internal controls • Established policies and procedures • Regular testing of critical systems
Currency Risk	The risk associated with sustaining losses by having earnings, assets and liabilities denominated in currencies other than the Australian Dollar.	• The Group does not hedge currency risk on its investments however, repatriates earnings into AUD on a regular basis

Roles and responsibilities

The Board is responsible for risk management within the Group, including the nature and level of risks that the Group is prepared to take in pursuing its strategies. 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 Group CEO and the Senior Management Team.

Senior Management is responsible for implementing the strategic objectives and operating within the risk appetite set by the Board and for all other aspects of the day to day running of the Group. Management is also responsible for providing the Board with accurate, timely and clear information to enable the Board to perform its responsibilities.

Risk Management Framework

To ensure its risk management principles are met, the Group established a Risk Management Framework (Framework) shortly after listing in 2007. The Framework is based upon the AS/NZS ISO 31000: 2009 Risk Management – Principles and Guidelines and is subject to regular review and stress testing to ensure its effectiveness.

The success of the Group's business is based on taking risks that are known, understood, assessed and managed within the limits of the Board Approved Risk Appetite Statement.

BTIM is a pure investment manager which uses global investment expertise to manage investment risk and generate wealth for clients. BTIM's goal is to provide investment products that meet or exceed clients' expectations. The key to success is earning the trust of clients over the long term. We aim to grow the business by successful investing over multiple market cycles. BTIM's products are clear in their investment goals and transparent in their fees. BTIM's culture encourages individuals to act with integrity and honesty and to value the interests of clients as the first priority.

Overall accountability for risk management lies with the Board; Management has accountability and responsibility to manage the business in a sustainable way, to enhance and maintain the reputation of the Group, to ensure compliance with legal and regulatory obligations and industry standards, to strive to achieve its objectives and to take all necessary steps to promote ongoing long term investment performance for clients.

The Group seeks to proactively identify all material risks that may affect the organisation and ensure these are dealt with appropriately. When assessing risk appetite, the Group has adopted a risk posture statement which specifies the acceptable risk level for each of the identified risks. The Group's most conservative risk posture is in the management of critical areas such as key investment personnel, strategic alignment, reputation, behaviour, regulation, obligations to investors and oversight of third party providers. This means the Board has a narrower tolerance for these risks. In relation to risks associated with business growth and initiatives the Board accepts a higher risk appetite consistent with its strategic objectives.

The Board Risk Appetite Statement is subject to review at least annually. This annual process incorporates review of key aspects of the strategy and assesses whether adjustments to the risk appetite need to be made as strategy evolves.

Domestic Business Review



BTIM Australia Management Team

Hayden King, Chris Clayton,
Dan Campbell, Geraldine
Bouquet, Jennifer Davies,
Nicola Scott and Brian Wright

The Australian business had a strong year with funds under management (FUM) experiencing strong growth driven by a record year in net inflows. This is a particularly pleasing outcome as the business over the past few years has focused on building revenue streams from new products and investment capabilities combined with a targeted distribution strategy. In line with the Group strategy, we also broadened our investment capabilities, establishing a new Global Equities team.

As a result of a number of initiatives the Australian business achieved its highest level of net inflows since listing in 2007, despite tough market conditions. Total net inflows of \$2.6 billion, excluding legacy funds, was driven by strong institutional flows of \$2.3 billion, with a further \$0.5 billion from the wholesale channel.

FUM grew to a record \$44.1 billion, up 10 percent on last year, due to net inflows and positive market returns point to point. This is a strong result considering the market was on average five percent lower than last year, as measured by the S&P/ASX 300 index.

Fixed income maintained its growth momentum with FUM increasing by 24 percent to \$6.8 billion, compared to last year. Net inflows of \$1.3 billion included funds from new institutional

mandates. Funds attracting the highest inflows included BT Wholesale Fixed Interest Fund and BT Wholesale Monthly Income Plus Fund.

Australian equities grew FUM by 12 percent to \$13.0 billion, with net flows of \$0.3 billion into its core funds from both institutional and wholesale channels. Funds attracting the highest net inflows included BT Wholesale Mid Cap Fund and BT Wholesale Focus Australian Share Fund.

Diversified's FUM fell slightly to \$11.7 billion, down two percent, due to outflow of the legacy book. However, it received net inflows into its BT Wholesale Plus funds, which included two new extension strategies launched during the year.

We continue to see positive flows to our ethical and sustainable products, such as BT Wholesale Ethical Share Fund, in line with the increasing demand for responsible investment products in the Australian market. Total FUM for these funds has been growing 15 percent per annum on average over the last three years, reaching \$2.1 billion at the end of the 2016 Financial Year.

We maintain a long term focus on achieving investment performance for our clients and notwithstanding some weaker short term performance, our three and five year track record remains strong. Over three years, 78 percent of FUM outperformed the relative benchmarks. However, the Australian market remained volatile, impacted by offshore events and significant outperformance of asset based yield stocks where valuations have expanded

beyond what we would deem reasonable. Consequently one year outperformance was lower, with 25 percent of FUM outperforming the relative benchmarks. Further information on our investment capabilities is provided in this Annual Report, starting on page 20.

Business strategy

Our strategy is focused on developing growth opportunities through expanding our investment capabilities and enhancing our distribution channels and client relationships. A key part of our strategy is attracting and retaining investment talent that adds value to the management of our clients' portfolios.

This year we expanded our investment capabilities, adding a new Global Equities team focused on serving the Australian retail market. Ashley Pittard joined BTIM (Australia) as head of a new Global Equities boutique, bringing 19 years of investment experience in managing global equities. With the launch of the BT Global Concentrated Share Fund in August, the strategy adds to our position in global equities in what is a fast growing asset class in the Australian market.

Revenue growth from new products continues to grow and since 2011 the business has now raised \$6.6 billion in FUM from new initiatives. This has gone a significant way to offset the decline in the legacy book. These initiatives include the launch of a number of new income funds, fixed income strategies, emerging market strategy, significant investor visa products, SMAs and a range of new diversified funds all of which have contributed to growth in FUM.

We continue to build on our distribution channels to drive demand for our products and our initiative to expand our reach to the high net worth market is now seeing regular flows into a number of products from that channel. This year a broad range of our equities and fixed income products were added to BT Financial Group's new Panorama platform. We also extended the availability of some of our products on a number of other platforms, providing access to new clients.

Regulation

During the year there were important developments in the regulation of our industry that directly impacted our business. We put in place resources and management focus to assess, develop and implement the requisite policy and operational changes. This provided us with the opportunity to further enhance our regulatory framework.

The three key regulations and reforms impacting the operation of the business were:

- Over the Counter (OTC) derivatives reform
- updated Regulatory Guide 97 (RG97) on enhanced disclosure fee reporting and
- Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) legislative amendments and impacts relating to management of AML/CTF obligations arising from the Westpac sell-down of its shareholding in BTIM Group.

The OTC derivatives reform, which will take effect in calendar 2017, will bring significant changes to the way the industry reports, clears and executes OTC derivatives transactions. This reform aims to enhance the transparency of these transactions in the market, promoting financial stability and preventing market abuse. We have commenced preparations for the changes and have dedicated additional internal resources and management to design and implement the changes and controls around this reform.

The business also commenced preparations for implementing the updated RG97, another industry wide regulatory reform. RG97 provides guidance on meeting enhanced disclosure regulations and reforms when disclosing fees and costs in our Product Disclosure Statements (PDS) and periodic statements, which must be in place by February 2017 and January 2018 respectively.

As part of the Westpac Group sell-down of its shareholding in BTIM last year, we established a standalone AML/CTF Program, a transition from being part of the Westpac Program. AML/CTF is an Australian legislative requirement that applies to all BTIM business activities that involve the provision of designated services as specified under the AML/CTF Act 2006. We developed an AML/CTF Program as required under the Act and have implemented relevant appropriate risk-based systems and controls to identify, manage and mitigate the money laundering and terror financing risks we may reasonably face in providing designated financial services to our clients.

Leadership team

With the establishment of the Global Executive Committee, we also added to the leadership of the Australian business. As covered in the Group CEO's Report, Michael Bargholz joined BTIM in October 2016 as Chief Executive Officer, BTIM (Australia) a new role with direct responsibility for the leadership and management of the Australian business.

Nicola Scott, who joined BTIM in May 2016, was appointed to the new role of Chief Financial Officer, BTIM (Australia), created following the elevation of Cameron Williamson to the Group CFO role. Nicola is responsible for the Australian business financial operations and reporting and reports to the Group CFO. The Australian business leadership team remains strong with the existing members continuing in their roles.

Our people are our biggest asset and we continue to invest in the development of our leaders and general staff through leadership programs, support for industry specific professional accreditations and the introduction of an intern program to promote greater gender equality in the industry. Underpinning all of this is the importance of maintaining the long term trust of our clients and providing an inclusive and supportive environment that is built on trust and integrity.

Offshore Business Review



JOHCM Management Team

Gavin Rochussen, Suzy Neubert,
Helen Vaughan, Sandy Black, Christina
Grove, Stephen Lynn, Mark Molloy
and Rachel Butlin

The 2016 Financial Year at J O Hambro Capital Management (JOHCM) was marked by strong net inflows despite a volatile market environment which proved challenging for many active investment management houses.

The year will long be remembered for the decision by the UK electorate to leave the European Union in a referendum on the UK's EU membership in late June. This shock outcome triggered a sharp fall in the value of the British Pound and turbulence in global financial markets. With considerable uncertainty over the eventual outcome of the UK's exit negotiations with the EU, the Pound may well remain under pressure in the near term.

JOHCM's assets under management increased from \$38.3 billion in the 2015 Financial Year to \$39.9 billion in the 2016 Financial Year. Net inflows amounted to \$2.8 billion, a pleasing result given the context of significant equity fund outflows across the market.

The five largest beneficiaries of flows by strategy were International Select, Asia ex Japan, European Select Values, UK Dynamic and Global Emerging Market Opportunities. This broad spread of inflows highlights the demand for JOHCM strategies across the geographical spectrum. Less positively, the Continental European and Japan

strategies experienced outflows.

The former suffered from investor concerns surrounding the future of the EU following the Brexit vote, while the latter was hurt by the strategy's challenging performance over the past three years, as well as by apparent investor concern that the reforms undertaken by Prime Minister Abe's government in Japan to reflate the Japanese economy are failing, a view not shared by the JOHCM Japan investment team.

The US market remains a strategic priority and was a source of considerable asset-raising success in the 2016 Financial Year, with the US mutual funds and Delaware Statutory Trust vehicles accounting for \$1.7 billion of net flows. The institutional channel was also fruitful, with total net inflows of \$1.3 billion over the 12-month period. In contrast, the UK and Ireland-registered OEIC (open-ended investment company) channel experienced net outflows of \$0.2 billion. This outcome stemmed from the effects of weaker investor sentiment following the Brexit vote and was principally a result of

redemptions from the Continental European Fund in the immediate wake of the UK's referendum. Outflows swiftly eased and, in contrast to many peer asset manager houses, overall flows for the business were positive for both the June (containing the Brexit vote) and September quarters. Indeed, it is satisfying to report that JOHCM has now enjoyed 33 consecutive quarters of net inflows.

Looking ahead, the pipeline of institutional business awaiting funding is particularly encouraging, most notably a sizeable mandate that was funded in the first week of November 2016, taking assets in that strategy past £1 billion (\$1.7 billion). We also anticipate sustained demand for both the US and UK and Irish-registered fund ranges. This is despite investment performance across the fund range over the 2016 Financial Year being somewhat polarised. Market conditions generally favoured some of the more defensive, quality growth strategies while some value-oriented strategies struggled. JOHCM's track record of long term outperformance

across its various investment strategies nonetheless remains firmly intact: 100 percent of strategies with established track records (three years or greater) are ranked within the top quartile of their respective peer group since launch.

Strategies that achieved notable outperformance, on a net of fees basis, versus their benchmark in 2016 Financial Year included JOHCM European Select Values, JOHCM International Select, JOHCM Emerging Markets Small Cap, JOHCM European Concentrated Value, and JOHCM Global Emerging Markets.

Performance fees for the 2015 calendar year, which are included in the 2016 Financial Year result, were \$73.7 million.

New products and capacity

Across the Group, we firmly believe that managing excessive assets within a strategy can have adverse consequences for investment performance and therefore for clients. The International Select, UK Equity Income and Japan strategies were already 'soft-closed' entering the 2016 Financial Year. Over the course of the year, we 'soft-closed' the Global Select and European Select Values strategies after assets in these highly successful strategies reached capacity. In the case of European Select Values (ESV), a highly successful stock picking strategy, ample capacity remains in the European Concentrated Value strategy, managed by the same team. This large cap, concentrated portfolio spin-off of the original ESV strategy has made a solid start in terms of both performance and assets raised since its launch in March 2015.

It was a quiet year for product launches with just one new investment strategy introduced: JOHCM International Opportunities, a Global ex US version of the existing JOHCM Global Opportunities strategy. JOHCM Global Opportunities has established a strong performance record track since its launch in 2012 and has enjoyed sizeable inflows in the past year. The International Opportunities strategy was made available to US investors from the end of September 2016 via a mutual fund. Total capacity for the Global/International Opportunities strategies is US\$10 billion, with US\$9.6 billion currently remaining. Total estimated remaining capacity across all open strategies is \$68.1 billion.

Regulation

From a regulatory perspective, the past year has marked a period of growing uncertainty, caused by changes of political administration in the UK and the US, leadership flux within key regulators, (being the UK's Financial Conduct Authority and the SEC) and the potential outcomes of the UK's Brexit referendum.

The challenge has therefore been to stay focused on ensuring the day-to-day operation of the JOHCM business is in compliance with those requirements that are known, whilst at the same time paying close attention to signals from the regulators and the market so that we can prepare for the future state.

In terms of expected regulatory developments, we have implemented our response to two key pieces of EU legislation that came into force over the past year: UCITS V Directive, with introduction for the Group well advanced in identifying various policy adjustments needed to comply; and MAD II, ushering in new requirements in respect of market abusive conduct. We have also been working on preparation for MiFID II, the final and arguably most comprehensive piece of post-financial crisis EU regulatory reform.

Effective resourcing is critical to the compliance effort and this year has been one of continued expansion. We hired a highly experienced compliance professional in our Boston office and a second senior lawyer in London. Additional hiring is also underway in this area.

In common with peers, we are working to assess the likely impact of the EU membership vote on the implementation of MiFID II and, indeed, on all other pending EU legislation. We think the FCA has made its expectations clear about regulated firms' compliance obligations while the UK retains its current EU member status, but what those obligations will be thereafter is less predictable. In navigating this uncertain regulatory environment, the guiding principle is to stand by the core fiduciary duties that have informed the business thus far.

People

In anticipation of an increased regulatory burden and given the growing size and complexity of the business, we added resources in a number of business areas including legal, compliance and finance.

On the investment side of the business, we added analyst resources to the London-based Global Emerging Markets Opportunities and Global Opportunities teams and to the Prague-based Global Emerging Markets team.

With effect from 3 October 2016, Gavin Rochussen, CEO of JOHCM Group, moved into the role of Group Executive, International. In this newly-created position, Gavin is responsible for implementing BTIM's offshore growth strategy, with a focus on growing the JOHCM business in the United States and Asia, in particular identifying new investment teams. Gavin continues to report to Emilio Gonzalez and remains based in JOHCM's head office in London.

Gavin was replaced as CEO of JOHCM Group by Ken Lambden, who has over 30 years' investment experience across a number of asset management businesses in London and Australia. He previously served as Chief Investment Officer at Baring Asset Management and was Global Head of Equities at Schroders for 10 years, where he led equity teams in UK, European, North and South American and Asian offices.

There are no changes to the structure of any of the investment teams and their investment autonomy is unaffected by these moves.

Investment Strategies

Regional Equity Strategies



Australian Equities Team

Crispin Murray, Jim Taylor
Andrew Waddington, Paul Hannan,
Rajinder Singh, Noel Webster,
Peter Davidson and Julia Forrest

Australian Equities

Investment Review

The Group's Australian Equities boutique is one of the most experienced Australian equities teams in the market.

We manage a large range of active strategies across the Australian share market. These include the flagship Core Australian Share and Focus (concentrated) strategies as well as specific strategies that focus on mid-caps, smaller companies and micro-caps. We also manage other specialised investments such as Long Short, Listed Property and Ethical and Sustainable strategies.

We have one of the largest and most stable investment teams in the country, with 20 investment staff with an average of 19 years' industry experience.

Our investment approach is driven by fundamental research at the stock level. We believe markets are largely efficient at pricing known information into share prices. The opportunity for investors comes from anticipating change, either in earnings or the quality of those earnings. By utilising our team's industry knowledge, experience and contacts we are able to gain insights into companies that enable us to identify such opportunities.

This approach, if applied consistently and rigorously, provides superior long term performance for investors, as evidenced by our strong long term track record.

Q What were the highlights in 2016?

After three strong calendar years of performance across most of our flagship strategies, 2016 was more challenging with the majority of our portfolios underperforming their benchmarks for the 12 months to the end of September.

If we had to isolate one dominant thematic that has driven markets over the last five years and again in 2016, it would be falling bond yields and their impact on those parts of the equity market positively correlated to that theme. For the first seven months of the year, we saw significant outperformance of asset based yield stocks such as REITs, utilities and infrastructure. Low yields imply low growth and therefore we have also seen the premium paid for growth reach new peaks in terms of relative valuation. So-called growth stocks, particularly in such industries as Healthcare and Technology, have seen significant multiple expansion. In many instances, while valuation multiples have expanded beyond what we would deem reasonable, the earnings growth necessary to support that expansion has actually slowed. As fundamental investors, we have not embraced these themes in our portfolios. Our conviction to avoid these stocks was reinforced by our view that we are far nearer the end than the beginning of the multi-year yield thematic.

The August reporting season was the first sign the theme was running out of steam as we saw a significant reversal and rotation out of 2016's winners. As is often the case with stocks on high valuation multiples, modest disappointment in earnings growth at results time equates to more extreme share price corrections. We certainly saw evidence of this in August. The beneficiaries of this rotation were some of the companies in the market to which we had been adding positions throughout the year. Investors had previously been ignoring these stocks, which exacerbated their weak relative performance at the time. It tended to be these previously unloved stocks that managed to demonstrate an ability to react proactively to the challenges they face that came out of reporting season well.

Q What is the outlook for 2017?

This period of underperformance has been characterised more by a relative de-rating of the valuations of our core positions, rather than earnings disappointment. The net effect has been a de-rating of the portfolio, driving it to an extreme valuation point which suggests strong re-rating potential versus the market. As a result we have a greater conviction in our key investments, having rigorously retested our investment theses. Indeed our strong performance since the August reporting

season indicates this is now occurring.

One area that characterises our approach has been the banking sector. This sector has battled against a number of headwinds. We believe there is a sound basis to argue that underperformance in the banking sector is overdone. The banks are trading at a discount to industrial peers not seen in 25 years. The well-publicised regulatory burden on banks may not be as punitive as some assume given it is increasingly appearing to be counter-productive, forcing banks to retreat from lending, thereby exacerbating the weak recovery. The banks themselves are also showing early signs of recognising the need to adapt strategies, easing back from aggressive chasing of new customers and focusing more on cost control.

The other major plank of the Australian market, the resource sector, has seen profits rebound strongly with the Chinese government continuing to shore up growth by stimulating property markets and raising infrastructure investment bolstering the demand for commodities. This saw some of the smaller and more leveraged names, the viability of which had previously been questioned, rally significantly, a key driver of the small cap market this year. Given our preference for less geared stocks and preference for companies lower on the cost curve, this rally in small resources had a negative impact on our small caps fund's relative performance. Near-term the sector will be supported by the positive earnings effect of higher commodity prices. However, to sustain prices longer term requires ongoing stimulus, which is likely to be constrained by the high level of debt in the Chinese economy and the government's desire to undertake reforms to reduce excess capacity in heavy industries and shift emphasis to more consumer led growth.

Q What developments are there for 2017?

From a business perspective, we continue to invest in new products and to further develop our Separately Managed Accounts (SMA) proposition, which is an emerging growth area. This builds upon our nine-year track record of building models for Managed Accounts. We have recently launched several specialised SMA models that are now available and approved for use on BT Panorama, the BT Financial Group platform. On the institutional side, we have grown our client base and pleasingly clients have continued to support us with inflows over the year. In the adviser channel, total flows remain solid, with clients showing a preference for the concentrated strategy (BT Focus Fund) and mid cap strategy which is reflective of the overall market trend.

We remain committed to, and focused on, our main priorities, which are to generate good investment returns for our clients and to provide excellent service to those who trust us with their money to manage.

FUND NAME	Benchmark	1 year %	3 years % pa	5 years % pa
BT Wholesale Core Australian Share Fund	A	8.15	5.99	11.70
BT Wholesale Focus Australian Share Fund	A	10.19	7.89	12.80
BT Wholesale Imputation Fund	A	7.67	4.93	10.51
BT Wholesale Ethical Share Fund	A	8.25	6.52	11.62
BT Wholesale Australian Long Short Fund	B	10.65	6.49	12.77
BT Wholesale MidCap Fund	C	24.53	16.19	18.09
BT Wholesale Smaller Companies Fund	D	20.51	11.42	15.11
BT Wholesale MicroCap Opportunities Fund	D	37.89	27.24	29.71
BT Wholesale Property Investment Fund	E	20.92	17.88	19.88
BT Defensive Equity Income Fund ¹	F	1.89	1.05	N/A
BT Defensive Equity Income Fund ²	G	2.95	2.24	N/A
BT Balanced Equity Income Fund ¹	H	3.45	1.72	N/A
BT Balanced Equity Income Fund ²	I	4.81	3.13	N/A
BENCHMARK				
A: S&P/ASX 300 Accumulation Index		13.50	6.03	11.02
B: S&P/ASX 200 Accumulation Index		13.17	5.99	11.19
C: S&P/ASX 150 ex 50 Accumulation Index		27.71	13.44	12.83
D: S&P/ASX Small Ordinaries Accumulation Index		29.16	7.07	5.27
E: S&P/ASX 300 A-REIT Accumulation Index		20.88	17.68	19.58
F: 30% ASX 200 Accumulation Index / 70% Bloomberg AusBond Bank Bill Index ³		5.63	3.71	N/A
G: 30% ASX 200 Accumulation Index ⁴ / 70% Bloomberg AusBond Bank Bill Index		6.07	4.16	N/A
H: 40% ASX 200 Accumulation Index / 60% Bloomberg AusBond Bank Bill Index		6.75	4.10	N/A
I: 40% ASX 200 Accumulation Index ⁴ / 60% Bloomberg AusBond Bank Bill Index		7.33	4.69	N/A

1 Net of any franking credits

2 Grossed up for franking credits

3 Note Bloomberg AusBond Bank Bill Index is not the official benchmark

4 Index return is grossed up for franking

Investment Strategies continued

Regional Equity Strategies



UK Equities Teams

James Lowen, Clive Beagles, Vishal Bhatia and Mark Costar
Other teams:

- **UK Equity Income** Clive Beagles and James Lowen;
- **UK Dynamic** Alex Savvides and Tom Matthews;
- **UK Opportunities** John Wood, Rachel Reutter, Michael Ulrich and Todd King;
- **UK Growth** Mark Costar and Vishal Bhatia.

UK Equities

Investment Review

Our UK equity strategies experienced mixed investment performance in a year that was defined by the UK electorate's decision to leave the European Union, although the long term performance of all four strategies remains very strong. Despite investors turning their backs on the asset class because of uncertainty ahead of the EU referendum and after the 'Leave' outcome, flows into our UK strategies were positive in aggregate.

FUND NAME	Benchmark	Base Currency	1 year %	3 years %pa	5 years % pa
JOHCM UK Dynamic Fund	A	GBP	16.29	8.65	16.82
JOHCM UK Equity Income Fund	A	GBP	11.37	6.77	15.18
JOHCM UK Growth Fund	A	GBP	5.14	5.10	14.56
JOHCM UK Opportunities Fund	A	GBP	19.32	11.03	14.07
BENCHMARK					
A: FTSE All-Share Total Return Index (12 noon adjusted)		GBP	16.43	6.41	10.96

Q What was the effect of the Brexit vote on UK markets?

June's UK referendum on membership of the European Union proved an inflection point in UK politics, in the fortunes of the UK equity market and in the currency. The Brexit outcome, which had not been widely predicted either by opinion polls or the media, resulted in a rally in bonds, bond proxies and foreign currency-earning companies in the equity market and an immediate sharp fall in the share prices of domestic companies and financials. Sterling fell heavily against major currencies including the US Dollar and Euro. Property funds experienced substantial redemption demands, with some forced to limit outflows. Some of these moves became exaggerated. With initial data providing comfort that the UK economy is not yet experiencing severe headwinds, there has been a recovery in the areas hit hardest in the aftermath of the referendum, such as property, shares, banks and domestically-oriented companies. Indeed, the FTSE 100 Index closed in on the 7,000 mark as the period ended after large-cap overseas earners were boosted by Sterling's slide in value in September on talk of a 'hard Brexit' (the UK leaving the EU on terms that would not include access to the EU's single market in goods and services).

The market environment outlined above led to significant moves in the relative performance of our UK equity strategies. Three of the four strategies (JOHCM UK Equity Income, JOHCM UK Dynamic and JOHCM UK Growth) suffered after the referendum from their economic sensitivity and exposure to domestic stocks and financials, but have recovered towards the end of the 2016 Financial Year. This pattern is characteristic of many funds with a style bias towards value rather than growth or quality; many of the UK companies in the last category have rarely traded at higher multiples of earnings and cash flow.

Q What impact did Brexit have on JOHCM's UK equity portfolios?

Looking at each strategy in turn, the JOHCM UK Dynamic Fund finished slightly behind its benchmark in the 2016 Financial Year but benefited from a strong share price recoveries in resource companies such as Anglo American and Acacia Mining. The biggest negative was the portfolio's combined overweight and stock selection in financials, with Barclays, Man Group and Lloyds Banking Group among the laggards.

Our JOHCM UK Equity Income Fund, which has a value-based approach, also lagged its benchmark, with Brexit causing some short term underperformance, in part because of a longstanding significant overweight exposure to financials. Our avoidance of expensive bond proxies within the consumer staples sector also proved unhelpful. We used the Brexit market sell-off to add to domestic-facing stocks where valuations had fallen to particularly compelling levels.

Looking ahead, our UK Equity Income team believes that the return of inflationary pressures may see bond yields finally begin to rise materially from their current historic lows. An increase in bond yields would have a significantly positive effect on the portfolio's relative performance given the headwinds it has faced from falling bond yields over the last three years.

Our UK Growth strategy employs a contrarian investment approach, often buying underappreciated growth companies with potential for improvement at the lower end of the market cap spectrum. Broadly speaking, sector performance has exhibited clear momentum trends for much of the past two years, so this strategy has struggled, hurt by the outperformance of many of the large consumer staples companies in which it is overweight and by the underperformance of a number of the financials which it owns. These performance patterns have played out in a similar way in previous investment cycles and, as expected, the manager's patience and commitment to his investment approach has led to strong long term performance.

Our fourth UK equity strategy, UK Opportunities, exhibits different characteristics to the other JOHCM UK equity strategies, with a preference for reliable industrial companies and utilities rather than financials and with an emphasis on compound growth stocks. It has benefited accordingly, outperforming the FTSE All-Share Total Return Index over the year and proving particularly resilient during the Brexit-related market dislocation.

Investment Strategies continued

Regional Equity Strategies



European Select Values / European Concentrated Value Team

Robrecht Wouters
and Luis Fañanas

Other team:
Continental European
team Paul Wild

European Equities Investment Review

Q What are the challenges facing European markets?

European equity markets still face a series of macroeconomic and political challenges. The UK's likely departure from the European Union is a disruptive event, as there are substantial trade flows between the UK and its Continental European neighbours. Furthermore, the coherence of the European project will be tested by upcoming elections in France and Germany and by a referendum on constitutional issues in Italy.

Q How did JOHCM's European equity strategies perform over the year?

JOHCM's European Select Values (ESV) strategy outperformed its benchmark by over 800 basis points in the 2016 Financial Year. The strategy's structural underweight position in financials played a significant role in this outperformance. This has been

a long term characteristic of the strategy due to the difficulty in finding companies with visibility and sustainability of cash generation in this sector, particularly at a time when low interest rates and a flat yield curve have made life difficult for banks. ESV also benefited from good stock selection in the consumer and materials sectors, with notable stock performers including Dutch publisher Wolters Kluwer and Swiss agribusiness and takeover target Syngenta.

In March 2015, we launched an extension strategy, based on the ESV approach, named European Concentrated Value (ECV). Having added experienced resources to the team in early 2015, this strategy is run as a more concentrated version of its successful sister strategy and typically owns shares in larger companies. Performance has been similarly robust, with ECV outperforming the MSCI Europe Index significantly over the year. With ESV now closed to new investors having reached capacity, future client flows

will be directed towards the extension strategy. Boasting an experienced fund management team and an excellent track record since its launch 18 months ago, this strategy offers significant commercial potential.

Pleasingly, the JOHCM Continental European Fund has generated six consecutive years of outperformance versus its benchmark since fund manager Paul Wild took sole responsibility for managing the strategy in late 2009. The fund marginally outperformed its benchmark in the 2016 Financial Year, with good stock selection in the financials, materials and telecommunications sectors cancelling out modestly negative sector allocation effects, principally being underweight the strong-performing consumer staples sector.

FUND NAME	Benchmark	Base Currency	1 year %	3 years % pa	5 years % pa
JOHCM Continental European Fund	A	GBP	19.28	11.68	16.15
JOHCM European Select Values Fund	B	GBP	29.40	12.05	16.78
JOHCM European Concentrated Value Fund	C	EUR	10.61	N/A	N/A
BENCHMARK					
A: MSCI Europe ex UK NR Composite 12 Noon Adjusted*		GBP	17.65	7.08	12.05
B: MSCI Europe NR Composite 12 Noon Adjusted		GBP	17.78	6.58	11.29
C: MSCI Europe Adj (EUR)		EUR	0.89	N/A	N/A

*Funds changed benchmark 31/12/2012 to MSCI from FTSE



Asian Equities team

Cho Yu Kooi, Samir Mehta

Other team:

Japanese Equities team

Scott McGlashan and Ruth Nash

in bond proxies with predictable earnings, such as food and pharmaceutical companies. The strategy remains closed to new investors. The JOHCM Japan Dividend Growth Fund, launched in early 2015 with greater liquidity and higher capacity, owns larger companies which either offer attractive income or good dividend growth.

Q Was it a good year for JOHCM's Asian equity strategies?

Our two Asian strategies – JOHCM Asia ex Japan and JOHCM Asia Small and Mid Cap Equity – slightly underperformed their benchmarks in the 2016 Financial Year, but their long term performance remains excellent: both funds are ranked first decile in their peer group since their launch five years ago. Both strategies prioritise quality companies with good long term growth prospects and which generate consistently high returns on capital. Both strategies also use cash to protect the value of clients' investments, albeit their relatively high cash balances over the year weighed on relative performance given strong market gains. Elsewhere, stock selection in India, a market which has been favoured by both strategies for some time, was unhelpful.

Looking ahead, the respective managers are more enthusiastic than they have been for some time about the prospects for companies in their region and have been investing accordingly. Asia has recently been a beneficiary of returning investment flows to emerging markets and many economies in the region offer more attractive growth and greater stability than investors see in Europe.

Asian Equities Investment Review

Q Is 'Abenomics' working in Japan?

Many investors have already written the obituary for 'Abenomics', but in the opinion of the JOHCM Japan team, this judgment is far too premature and narrow in its scope. Admittedly ambitious targets for core inflation and economic growth have been missed, but the team believes 'Abenomics' has been a clear success when measured on a wider array of metrics: since Prime Minister Abe's premiership began in December 2012, the yen has lost 20 percent of its value against the US Dollar, the main Nikkei and Topix stock market indices have notched up strong gains; individual company fundamentals, such as dividend per share and return on equity, have all improved markedly; the property market is buoyant, with average rents rising, office vacancy rates down and housing starts increasing by over 12 percent; and the employment market is in good health,

with the unemployment rate down to just three percent, more job offers than applicants and workers benefiting from an increase in nominal wages. In short, the reflationary policies of 'Abenomics' are having a broadly positive effect.

Q How did the JOHCM Japanese equity strategies perform in the 2016 Financial Year?

Our two Japanese equity strategies – JOHCM Japan and JOHCM Japan Dividend Growth – both use a strong valuation discipline and both underperformed in the 2016 Financial Year. The JOHCM Japan Fund, which is ranked first quartile in its peer group since its launch in 2004, has a preference for smaller companies trading at low valuations. Many of these companies are sensitive to the performance of the local economy and were overlooked in a broadly risk-averse investment environment, as investors sought refuge

FUND NAME	Benchmark	Base Currency	1 year %	3 years % pa	5 years % pa
JOHCM Asia ex Japan Fund	A	GBP	36.25	17.22	17.36
JOHCM Asia ex Japan SMC Fund	B	GBP	28.49	21.03	19.74
JOHCM Japan Fund	C	GBP	24.68	8.30	11.61
JOHCM Japan Dividend Growth Fund	D	GBP	27.69	N/A	N/A
BENCHMARK					
A: MSCI All Country Asia ex Japan 12 Noon Adjusted Index		GBP	36.99	11.35	10.94
B: MSCI All Country Asia ex Japan Small Cap 12 Noon Adjusted Index		GBP	29.31	9.69	10.19
C: Topix TR Index 12 noon adjusted £		GBP	33.54	12.35	12.00
D: Topix 100 TR £ Adj		GBP	32.89	N/A	N/A

Investment Strategies continued

Regional Equity Strategies



US Equities team meeting
Thorsten Becker,
Vince Rivers
and Arun Daniel

US Equities

Investment Review

We manage the US Small and Mid Cap Equity strategy from JOHCM's Boston office. The investment philosophy centres on the belief that sector-based investing is the optimal way to identify long term winners, with important advantages in return and risk.

As different factors drive investment success in each sector, the team is able to apply the fund managers' deep sector expertise to quickly and accurately identify changes in industry dynamics and assess their impact on the stocks they cover. This provides the backdrop for distilling a vast investment universe into a concentrated portfolio of best ideas.

Q How did the US SMID equity strategy perform in Financial Year 2016?

The strategy underperformed its benchmark in Financial Year 2016, net of fees, although it has outperformed on a since inception basis, with the mutual fund ranked in the second quartile of its Lipper peer group since its launch on 31 October 2014 (to 30 September 2016).

Stock selection underpins the team's bottom-up investment process. Positive stock picking was recorded in six out of 11 sectors over the period, most notably in telecommunications, energy and healthcare. As in most markets, the persistently low interest rate structure in the US has led to outperformance from parts of the stock market with bond-like characteristics, such as utilities and real estate. The US SMID team has a preference for genuine growth companies, so has been underweight utilities and real estate, which hurt relative performance over the period.

Q What developments are expected for Financial Year 2017?

Despite some investor trepidation ahead of the November 2016 elections, the team maintains a favourable view of US equities. The US economy is gradually improving, as supported by housing and employment data and the team believes rising interest rates are imminent, which will likely have a dramatic impact on the valuations of interest rate-sensitive names. Their sector-based approach is focused on identifying and capitalising on key investment themes, such as the ageing of America, faster-than-expected data growth and a secular shift to natural/organic food consumption.

FUND NAME	Base Currency	1 year %	3 years % pa	5 years %pa
JOHCM US Small Mid Cap Equity Fund	USD	15.29	N/A	N/A
BENCHMARK				
Russell 2500 NR \$ adj	USD	14.64	N/A	N/A

Global and International Equities



Global Opportunities team meeting

Jasmeet Munday, Ben Leyland and Robert Lancaster

Other teams:

Global/International Select/Global Sharia

Christopher Lees and Nudgem Richyal (not pictured)

International Small Cap Equity

Robert Cresci and Justin MacGregor (not pictured)

JOHCM Global and International Equities

Investment Review

Our larger Global and International equities strategies enjoyed a solid year in performance terms, with the highlight being significant outperformance by the International Select strategy. The Global Opportunities strategy benefited from good outperformance and growing commercial traction over the year.

Q How did the JOHCM Global equity strategies perform in the 2016 Financial Year?

Our Global and International (Global ex US) Select equity strategies performed well in the volatile market environment. The Singapore-based team correctly anticipated a change in market leadership and moved to a decisive overweight in the materials sector and underweight in financials. These sector moves and good stock selection in the materials and consumer discretionary areas, positively influenced investment returns, leading to marked outperformance in the 2016 Financial Year for the International Select strategy. Our Global Select strategy modestly outperformed the benchmark; the impact of being underweight European financials was less significant versus a global index. As detailed earlier, having reached full capacity, both the International and Global Select strategies are now closed to new investors.

While the Global and International Select Singapore team employs a growth-oriented investment approach, the London-based JOHCM Global Opportunities strategy has different style characteristics, emphasising quality and valuation. This strategy has now been open for four years and has a strong long term performance record, helped by further outperformance in the 2016 Financial Year. With markets in a nervous mood, the high quality, high return businesses which the team's approach prioritises remained in demand. Examples of stocks that performed well for the strategy included Dutch publisher Wolters Kluwer and US biopharmaceutical company Baxalta.

2016 has been a break-out year in terms of the success of the Global Opportunities strategy (the imminent funding of a major institutional mandate will take strategy assets over £1 billion). The launch of the International Opportunities Fund for the US market at the end of September, will build further momentum.

In late 2013, we launched an International (Global ex US) Smaller Companies Fund, managed from New York. The strategy has steadily gained commercial traction, although the fund finished the 12-month period behind its benchmark.

Investment Strategies continued

Global and International Equities

JOHCM Emerging Markets Equities Investment Review



JOHCM GEM Opportunities team
Paul Wimborne, James Syme and Ada Chan

Other teams:

Global Emerging Markets team
Emery Brewer, Ivo St. Kovachev, Stephen Lew and Ladislav Sabo

Q How do JOHCM's investment teams approach emerging markets?

Our two emerging market equity teams have contrasting investment approaches but both outperformed the MSCI Emerging Markets Index over the period. Our London-based JOHCM Global Emerging Market Opportunities team follows a top-down approach, with country selection as the starting point for portfolio construction. Nevertheless, it was stock selection rather than country allocation calls that accounted for the strategy's outperformance over the year. Of note was good stock picking within India, South Africa and South Korea, with Samsung Electronics and South African-listed internet media group Naspers among the portfolio's top individual performers. Unusually, country allocation

was a modest headwind over the year, with a sizeable underweight in Brazil being a negative influence upon the portfolio's performance. Subsiding expectations over US interest rate rises, combined with a recovery in natural resources prices and optimism over domestic political change, led to a strong rally in Brazilian equities despite the country's poor economic conditions. More brightly, the team's decision to avoid any exposure to the Mexican stock market aided relative returns.

The Prague-based Global Emerging Markets strategy typically generates outperformance from stock views rather than country or sector selection. The strategy finished well ahead of its benchmark for the 2016 Financial Year, principally due to successful stock selection in the materials, consumer discretionary and telecommunications sectors. The team continues to focus

on idiosyncratic growth stocks with earnings momentum, for example finding opportunities in component suppliers within the fast-growing advanced driver assistance systems (ADAS) sector, technology which improves car safety and which is integral to driverless car technology.

In late 2014, we launched a small cap extension strategy for the Prague team. The GEM Small Cap strategy outperformed by over 1000 basis points in the year to September 2016 and has built a compelling performance record since inception. It particularly benefited from excellent stock picking in the consumer discretionary sector over the year. The strategy is sold in separate account and US mutual fund form and the recovery in emerging markets in 2016 should create a helpful backdrop for capitalising on the mutual fund's excellent performance since launch.

FUND NAME	Benchmark	Base Currency	1 year	3 years % pa	5 years % pa
JOHCM Emerging Markets Fund	A	GBP	44.34	10.91	9.95
JOHCM Global Emerging Market Opps Fund	A	GBP	39.82	12.47	9.50
JOHCM Global Opportunities Fund	B	GBP	36.97	19.02	N/A
JOHCM Global Select Fund	B	GBP	33.64	15.52	17.78
QInvest JOHCM Sharia 'A Fund	C	USD	6.83	N/A	N/A
AIT International Select CL1	D	USD	15.94	8.35	14.89
AIT Intl Small Cap ex US Fund Inst	E	USD	12.95	N/A	N/A
AIT Emerging Markets Small Cap Inst	F	USD	26.06	N/A	N/A
JOHCM Global Smaller Companies Fund	G	USD	9.75	N/A	N/A
BENCHMARK					
A: MSCI Emerging Markets NR Index 12 noon Adjusted		GBP	37.31	6.93	6.91
B: MSCI All Country World NR Index 12 noon adjusted £		GBP	31.64	12.81	14.36
C: MSCI AC World Islamic Composite NR**		USD	13.69	N/A	N/A
D: MSCI EAFE NR Index		USD	6.52	0.48	7.39
E: MSCI AC World ex US SMC NR 4pm Adj Index		USD	13.33	N/A	N/A
F: MSCI Emerging Markets SMC		USD	12.65	N/A	N/A
G: MSCI AC World SMID \$ Adjusted		USD	13.35	N/A	N/A



BTIM Global Equities Strategy team meeting
Ashley Pittard, Sue Scott, Paul Gyenge and Paul Wong

BTIM Global Equities Strategy

Investment Review

Earlier this year, BTIM established its new Australian based Global equities capability and launched the BT Concentrated Global Share Fund in August 2016.

Q What is the approach and focus of the new Global Equities team?

Key to the investment approach is that in the short term companies' share prices are more volatile than their underlying earnings. This can be exploited by investing in stocks not currently reflecting their intrinsic value but which we consider will revert to it. To exploit this mispricing we:

- concentrate on identifying the highest quality businesses in an industry peer group
- research those companies thoroughly, to identify their intrinsic value and
- display patience and only buy these stocks when they are at a significant value discount.

The result is a portfolio which is concentrated and often contrarian in nature, which will provide a differentiated

portfolio from many of our peers. We are patient investors and do not mind holding attractively valued and out of favour companies that generate strong free cash-flows, pending the broader market discovering them. Retaining discipline in entry and exit points is key in successful investing and core to our approach.

We ignore the benchmark in portfolio construction and concentrate on the roughly 20 percent of the market which is not fairly priced at one time. Where we find an opportunity, we seek a significant position, resulting in a concentrated portfolio of 35-55 stocks.

Our portfolio is well positioned for a move, however slight, towards normalisation of the interest rate environment. The market has been dominated by macro-thematic trades in recent times – most notably the compression of bond yields given low interest rates and quantitative easing. The historically low yield levels, combined with

signs that central banks are reluctant to travel further down the path of negative interest rates and may be looking at expanding fiscal spending to support growth, suggests that the impact of low yields may be waning. This leaves some parts of the market vulnerable to pullback and provides opportunities in other parts as the market regains a focus on stock and company fundamentals. In short, it is an environment which is conducive to our bottom-up, stock focused approach. The portfolio's largest positions at this time includes: financials (Lloyds Banking Group and Wells Fargo), stock exchanges (Japan Exchange Group and Deutsche Bourse), as well as Google's holding company, Alphabet Inc in the US, and Belgian brewery group Anheuser-Busch.

Investment Strategies continued



Income & Fixed Interest team

Vimal Gor, Peter Farac,
George Bishay, Justin Davey
and Steve Campbell

Income & Fixed Interest

Investment Review

The Income & Fixed Interest boutique runs a range of strategies that cover Australian and international bonds, unconstrained absolute return, as well as income-orientated solutions and cash funds.

Our investment style is true-to-label defensive fixed interest, with our bond funds designed to perform well in stressed market environments, which are typically associated with equities being sold off. These strategies are run by an experienced team that combines in-depth macroeconomic and quantitative research as part of a rigorous investment process.

FUND NAME	Benchmark	1 year %	3 years % pa	5 years % pa
BT Pure Alpha Fixed Income Fund	A	-1.68	3.20	N/A
BT Wholesale Fixed Interest Fund	B	4.23	6.52	6.17
BT Government Bond Fund	C	5.76	6.66	5.97
BT Wholesale Enhanced Credit Fund	D	5.30	6.13	6.61
BT Wholesale Enhanced Cash Fund	E	2.78	3.11	3.98
BT Wholesale Managed Cash Fund	E	2.40	2.62	3.13
BT Wholesale Monthly Income Plus Fund	F	5.48	5.80	6.48
BENCHMARK				
A: Bloomberg AusBond Bank Bill Index		2.19	2.44	N/A
B: Bloomberg AusBond Composite 0+ Yr Index		5.69	6.21	5.97
C: Bloomberg AusBond Govt 0+ Yr Index (since 5/9/09)		5.95	6.42	5.92
D: Bloomberg AusBond Non Govt 0+ Yr Index		4.97	5.65	6.03
E: Bloomberg AusBond Bank Bill Index		2.19	2.44	2.94
F: RBA Cash Rate		1.88	2.22	2.75

Q What are the distinctive features of the Income & Fixed Interest boutique?

One of the most significant differentiators of the team's flagship strategies is their defensive positioning. This means they are poised to perform well during periods of market stress and high volatility. In this way they are managed to act as an insurance component of a broader investment portfolio that will typically assist in offsetting potential losses from an equities allocation. We believe this building block approach to fixed interest strongly differentiates us in the Australian market and is more in tune with the structure of the asset class.

Our strategies' defensive positioning and differentiated investment style is reflected in their performance history. For example, the BT Wholesale Fixed Interest Fund has one of the highest negative correlations to both high yield bonds and Australian equities, relative to peers. Moreover, it has realised a positive return during most periods when the equity market has declined. Additionally, the highly differentiated process of the BT Pure Alpha Fixed Interest Fund is reflected in its low correlation to other strategies in the unconstrained investment universe. This is partly thanks to the range of investment levers utilised including foreign exchange, credit and bonds.

The boutique's distinctive style can be attributed to the views of the team and a desire to deliver a true-to-label fixed interest experience. This is founded on our solid fundamental research approach.

Q What were the highlights in 2016?

The key highlight for 2016 was the strength of client endorsement across our whole boutique with our key funds hitting milestone FUM targets from a range of clients including advisers and institutional clients.

Pleasingly our income solution, the BT Wholesale Monthly Income Plus Fund surpassed \$300 million in FUM and we have now signed an agreement for a mandate that will double this amount, boding well for continued future growth in this strategy.

Our research house and consultant endorsements continued during the 2016 Financial Year, with our flagship BT Wholesale Fixed Interest Fund being upgraded to highly recommended by research house Lonsec and receiving another nomination for Fund Manager of the Year for Fixed Income, both strong endorsements of the process we have built over the last six years.

Our BT Pure Alpha Fixed Income strategy is also well regarded by a number of the institutional asset consultants and now sits on a number of 'Buy' lists, which again highlights the strength in our team and process and our ability to compete against the best fixed income strategies globally.

Unfortunately, it has been a mixed year in terms of performance, with our Absolute Return strategy and our Wholesale Fixed Interest strategies under our return targets whilst our income, credit and cash strategies were all above expectations.

The last 12 months have seen us well positioned, with a strong defensive bias across a number of our funds, given the strength of our conviction on the economic and market outlook that has determined our key positions. We believe to be true to label we need to be active when we have high conviction especially when we are concerned about market volatility and the potential for equity drawdowns.

High conviction medium term and long term macro themes form the basis of the qualitative part of our investment process. We implement the themes that arise from both the quantitative and qualitative parts of our process, in such a way that ensures the defensiveness of the alpha generation of the portfolio in weak risk markets. Our clients understand this is how we manage money and find it otherwise difficult to invest in a long volatility biased strategy that can provide a negative correlation when it is needed in a portfolio. We believe our role is to generate returns when the market affords opportunities to do so, while maintaining a long volatility bias to help protect the broader portfolio in times of market stress. This is the reason why clients include our funds in their portfolios and why we continue to be shortlisted for new inclusions.

Q What is the outlook for 2017?

We expect that 2017 will be an eventful year in the markets, as volatility is now returning after a prolonged period of being suppressed. We look forward to this as our investment process works best in volatile markets.

We believe the market will continue to shift towards more income focused products and we are very well represented in this space, with a number of funds that have the potential to raise significant assets. As well as helping in the accumulation phase we also look forward to partnering with a number of our clients on delivering post-retirement solutions to their members.

As always we continue to invest in the boutique and look forward to having a new portfolio specialist join in October to help drive communication with our key clients, work on providing relevant and interesting education pieces to the market and build new relationships.

We expect 2017 will be another volatile year and, as always, we are positioned for this increased volatility.

We are now a team of 11, having grown from five people in 2010.

We greatly look forward to the coming year and helping our clients to achieve their financial goals.

Investment Strategies continued



Diversified
team meeting
Stuart Eliot

Diversified Investment Review

The BTIM diversified strategies bring together the investment skills within BTIM (Australia) and JOHCM, combined with strategies provided by our close external partners.

Our investment philosophy is to provide truly diversified returns while seeking to reduce risk via investment diversification and active management. In constructing a diversified portfolio, we seek to combine assets to minimise the dominance of any one factor risk within the portfolio and thereby reduce volatility and improve the consistency of investment outcomes. We strongly believe that the principle of diversification should permeate all parts of the modern diversified fund. In essence, we seek to diversify factor risks between and within component asset classes.

In a low return world, active management becomes even more crucial in delivering total returns and in managing risk. At BTIM we have a strong pedigree of selecting strong investment talent and harnessing these skills within our diversified strategies to benefit our clients.

FUND NAME	Benchmark	1 year %	3 years % pa	5 years % pa
BT Wholesale Conservative Outlook Fund	A	5.54	7.21	7.96
BT Wholesale Balanced Returns Fund	B	6.15	8.23	10.38
BT Wholesale Active Balanced Fund	C	6.08	8.30	10.99
BT Wholesale Future Goals Fund	D	5.94	8.64	12.03
BT Total Return Fund	E	4.81	5.97	5.04
BENCHMARK				
A: BT Wholesale Active Conservative Benchmark ¹		6.77	6.69	7.42
B: BT Wholesale Balanced Returns Benchmark ¹		8.42	7.58	9.58
C: BT Wholesale Active Balanced Benchmark ¹		8.95	7.72	10.18
D: BT Wholesale Future Goals Benchmark ¹		9.40	8.07	11.08
E: Bloomberg AusBond Bank Bill Index		2.19	2.44	2.94

¹ The benchmark is calculated by using the weighted average asset allocation neutral position and the index returns for each asset class

Q What are the distinctive features of the Diversified Strategies team?

Our philosophy is to diversify broadly, but not gratuitously, to increase the probability of achieving our return objectives with the lowest risk. We do this at both the strategic asset allocation level and, where appropriate, through the diversification of strategies within asset classes.

We have demonstrable skill in identifying managers that deliver consistent active returns over the long term. BTIM's business model is to bring these investment managers within the BTIM Group and distribute their investment strategies as well as make them available for our diversified funds. A significant amount of work has been done to identify those managers who typically have strong active track records at other investment houses. It is a competitive advantage for BTIM's diversified funds to be able to use this skill set.

Where we do not presently have expertise in-house, we look to form a strategic partnership with a third party manager who is a specialist in that particular asset class. We currently have two such partnerships, with AEW in Boston managing our Global Listed Property Securities strategies and AQR in Connecticut managing our Core Global Shares and an Alternatives mandates.

Q What were the highlights in 2016?

The year just completed saw two significant developments within the funds we offer to investors. The first was the launch of the BT Wholesale Plus fund series in partnership with BT Financial Group. This saw us extend our range with the addition of two new strategies, Moderate and High Growth, which complement the existing strategies. These will be distributed by BT Financial Group via their lower cost platforms to both aligned and independent financial advisers who access these platforms.

The second development was a range of enhancements to our conservative and balanced sustainable diversified funds. After considerable research and planning, these two funds now benefit from the full range of investment techniques employed across our other flagship funds while ESG screening is applied to all securities in both Australian and international equities as well as Australian and international fixed interest.

Our strong calendar year performance in 2015 has seen us nominated as finalists for both Asset Allocator of the Year and Multi-Sector Fund of the Year at the 2015 Lonsec/Money Management Fund Manager of the Year Awards. This was the third consecutive year we have received this honour and this continual recognition highlights the strength of our process and the underlying skill set that exists within the broader BTIM business.

Whilst the funds gave back some of these active returns over calendar year 2016, our three year and five year track records still remain strong, especially in terms of returns generated for risk taken.

While it is always disappointing to lose a key staff member within our investment teams, the departure of Martyn Wild to become BT Financial Group's CIO is recognition of the great work we have done over the years in managing monies on their behalf and the strength of the process we have built at BTIM. Stuart Eliot was appointed as Senior Portfolio Manager immediately following Martyn Wild's resignation. An exhaustive search is under way to find an appropriately skilled and experienced portfolio manager to join the team. The search and interview process concluded in September, with the new team member set to join in November.

Q What is the outlook for 2017?

We have observed a recent trend from investors choosing to invest into conservative, moderate and balanced strategies which may indicate a degree of caution amongst investors.

In the current environment, with risks more pronounced and returns harder to find, investing to build long term wealth has become more difficult than ever. Because of this and coinciding with the launch of the BT Wholesale Plus fund series, we have commenced a series of meetings with clients and advisers that will continue through 2017. In these meetings we discuss the importance of diversification and active management, both of which we believe are becoming increasingly critical in helping investors reach their savings goals.

We believe that BTIM's capabilities in active management coupled with our strong partnership with AQR in delivering liquid alternative risk premia strategies should see us continue to deliver strong results for our clients. As always, we continue to look for ways to improve the risk efficiency in our portfolios and increase diversification of risk factors.

Corporate Sustainability & Responsibility

The Group has a strong commitment to Environmental, Social and Governance (ESG) issues.

1. Introduction

For the Group, ESG issues arise in the following contexts:

- our approach to responsible investment on behalf of our clients
- our ability to deliver sustainable returns to our shareholders, and
- the actions we take as a corporate citizen that may impact upon the environment, the community or our other stakeholders.

As an investment manager, BTIM strives to incorporate ESG principles as part of its core investment processes, recognising that ESG factors can have a significant influence on the value placed on a company and its ability to drive shareholder returns on a sustainable basis.

BTIM has developed significant ESG capabilities and offers clients a diverse range of ethical and sustainable products that incorporate ESG best practice. These products include the:

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

These products include both ‘Best of Sector’ and ethical screening in the investment decision making process. As at 30 September 2016, these ethical and sustainable portfolios had \$2.1 billion of funds under management.

1.1 Role of ESG in the overall investment process

ESG principles are a significant factor in the operation of other products that are offered across the Group. Investment teams undertake extensive research and due diligence before making investment decisions. ESG factors can be an important part of the research and analysis undertaken as part of the investment decision making process.

To varying degrees, all investment professionals consider environmental, social and governance factors when making investment decisions in their portfolios. ESG factors considered by the investment teams may include corporate governance, employment practices, ethics or environmental issues.

1.2 Regnan

Regnan - Governance Research & Engagement Pty Limited (Regnan) was established in 2007, becoming jointly owned by BTIM and seven other institutional investors.

Regnan undertakes research in ESG matters to identify risks and opportunities, and engages with leading ASX-listed companies to seek improved consideration of ESG in business decisions.

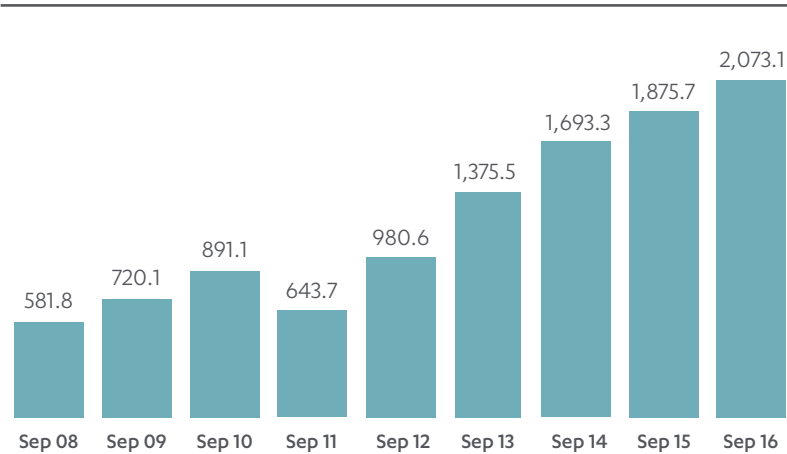
In 2015, Regnan was restructured and is now jointly owned by BTIM and one other institutional investor. BTIM is represented on Regnan’s Board of Directors.

In 2015-16, Regnan, on behalf of clients, engaged with 42 companies in the S&P/ASX 200 Index. Regnan’s engagement covers a broad range of topics across ESG issues. It focuses on environmental and social topics, as well as traditional corporate governance and AGM voting matters. Many of Regnan’s engagements address multiple aspects of ESG and it is increasingly rare for discussions to be limited to only corporate governance matters.

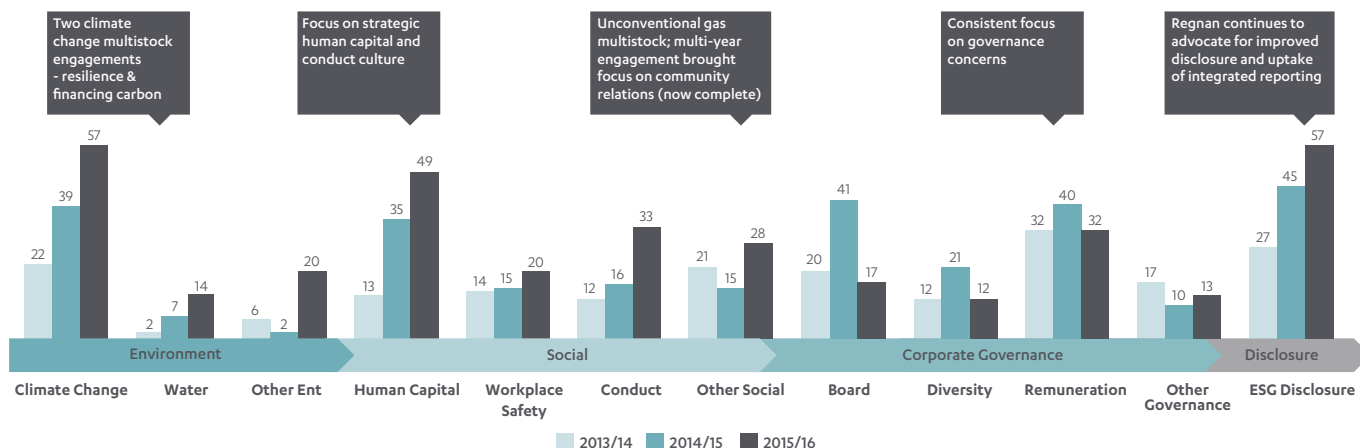
Regnan enables BTIM to work with other institutional investors to ensure a coordinated approach to important matters of market integrity.

Regnan also provides specialist ESG data, analysis and research which are used in BTIM’s ESG product range as well as our mainstream funds. Investment professionals in Australia work in conjunction with Regnan to research and identify risks and opportunities in companies that implement and display sustainable principles in their business strategies.

BTIM sustainable & ethical funds under management – \$ million



Areas of Regnan engagement by topic – 2015/16 and prior 2 years



1.3 Responsible Investment Association Australasia

BTIM (Australia) is a member of the Responsible Investment Association Australasia (RIAA). The RIAA is the peak industry body representing responsible and ethical investors across Australia and New Zealand.

RIAA works to promote a more responsible approach to investment and encourage more people to actively choose a responsible and ethical option for their savings and investments.

1.4 UNPRI

JOHCM and BTIM (Australia) are both signatories to the United Nations Principles for Responsible Investment (UNPRI).

Through the UNPRI initiative, signatories commit to incorporating key ESG principles into investment analysis and decision making processes across the range of their investments. The Group also takes an active approach to our investments and work with other investors to continually improve ESG practices.

As ESG principles are being incorporated into our core investment processes, the Group reports on progress via the Principles for Responsible Investment Reporting and Assessment Survey. This allows us to regularly review and monitor our performance, benchmark ourselves against our peers and identify opportunities, strengths and weaknesses.

1.5 Investor Group on Climate Change

The Group is also a member of the Investor Group on Climate Change (IGCC) with a representative of the Group sitting as a member on the IGCC's management committee.

The IGCC represents institutional investors and aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuants and unit holders. The IGCC aims to:

- raise awareness of the potential impacts, both positive and negative, resulting from climate change to the investment industry, corporate, government and community sectors
- encourage best practice approaches to facilitate the inclusion of the impacts of climate change in investment analysis by the investment industry, and
- provide information to assist the investment industry to understand and incorporate climate change into the investment decision.

1.6 Proxy voting

The Group regards the exercise of proxy voting authority 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, however we recognise that we can influence company policy on matters of corporate governance by virtue of the shareholdings that we manage on behalf of our clients. In accordance with industry practice we use that influence for the benefit of our clients. 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.

1.6.1 BTIM (Australia)

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 Australian proxy voting records on the BTIM website.

Information on the proxy voting pattern for BTIM (Australia) during the 12 months to 30 June 2016 is set out below. Specific details on how each proxy has been voted are available on the BTIM website.

PROXY VOTING FOR 2015/2016	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	DID NOT VOTE
Number of resolutions	1,467	1,345	84	21	17
Percentage of total	–	91.7%	5.7%	1.4%	1.2%

Corporate Sustainability & Responsibility continued

1.6.2 JOHCM

JOHCM engages ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate voting and engagement activities. Fund managers review all annual general meeting (agm) and extraordinary general meeting (egm) agendas prior to voting. Where ISS research highlights issues which do not represent best practice, JOHCM's Investment Director will discuss the issues with the relevant fund manager before agreeing a course of action, which is then implemented for those portfolios where JOHCM has full discretion over voting.

1.7 ESG reporting

During the 2016 Financial Year, BTIM completed the CDP survey on Climate Change for the first time.

2. Environment

Given the nature of the Group's operations and the size of our workforce (259 Full Time Equivalent employees), we have a relatively small environmental footprint. Notwithstanding this, we have had a longstanding commitment to reduce the impact of our business operations on the environment.

BTIM monitors the environmental impact of its business and where possible, takes steps to minimise that impact. During the 2016 Financial Year, BTIM took steps to further reduce its consumption of paper and printed material, including by encouraging clients, shareholders and other stakeholders to receive communications from BTIM in an electronic format.

In December 2015 JOHCM completed its first mandatory energy assessment under the Government's Energy Savings Opportunity Scheme (ESOS). The assessment requires a firm to undertake an audit of the energy used in company's buildings and to identify cost effective energy saving measures. The Company was awarded its ESOS certificate in January 2016.

3. Human capital management

The Group is a people-driven business. Key to our success is the attraction, engagement and retention of the highest calibre people, enabling the Group to drive innovation and deliver positive client investment outcomes. A core objective of the Group's People Strategy is to cultivate the organisational values, culture, leadership behaviours and work practices which maximise the engagement and contribution of individuals and teams to achieve the BTIM Group's strategic goals.

3.1 Employee turnover

Turnover across the Group remains below industry average and predominantly occurred in operations and corporate support areas. As at 31 August 2016, the Group's 12 month attrition rate was 9.9 percent.

3.2 Employee engagement

Strong employee engagement is critical to the success of the Group. BTIM (Australia) is committed to regularly monitoring and measuring engagement every two years, focusing on driving engagement higher as the business grows. The most recent survey of employee engagement, which took place in the 2015 Financial Year, found that our employees were highly engaged compared to industry standards. Engagement increased by five percent since it was last measured in 2013 and advanced our standing within the top quartile of Aon Hewitt's Best Employer range.

3.3 Professional development

Across the Group, we continue to offer a range of programs and policies that support the ongoing education and professional development of our employees. These include:

- leadership development programs run for BTIM (Australia) people leaders to enhance the leadership behaviours and capability of current and future leaders
- support of industry specific professional accreditations and memberships
- financial assistance and leave for employees pursuing study relevant to our business, which includes professional qualifications such as the Chartered Financial Analyst (CFA) qualifications
- onsite training programs and in-house learning and development-related study, and
- Internship program typically designed to provide individuals with an opportunity to gain valuable work experience.

During the 2016 Financial Year, BTIM (Australia) launched a professional development initiative to promote the participation of women in the finance industry with the introduction of an Investment Intern Program for females interested in investment management. University students in their penultimate year of a Commerce or Economics degree undertook structured placements in investment related roles over a four week period, performing Analyst-level responsibilities.

3.4 Contributing to our communities

The Contributing to Our Community Program supports charitable organisations and initiatives that aim to improve the social well-being of the communities in which the Group operates.

BTIM (Australia) has a Community Committee comprising employees from across the organisation that helps coordinate and champion community involvement and fundraising initiatives. This Financial Year, the committee primarily 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 coordination of the Wayside Corporate Day which involved a group of BTIM employees cooking lunch for local community members, donating the proceeds of Entertainment Book sales, as well as a Christmas gift collection from our employees in support of the Wayside Chapel Christmas Party.

Other community initiatives include corporate participation in the JP Morgan Corporate Challenge and hosting a Cupcake Day morning tea to raise funds in support of the RSPCA's animal rescue, rehabilitation and rehoming work.

JOHCM and its employees regularly sponsor and support UK-based charities and special causes. In the 2016 Financial Year specific activities included:

- 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
- participation in, and being one of the leading fund raisers for, the Macmillan Cancer Charity's annual cake and coffee morning and
- participation in a charity five-a-side football tournament to raise money for the Make-A-Wish Foundation.

BTIM (Australia) 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.

3.5 Diversity

BTIM aims to attract, engage and retain a diverse workforce to maximise the business benefits of tapping in to the full pool of available talent. Central to the Diversity and Inclusion (D&I) Strategy is the principle of harnessing differences in skills and experience and capitalising on the contribution of all employees to execute on the broader business strategy.

Fostering an inclusive work culture that embraces and drives diversity of thinking and collaborative working is considered key to strengthening BTIM's investment capability and achieving superior client outcomes.

The Group is committed to supporting:

- continued development of women in senior leadership
- increased female representation across the investment platform
- broad diversity within the emerging talent pool
- leadership and employees supporting a diverse and inclusive work environment
- flexible work practices across all organisation levels and business units.

3.5.1 Diversity targets

The Group's current targets for female representation at Board and Executive level in the Australian business to be achieved by 2020 are as follows:

- a minimum of 30 percent female representation on the BTIM Board (including CEO)
- a minimum of 30 percent female representation at CEO-1 level (Executive Team)

These targets were effectively achieved during the 2016 Financial Year, reflecting BTIM's commitment to gender diversity and strong progress made to date. Currently, female representation at the BTIM Group Board is 33 percent, while the proportion of CEO-1 level females remained at 29 percent.

Across BTIM (Australia), 40 percent of the workforce is female, while women constitute 33 percent of the JOHCM Group employee population. In total, female representation across the BTIM Group is 37 percent.

With the introduction of the Global Executive Committee this year, the Group will fall below the aspirational CEO-1 target in the short term. However, the Group remains fully committed to gender diversity at the senior levels and across the organisation.

Once the Group Executive structure is established, the Board will evaluate the current state and review the targets to ensure that they continue to align to the D&I Strategy.

3.5.2 Diversity initiatives

In support of the D&I Strategy, the Group delivered on the following initiatives in the 2016 Financial Year:

Conscious Decision Making Program

Conscious Decision Making workshops were rolled out to the Board and the Executive team of BTIM (Australia) in the first quarter of the 2016 Financial Year. The program was designed to foster a deeper understanding of unconscious knowledge stored in long term memory and demonstrate how it can limit meaningful inclusion of diverse groups and lead to biased decisions. Specific focus centred on the identification of 'bias hotspots' in the business and strategies to mitigate them.

BTIM's participation in the Career Returners Program

As a founding member and in support of our commitment to increase female representation in the investment platform, BTIM (Australia) joined the first cross-industry, return-to-work initiative to be offered in Australia called Career Returners. The program, which is modelled on similar programs that have been successfully run in reputable American, British and European companies is aimed at replenishing the industry's pool of qualified and experienced senior women, providing a way for them to return to corporate work after a significant break from the workforce. BTIM Australia has gained access to an exceptional calibre of senior women and interviews have commenced for internal project and permanent opportunities.

Workforce Gender Equality Agency Report

BTIM submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May 2016. The report provides a breakdown of gender composition and average pay across all levels of BTIM (Australia) and comprehensively outlines work practices and policies which support gender diversity. The report can be accessed in the shareholder centre of the BTIM website.

3.5.3 D&I industry memberships

To keep abreast of leading edge D&I research, insights and thought leadership and to gain access to industry networking forums and best practice online D&I tools and resources, BTIM continued its memberships with the Women in Banking & Finance Group, the Diversity Council of Australia and the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA). These memberships complement the D&I policies, practices and processes by continuing to support the specific needs of our workforce.

3.6 Flexible work arrangements

This Financial Year, the Group continued to offer policies and practices that are designed to support flexible work arrangements, promote diversity and foster work-life balance, whatever the employee's stage of life. Policies and practices in use across the Group include:

- working from home
- part-time work
- compressed working hours
- purchased leave (of up to four weeks per year)
- paid parental leave (over and above legislative entitlements)
- superannuation during unpaid parental leave
- timeout and career breaks and job sharing.

3.7 Employee benefits

BTIM continued to provide a number of benefits that not only promote diversity, but contribute to the engagement, development, wellbeing and health of our employees. These benefits include:

- paid contribution leave at BTIM (Australia)
- salary continuance insurance
- employee excellence recognition awards
- service recognition awards
- study assistance
- study leave
- professional membership fees support
- Employee Assistance Program and
- health assessments.

4. Culture and ethics

As an investment manager, earning and maintaining the long term trust of our clients is critical to the Group's success.

The Group's culture encourages individual employees to act with integrity and honesty and to value the interests of our clients as our first priority.

Corporate Sustainability & Responsibility continued

4.1 Code of Conduct

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

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

4.2 Other policies relevant to culture and conduct

The Group has a suite of policies in place that seek to promote a positive culture and to provide guidance for employees. These policies include:

- Misconduct & Disciplinary Action Policy
- Grievance Handling Policy
- Discrimination & Harassment Policy
- Anti-Bullying Policy
- Conflicts of Interest Policy
- Gifts & Hospitality Policy
- Personal Account Trading Policy
- Managing Fraud & Corruption Policy, and
- Whistleblower Protection Policy.

4.3 Anti-money laundering and counter terrorism financing

The Group has adopted Anti-Money Laundering & Counter Terrorism Financing (AMLCTF) Policies and Procedures and various Standards that meet with requirements of the relevant AMLCTF legislation. The Group is committed to preventing its financial products being used as a vehicle for money laundering, financing terrorism, tax avoidance or other criminal activity.

4.4 Work Health & Safety

The Group is committed to providing a safe and healthy work environment, free from work-related injuries and illnesses for all people who work in and visit our premises. The Group fulfils its responsibility by:

- eliminating or minimising health and safety risks
- monitoring measureable objectives and targets to continuously improve health and safety performance
- providing consultation where appropriate and when there is an impact on work health and safety
- providing information, instruction, training and resources to ensure people can do their job safely
- receiving and responding to health and safety incidents, hazards and near misses, and
- complying with health and safety regulation and legislation.

4.4.1 Work Health & Safety strategy

The Work, Health & Safety (WHS) Strategy at BTIM (Australia) was reviewed and revised during the 2016 Financial Year. The overarching objectives of the WHS Strategy that BTIM Australia will pursue from the 2017 Financial Year through to the 2020 Financial Year are to:

- ensure the health, safety and wellbeing of employees
- develop WHS leadership and capabilities
- embed a WHS Management System (WHSMS) that supports robust risk prevention, identification, elimination and minimisation, and
- maintain compliance with WHS legislation.

4.4.2 Work Health & Safety initiatives

- During the 2016 Financial Year, BTIM (Australia) undertook a comprehensive review of our WHSMS following the Westpac sell-down. The review focused on operational and legal compliance including all WHS policies, processes, templates, registers and training against the WHS Act 2011, WHS Regulations 2011 and Australian Standards 4801:2001 Occupational Health & Safety Management Systems.
- Quarterly wellbeing events took place within the Australian and UK businesses. Employees had the opportunity to participate in on-site circuit classes, yoga classes, flu vaccinations, massage, health checks and vision acuity assessments. Skin checks were also offered to Australian employees for the first time and achieved the highest participation rate of all the wellbeing events.
- Regular updates continue to be provided to the Board and Executive Teams of BTIM (Australia) regarding key WHS information that enable BTIM Officers to meet their WHS due diligence obligations.

4.5 Human capital management risks

Further information relating to the Group's human capital management and people risks are set out in BTIM's 2016 Corporate Governance Statement.

2016 Financial Report

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

The Directors present their report and the annual financial report for the BTIM Group for the 2016 Financial Year.

The Directors of the Company during the 2016 Financial Year and up to the date of this report were:

DIRECTOR	DATE OF APPOINTMENT	PERIOD
James Evans	Appointed to the Board on 2 June 2010. Appointed Chairman on 6 December 2013	Full year
Emilio Gonzalez	Appointed Managing Director & CEO on 22 January 2010	Full year
Meredith Brooks	1 April 2013	Full year
Brad Cooper	29 April 2010	Part year. Retired on 1 March 2016.
Andrew Fay	1 October 2011	Full year
Deborah Page AM	7 April 2014	Full year
Les Vance	1 March 2016	Part year. Appointed on 1 March 2016.



James Evans
BEC, CPA, F Fin, FAICD

Independent Non-executive Chairman

Board Committees: Member, Audit & Risk Management Committee

James Evans has over 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 currently the Chairman of Suncorp Portfolio Services Limited and a non-executive director of the Equigroup companies, Investa Wholesale Funds Management Limited and ICPF Holdings Limited. James previously served as a Director of Hastings Funds Management Limited (2009 - May 2016) and Australian Infrastructure Fund Limited (2010-2013).

James is also the Chairman of JOHCMH.

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



Emilio Gonzalez
BCom (Ec), CFA

Group CEO & Managing Director

Board Committees: Nil

Emilio Gonzalez is the Group's Managing Director & Chief Executive Officer and chairs the BTIM Group's Global Executive Committee which was established on 1 May 2016.

Prior to joining BTIM, 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 a Director and Chairman of BTIMFS and BTIMI and a Director of BTIM UK Limited, JOHCMH and JOHCM (USA) Inc. Emilio is also a Director of The Banking and Finance Oath Limited.

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



Meredith Brooks
BA, FIAA

Independent Non-executive Director

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 Russell Investment Group, based in New York between 2000 and 2004. From 1991 to 1996, she held a number of other senior positions at Russell Investment Group, including Managing Director, Australasia and Director, European Funds, in London.

Meredith is currently a Non-executive Director of JOHCMH, General Reinsurance Australia Limited and General Reinsurance Life Australia Limited, the Chair of Critical Path Inc and a council member of Glaucoma Australia.

Meredith has previously been a non-executive director of Perpetual Limited (2004 to 2011), the Chair of Balmain Investment Management Limited (2012-2015) and a member of the Industry Advisory Board for the Faculty of Business and Economics at Macquarie University (2009-2016).

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



Andrew Fay

BAGec (Hons), A Fin

Independent Non-executive Director

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 is currently a non-executive director of J O Hambro Capital Management Holdings Limited, Gateway Lifestyle Operations Limited, Spark Infrastructure RE Limited, South Australia Power Networks and Victoria Power Networks Pty Limited.

Andrew has previously served as the Chairman of Deutsche Asset Management (Australia) Limited, Deutsche Managed Investments Limited and Tasman Lifestyle Continuum Limited.

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



Deborah Page AM

BEC, FCA, FAICD

Independent Non-executive Director

Board Committees: Member of the Audit & Risk Management Committee and the Remuneration & Nominations Committee

Deborah has over 35 years' experience as a Chartered Accountant, finance executive and company director across a range of industries, including financial services. Deborah has held senior executive roles with the Commonwealth Bank, Allen Allen & Hemsley and the Lend Lease Group. Prior to undertaking those roles she was a Partner at KPMG Peat Marwick/Touche Ross.

Deborah is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited, Brickworks Limited, Service Stream Limited and GBST Holdings Limited. She was Chairman of Investa Office Fund from 2011 to 2016 and was a Non-executive Director of Australian Renewable Fuels Limited until October 2015.

Directorships of other listed entities over the past three years:

Australian Renewable Fuels Limited (2012–2015) and Chairman, Investa Office Fund (2011–2016)



Les Vance

BCom, LLB

Non-executive Director

Board Committees: Member of the Remuneration & Nominations Committee

Les Vance is the Chief Risk Officer of the BT Financial Group, having been appointed to this role in March 2015. Les joined the Westpac Group in 2008 and has held a number of senior roles at Westpac including Group General Manager, Core Transformation; Chief Operating Officer, Technology; General Manager, Investments & Business Partnering and General Manager, Counsel & Secretariat.

Prior to joining Westpac, Les Vance was Group Executive for External Funds at Investa Property Group and the Chief Executive for Gaming at TAB Limited.

Les is currently a director of J O Hambro Capital Management Holdings Limited, he is also a director of Ascalon Capital Managers Limited and a number of subsidiaries of Westpac. He has previously been a director of Westpac Funds Management Limited, Hastings Funds Management Limited and Investa Funds Management Limited.

Les is a Director of the Royal Hospital for Women Foundation Limited.

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

Company Secretary

Chris Millard

LLM, DipLaw (SAB), GradDipAppCorpGov, FCIS, FCSA

Chris Millard is the Company Secretary of BT Investment Management Limited. Chris was appointed Company Secretary & Legal Counsel in January 2008, having previously held the role of Head of Secretariat with the BT Financial Group.

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

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2016 Financial Year and the number of meetings attended by each Director during that year are set out in the following table:

DIRECTOR	BOARD		AUDIT & RISK MANAGEMENT COMMITTEE			REMUNERATION & NOMINATIONS COMMITTEE		
	A	B	A	B	C	A	B	C
James Evans	10	10	4	4	-	-	-	4
Emilio Gonzalez	10	10	-	-	4	-	-	6
Meredith Brooks	10	10	-	-	-	6	6	-
Brad Cooper	5	5	-	-	-	2	2	-
Andrew Fay	10	10	4	4	-	-	-	4
Deborah Page AM	10	10	4	4	-	6	6	-
Les Vance	5	5	-	-	1	4	3	-

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 not a member of the relevant Committee.

Global Executive Committee

On 1 May 2016, the BTIM Group established a Global Executive Committee. The current members of the Global Executive Committee are:

NAME OF GROUP EXECUTIVE	POSITION	JOINED THE BTIM GROUP	APPOINTED TO CURRENT POSITION
Emilio Gonzalez	Group Chief Executive Officer	2010	2010
Michael Bargholz	Chief Executive Officer, BTIM (Australia)	2016	2016
Ken Lambden	Chief Executive Officer, JOHCM Group	2016	2016
Gavin Rochussen ¹	Group Executive, International	2011	2016
Cameron Williamson	Group Chief Financial Officer	2008	2010

¹Gavin Rochussen joined JOHCM as Chief Executive, JOHCM Group in November 2008.

Details of the qualifications, experience and responsibilities of the members of the Global Executive Committee are set out below:



Emilio Gonzalez

BCom (Ec), CFA
Group Chief Executive Officer

Refer to Directors' biographies.



Michael Bargholz

BEC (Hons), CFA
Chief Executive Officer, BTIM (Australia)

Michael Bargholz was appointed Chief Executive Officer, BTIM (Australia) with effect from 26 October 2016.

Michael has more than 25 years' experience in financial markets. Prior to joining BTIM, Michael was the Managing Director Australia for Fidelity International and has previously served as Chief Executive Officer and Managing Director Australia for AllianceBernstein and Managing Director for AXA Investment Management, New Zealand.

Michael was an Investment Strategist and Chief Economist at AXA Australia and commenced his career at the Australian Treasury as an Economist.



Ken Lambden

BCom, CFA
Chief Executive Officer, JOHCM Group

Ken Lambden was appointed the Chief Executive Officer, J O Hambro Capital Management with effect from 3 October 2016.

Ken has over 30 years' investment experience across a number of asset management businesses in Australia and the UK. Since 2014, Ken was the Chief Investment Officer of Baring Asset Management. Previously, Ken was the Global Head of Equities at Schroders for 10 years.

While in Australia, Ken was Chief Executive Officer and Chief Investment Officer of Schroder Investment Management Australia, having initially commenced with Schroders as Head of Australian Equities.

Directors' Report continued



Gavin Rochussen

BCom, BAcc, Chartered Accountant (SA)
Group Executive, International

Gavin Rochussen joined J O Hambro Capital Management (JOHCM) in November 2008 as Chief Executive Officer. He was appointed a member of the BTIM Group's Global Executive Committee on its establishment on 1 May 2016.

On 3 October 2016, Gavin was appointed to the newly created role of BTIM Group Executive, International to drive the Group's growth strategy in international markets.

Gavin has 30 years' commercial experience including 17 years in the financial services industry and the establishment and operation of a professional services practice in South Africa, in his earlier career.

Gavin is a director of BTIM UK Limited, 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, a pre-eminent European Multi Family Office. Before joining Flemings, Gavin was Chief Financial Officer of a quoted group of companies operating in Africa and Europe.



Cameron Williamson

BAcc, CA
Group Chief Financial Officer

Cameron Williamson was appointed as the Group's Chief Financial Officer in February 2010, having joined BTIM in 2008. He was appointed to the Global Executive Committee, as Group Chief Financial Officer, on 1 May 2016.

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

Cameron is a director of BTIMFS, BTIMI, 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.

Management Team of BTIM Group

Prior to the establishment of the Global Executive Committee, the following persons were members of the Senior management team of BTIM Group:

NAME OF GROUP EXECUTIVE	POSITION	JOINED THE BTIM GROUP	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 Group	2011	2016
Cameron Williamson	Chief Financial Officer	2008	2010
Brian Wright	Head of Corporate Development	2009	2012

¹ Gavin Rochussen joined JOHCM as Chief Executive, JOHCM Group in November 2008.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Principal activities

The principal activity of the BTIM Group during the 2016 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 2016.

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, Group CEO's Report and Operating Review on pages 2 to 15 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 Limited (JOHCM) effective 1 October 2011. These two segments comprise the investment management business in Australia (BTIM Australia) and outside of Australia (BTIM International). The statutory net profit after tax (NPAT)¹ of the BTIM Group for the 2016 Financial Year was \$142,025,538 (2015: \$126,417,956).

The BTIM Group's cash net profit after tax (Cash NPAT)¹ for the 2016 Financial Year was \$156,049,624 (2015: \$132,455,886). The 18% increase on the prior year is predominantly driven by higher funds under management (FUM), an increase in fee margins and increased performance fee revenue.

Reconciliation of statutory NPAT to Cash NPAT	2016 \$'000	2015 \$'000
Statutory NPAT	142,026	126,418
Add back: amortisation of employee equity grants	58,125	41,336
Deduct: cash cost of ongoing equity grants	(49,305)	(45,521)
Add back: amortisation and impairment of intangibles ²	9,891	8,383
Add back/(deduct): tax effect	(4,687)	1,840
Cash NPAT	156,050	132,456

Funds under management at 30 September 2016 was \$84.0 billion, an increase of 7% from the FUM of \$78.4 billion at 30 September 2015. The movement for the full year ended 30 September 2016 has been driven by positive market and investment performance of \$10.8 billion, net inflows of \$4.4 billion offset by a stronger Australian dollar relative to the British pound and US dollar which had the effect of reducing FUM by \$9.6 billion.

Dividends

The Directors have resolved to pay a final dividend of 24.0 cents (35% franked³) per share, (2015: 20.0 cents per share 40% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 30 September 2016 is \$73.1 million (2015: \$63.0 million). The Company paid an interim dividend and dividend-linked coupon of 18.0 cents per share (\$53.1 million) on 1 July 2016.

Equity dividends on ordinary shares	2016 \$'000	2015 \$'000
(a) Dividends declared and paid during the Financial Year		
Final 40% franked ³ dividend for the 2015 Financial Year: 20.0 cents per share (2014 Financial Year: 19.0 cents per share 35% franked)	57,206	52,891
Interim 40% franked ³ dividend for the 2016 Financial Year: 18.0 cents per share (2015 Financial Year: 17.0 cents per share 40% franked)	52,521	47,159
	109,727	100,050

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 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

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	2016 \$'000	2015 \$'000
Equity dividends on ordinary shares		
(b) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2016 Financial Year 24.0 cents (35% franked ¹) per share (2015 Financial Year: 20.0 cents per share 40% franked)	73,140	58,513

	2016 \$'000	2015 \$'000
Dividend-linked coupons on converting notes		
(a) Coupons paid during the Financial Year		
Final 40% franked ¹ coupon for the 2015 Financial Year: 20.0 cents per converting note (2014 Financial Year: 19.0 cents per converting note (35% franked ¹))	627	1,718
Interim 40% franked ¹ coupon for the 2016 Financial Year: 18.0 cents per converting note (2015 Financial Year: 17.0 cents per converting note (40% franked ¹))	564	1,537
	1,191	3,255
(b) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2016 Financial Year: Nil converting notes (2015 Financial Year: 20.0 cents per converting note (40% franked ¹))	–	1,806

Significant changes in the state of affairs

There have been no other significant changes in the state of affairs of the BTIM Group during the 2016 Financial Year.

Matters subsequent to the end of the financial year

A final dividend of 24.0 cents (35% franked¹) per share on ordinary shares is to be paid on all ordinary shares at the record date.

BT Investment Management Limited entered into a new \$25 million multi-currency debt facility with Westpac on 2 November 2016 for a three year term. The facility remains undrawn at the date of this report.

There are no other matters or circumstance which are not otherwise reflected in this Financial Report that have arisen subsequent to the balance date, which have 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.

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, Group CEO's Report and Operating Review on pages 2 to 15 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 2001, 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.

¹ 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 – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

INTRODUCTION TO THE 2016 REMUNERATION REPORT

The Directors present the Remuneration Report for the year ended 30 September 2016. 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 includes remuneration information for the Company's Key Management Personnel (KMP) and insights into how Fund Managers, Sales teams and other Corporate employees are rewarded.

Key Management Personnel

Key Management Personnel (KMP) are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the BTIM Group.

From 1 October 2015 to 30 April 2016, the KMP for the BTIM Group were the Non-executive Directors of BTIM, the Chief Executive Officer and other Senior Executives, as set out below.

Earlier this year, the BTIM Group established a Global Executive Committee with Emilio Gonzalez, Group Chief Executive Officer (CEO), appointing Gavin Rochussen to Group Executive, International, appointing Cameron Williamson to Group Chief Financial Officer and commencing the recruitment of CEOs for the BTIM Australia and JOHCM Group businesses and a Group Chief Risk Officer. The establishment of this Committee represents a significant change to the organisational structure within the Group. Accordingly, the KMP for the BTIM Group from 1 May 2016 to 30 September 2016, were the Non-executive Directors of BTIM and the members of the Global Executive Committee.

Non-executive Directors during the 2016 Financial Year

Name	Position	Term as KMP
James Evans	Chairman	Full year
Meredith Brooks	Director	Full year
Andrew Fay	Director	Full year
Deborah Page	Director	Full year
Les Vance	Director	Part year. Appointed on 1 March 2016
Brad Cooper	Director	Part year. Resigned on 1 March 2016

CEO and other Senior Executives – KMP from 1 October 2015 to 30 April 2016

Name	Position	Term as KMP
Emilio Gonzalez	Chief Executive Officer	1 October 2015 – 30 April 2016
Gavin Rochussen	Chief Executive, JOHCM Group	1 October 2015 – 30 April 2016
Cameron Williamson	Chief Financial Officer	1 October 2015 – 30 April 2016
Geraldine Bouquet	Head of Human Resources	1 October 2015 – 30 April 2016
Chris Clayton	Head of Sales & Marketing	1 October 2015 – 30 April 2016
Jennifer Davies	Chief Risk Officer	1 October 2015 – 30 April 2016
Hayden King	Chief Operating Officer	1 October 2015 – 30 April 2016

Global Executive Committee – KMP from 1 May 2016 to 30 September 2016

Name	Position	Term as KMP
Emilio Gonzalez ¹	Group Chief Executive Officer	1 May 2016 - 30 September 2016
Gavin Rochussen ²	Chief Executive, JOHCM Group	1 May 2016 - 30 September 2016
Cameron Williamson	Group Chief Financial Officer	1 May 2016 - 30 September 2016

Notes:

1 Emilio Gonzalez continued to fulfil the responsibilities of the CEO, BTIM Australia role whilst recruitment for this role was being carried out.

2 Gavin Rochussen continued to fulfil the responsibilities of the CEO, JOHCM Group role whilst recruitment for this role was being carried out. His appointment to Group Executive, International role took effect on 3 October 2016.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

KMP Appointments made after 30 September 2016

Since 1 October 2016 the following KMP have commenced with the Group:

- Ken Lambden, Chief Executive Officer, JOHCM Group commenced on 3 October 2016.
- Michael Bargholz, Chief Executive Officer, BTIM Australia commenced on 26 October 2016

Michael Bargholz and Ken Lambden have each been appointed as members of the Global Executive Committee and Gavin Rochussen will continue as a member of the Global Executive Committee in his new role.

Auditing of the Remuneration Report

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*.

REPORT STRUCTURE

The Remuneration Report is structured in the following sections:

Section	Page
A message from the Chairman of the Remuneration & Nominations Committee	49
Employee Remuneration Structure and Policy (including the CEO and other Senior Executives)	50
BTIM Group's Business Model and Approach to Remuneration	50
Corporate Employee Remuneration including the CEO and other Senior Executives	
CEO's Remuneration Structure	
Fund Manager Remuneration	
Sales Remuneration	
Link between Remuneration Outcomes and Group Performance	55
Details of Equity Based Remuneration	58
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CEO and other Senior Executive Remuneration in the 2016 Financial Year	63
CEO and other Senior Executive Employment Agreements	71
Non-executive Director Remuneration and Employment Agreements	72
Director and Senior Executive holdings	75

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

A MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION & NOMINATIONS COMMITTEE

Our business model relies on attracting, retaining and equitably rewarding a uniquely talented team of fund managers and finance industry professionals. Our remuneration policies are designed to strike a balance between rewarding the talent at the core of our value proposition, safeguarding the interests of our clients and delivering sustainable returns to shareholders. All of our employees, business leaders, fund managers and support staff, are prospective or current shareholders. To provide shareholders with insights into our remuneration approach, the disclosures in this Remuneration Report extend beyond minimum legislated requirements. This Remuneration Report outlines our reward approach for key employee groups (i.e. Fund Managers and Sales roles) in addition to the required KMP disclosures.

BTIM Group continues to thrive across the globe, with operations spanning multiple jurisdictions including the UK, Europe, Singapore, the US and Australia. In addition to ensuring our remuneration frameworks support our business strategy and drive shareholder value creation, we continue to review our approach to remuneration to ensure compliance with evolving regulations market practice, and investor expectations. In particular, the employment conditions for our UK and European employees are likely to be directly affected by "Brexit" consequences and implementation of new EU regulations.

To ensure our remuneration structures continue to support our business objectives, in the 2016 Financial Year, we:

- Completed the review of the CEO's remuneration arrangements, which commenced in the 2015 Financial Year;
- Approved conversions under the Fund Linked Equity Scheme;
- Approved the conversion of the 2012 performance share rights applicable to the Group CEO and other Senior Executives in October 2015;
- Evaluated the consequences of the introduction of the UK regulation UCITS V Directive for the Group and are well advanced in identifying various policy adjustments needed to comply; and
- Commenced a review of the NED fee structure following the implementation of the Group structure and subsequent review of both the BTIM and JOHCM Board and Committee structure and NED participation.

We will continue to review and refine our remuneration arrangements to ensure they continue to deliver on our goals, accounting for the ever-changing business environment, legislative reform and to reflect your feedback.



Meredith Brooks

Chair of the Remuneration & Nominations Committee

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

EMPLOYEE REMUNERATION STRUCTURE AND POLICY

Our remuneration principles are consistent across the Group and reward is delivered through a mix of fixed and variable remuneration. All investment teams and Corporate roles receive a portion of their variable pay in BTT equity to align to shareholder interests.

Fixed remuneration

Fixed remuneration consists of base compensation (including any fringe benefits and associated taxes) and employer contributions to superannuation (in the case of BTIM Australia) or pensions (and other legislated payments in other countries). Fixed remuneration is reviewed annually and determined with reference to competitor market data, internal relativities, independent advice and consideration of role size, accountabilities and the skills and experience of the incumbent. The Group does not provide any contractual increases to fixed remuneration.

Variable remuneration

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

Variable remuneration may take the form of a Short Term Incentive (STI) and/or a 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.

Further details around variable remuneration structures for Fund Managers, Sales and Corporate roles are discussed in subsequent sections.

BTIM GROUP'S BUSINESS MODEL AND APPROACH TO REMUNERATION

To support our business model and provide rewards that deliver return on investment for the Group and its shareholders, our remuneration approach provides distinct reward structures by employee group (i.e. Fund Managers, Sales and Corporate roles including the CEO and other Senior Executives). Our business management and support functions are delivered centrally by Corporate employees while investment professionals focus exclusively on asset and funds management.

The BTIM Group's remuneration arrangements are designed to encourage the CEO and other Senior Executives to take a long-term approach to decision-making and prudent risk taking and minimise activities that focus only on short-term results. The Remuneration & Nominations Committee has considered the ways in which risk management and the long-term horizon are reflected throughout the BTIM Group's remuneration arrangement for the CEO and other Senior Executives, and is satisfied that the approach reinforces the desired behaviours. This is largely achieved through the Group's approach to STI and LTI awards, which comprise a significant portion of total remuneration. The equity component of any STI award is deferred for a five-year period, and LTI performance under the Performance Reward Scheme (PRS) is measured over three-year periods (i.e. where test dates are due to take place between 2016 to 2018 for current allocations). The actual rewards received by the CEO and other Senior Executives therefore reflect the Group's performance and share price over an extended period.

Target remuneration mix

To align remuneration with BTIM Group's strategic objectives, a substantial portion of remuneration for the CEO and other Senior Executives, Fund Managers and Sales roles are 'at-risk' (i.e. variable reward represents a greater proportion of total remuneration).

Corporate Employee Remuneration including Senior Executives

Our Corporate employees consist of Senior Executives and individuals who work in the Finance and Tax, Investment Products, Human Resources, Operations, Information Technology, Marketing, Product Management, Client Services, Legal and Risk & Compliance areas of the Group's business.

All Corporate employees are provided market competitive fixed remuneration packages which are set at the beginning of each year. Corporate employees are also eligible to receive variable remuneration in the form of STI and /or LTI.

Short-term incentive scheme

The STI is funded through a variable reward pool dependent on the performance of each business.

Target STI is determined at the start of the financial year, with regard to market data, considering the seniority, complexity and accountabilities of the role. The performance of each employee is reviewed against predetermined Key Performance Indicators (KPIs), set at the beginning of the year and aligned to the annual business goals. The CEO outlines financial and non-financial priorities and KPIs for each Senior Executive.

Financial performance considers profitability, expense management and sales performance. Non-financial performance considers business strategy, people management, quality and delivery of project work, client satisfaction, support to the boutiques, ability to resolve issues and risk management.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

STI payment outcomes are capped at 200% of target, for significant outperformance against KPIs, and for Senior Executives STI outcomes also directly reflect the year's Cash NPAT. Subject to the quantum of the awarded STI, Corporate employees may be required to defer a proportion of their STI payment into equity, vesting over five years.

Long-term incentive scheme

Permanent Corporate employees (including the CEO and other Senior Executives) with a minimum of 12 months service (and who commenced employment prior to 1 October of that year) may receive an invitation to participate in an LTI scheme - the Performance Reward Scheme (PRS). The PRS is aimed at creating alignment between employees and shareholders through a culture of business ownership.

Eligible participants are granted performance share rights that may vest at the end of a three year performance period, subject to achievement against performance conditions and the participant remaining employed by the Group. Unvested performance share rights do not attract any dividend or voting rights. However, participants are provided a dividend-equivalent payment at the end of the performance period for the applicable proportion of performance share rights that ultimately vest.

Performance conditions are tailored for employee groups and are either linked to Cash Earnings Per Share (Cash EPS), Total Shareholder Return (TSR), or to revenue or cash operating profit targets. At the end of the performance period and on satisfying the relevant performance conditions, performance share rights vest and convert into ordinary BTT shares.

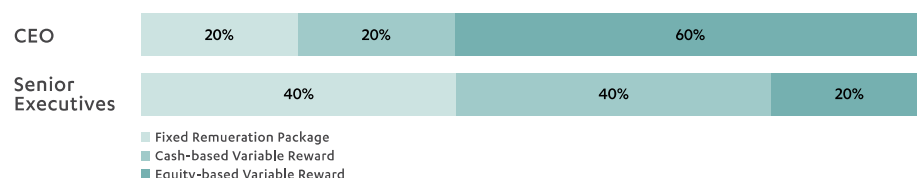
Target remuneration mix

For the Global Executive Committee remuneration, the Remuneration & Nominations Committee sets an on-target remuneration mix to be competitive, thereby attracting and retaining the calibre of executives required to drive the Company's strategic outcomes. Specifically, our approach to target remuneration mix considers the demands and responsibilities of each role and references any applicable market data.

Chart 1 below outlines target remuneration mix. Actual variable remuneration outcomes will depend on achievement against performance measures of both short and long term incentives. The cash portion of STI awards are paid to members of the Global Executive Committee in December.

Details of the remuneration components for the 2016 Financial Year for the Global Executive Committee are included in Table 7a (i) and 7a (ii).

Chart 1: Global Executive Committee – target remuneration mix



CEO Remuneration Structure

In the 2016 Financial Year the Board completed the review of the CEO's remuneration structure and total package, looking at comparisons with peers in both the Australian and UK markets as well as alignment with corporate strategy, culture and shareholder value creation. The review noted that, while the fixed remuneration component was well below market, the combination of fixed and Target STI was broadly in line with market but without meaningful potential reward for outperformance. Consequently, the STI formula was adjusted to include a range with a maximum payout for performance that exceeds expectations. The actual outcome will reflect the Board's assessment against a clearly specified set of performance indicators based on the Corporate strategic goals agreed in advance. These performance indicators focus on initiatives creating sustainable shareholder value, not chasing short term profitability, and the Board thoroughly evaluates multiple factors to form judgement. Nonetheless, the award is scaled according to the actual profit outcome. The CEO's LTI (and the component of STI deferred into equity) provides a direct link to medium to longer term earnings and shareholder value creation.

The analysis also confirmed that the LTI effectively aligned reward with shareholder returns over the medium term and that it remains appropriate to keep the performance conditions consistent with those used in the LTI scheme which covers other Corporate employees. The Board will again review the CEO's remuneration structure in the 2017 Financial Year once the Global Executive Committee is fully operational. Table 1 outlines the CEO's remuneration structure for the 2016 Financial Year.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Table 1: CEO remuneration structure

Remuneration component	Description
Fixed remuneration	Consists of base salary (and includes any fringe benefits and applicable taxes) as well as employer contributions to superannuation.
Target STI	The CEO's target STI opportunity is determined annually by the Board with reference to external market benchmarking. The CEO's target STI for the 2016 Financial Year was \$1.4m up to a maximum of \$2m for performance that exceeds aggregate Key Performance Indicators. The Board has the discretion to vary the CEO's awarded STI outcome (up or down) with consideration to the Group's financial performance and the CEO's overall performance. The CEO's awarded STI outcome is approved annually by the Board. Fifty percent of the awarded STI is delivered as cash, with the remaining 50% deferred into restricted shares that vest over five years.
LTI grant	The CEO is granted performance share rights to BTT shares for no consideration. The CEO's LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. The award is subject to two equally weighted hurdles, measured over three years: 50% subject to relative TSR performance, and 50% subject to Cash EPS growth.

TSR performance hurdle

The TSR portion of awards vests as follows, subject to relative performance against the constituents of the S&P/ASX 200 Accumulation Index.

TSR performance	Percentage of TSR-tested award to vest
Below weighted median	Nil
At weighted median	50%
Between the weighted median and top quartile	Straight line between 50% and 100%
At or above top quartile	100%

Cash 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%

Unvested performance share rights do not carry any dividend or voting rights. However, dividend-equivalent payments will be made for the portion of performance share rights that ultimately vest at the end of the performance period. The payment will be cash settled and paid on or around the date of vesting.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Fund Manager Remuneration

This section describes our approach to Fund Manager remuneration to provide shareholders with further insight into our business model.

Fund Managers are provided fixed remuneration at market competitive rates, approved at the beginning of the financial year by the relevant CEO.

In Australia, variable remuneration is based on a profit-sharing approach. Our funds management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the CEO upon joining the Group. Our bespoke approach makes sure that the variable reward delivered to teams and Funds Managers reflects the value each team adds to the Group and its shareholders.

Where revenue is directly attributable to the skill and efforts of the funds management team (e.g. performance fees) this will generally attract a greater revenue share percentage. Conversely, assets which have come from the Group attract a lower revenue share.

Outside Australia, the revenue share arrangements with Fund Managers within the JOHCM Group are based on a slightly different formula and differ between more established funds and newer investment strategies. Performance fees similarly attract a greater profit share and so JOHCM Fund Manager total remuneration will vary over time, dependent on the source of funds and performance.

How Fund Managers earn equity in the business

The Group seeks to align Fund Manager remuneration with longer-term shareholder interests without compromising client outcomes. For teams managing funds in the growth phase, remuneration arrangements have a greater focus on rewarding business-building outcomes such as growth in FUM. For teams managing established funds, remuneration arrangements focus more on rewarding long-term investment performance, and thus FUM retention. Equity in the Group is only earned when the investment strategies of funds management teams have been successful in raising FUM that results in revenue generation for the business.

The Fund Manager Remuneration Schemes provide two plans depending on the lifecycle of the fund, the internal nature of the team structure and the market in which it operates. Fund Managers can participate in one of the two plans, outlined below.

Plan 1 Variable reward in BTT shares

For teams managing established funds, a portion of the variable reward is mandatorily deferred into BTT shares and vests over five years. The deferred shares are not subject to any additional performance conditions, beyond continued employment. Participants receive dividends and voting rights from the time of grant.

Plan 2 – Fund Linked Equity (FLE) Scheme

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.

The FLE Scheme has been a successful part of the JOHCM Group business model in attracting investment talent to the firm. Fund Managers of FLE participating 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 BTT 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, prior to JOHCM joining the BTIM Group. The FLE Scheme runs for seven years from product launch and participating 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 (EPS) neutral provided FUM is maintained. In a scenario where FUM declines post issuance of the grant, the Cash EPS outcome may be adversely affected. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. As the BTT equity is considered to have been earned, it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

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Table 2 below summarises the operation of the FLE scheme and how it interacts with Fund Manager remuneration and key Group metrics.

Table 2: Operation of Fund Linked Equity Scheme

	Year 0 through to Year 3	Year 3 through to 7
Funds Under Management	FUM growth over time.	Revenue from FUM raised in the investment strategy is used as the basis to determine rights to BTT equity (i.e. through the conversion ratio).
Profit Share	Fund Managers remunerated through a profit-share arrangement, based on a pre-determined percentage.	On election by Fund Managers, a proportion of profit share can be taken in the form of BTT equity (with vesting restrictions over a period of four or five years). Conversion into BTT equity reduces the Fund Manager's profit share percentage and is designed to be broadly Cash EPS neutral.
Equity	No BTT equity granted during the period as the profit share is delivered in cash.	Equity awarded on FLE conversion approximates the market value for the FLE based on revenue generated by the fund (and other market factors). The award of equity results in the decrease in revenue share percentage for the Fund Manager and the Group retains a higher proportion of the fund's revenue. Note that restricted BTT shares issued on conversion vest equally over a period of 4 or 5 years.
Cash Earnings Per Share	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.

Participation in the FLE

In the 2015 Financial Year the FLE Scheme was extended to several investment teams who previously had rights to participate in the FLE Scheme.

During the 2016 Financial Year 8,525,752 BTT shares were issued to satisfy the partial conversion of the FLE applicable to two participating investment teams.

Post the 2016 conversion, investment strategies participating in the FLE Scheme represents FUM of \$8.06 billion as at 30 September 2016. These investment strategies have been supporting the strong growth in the business. Based on the FUM at 30 September 2016, the value of BTT equity that would be granted to participants in the FLE Scheme is approximately \$66.7m over future years. The value of BTT equity to be granted under the FLE Scheme 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 \$66.7m in BTT equity, this would equate to 7.6m newly issued shares based on a theoretical BTT share price of \$8.76 in accordance with the FLE Scheme rules. The 7.6m shares would increase the fully diluted share count by 5.2%.

Following the partial conversion of FLE rights that took effect on 31 December 2015 and 30 April 2016, the remaining FLE rights are due to convert on 31 December 2016 and 30 April 2017. As at 30 September 2016, this represents 4.3m issued shares. The exact number of shares to be issued will not be known until after the effective dates of 31 December 2016 and 30 April 2017 and will be subject to a number of variables until that time including market movements, fund flows, currency movements and the BTT share price.

Assuming other remaining FLE rights are converted into BTT equity at the end of year 7, the estimated number of BTT shares to be issued over the coming years is outlined in Table 3 below.

Table 3: Investment Strategies participating in the FLE scheme

Financial years	17	18	19	20-22
Estimated number of shares to be issued (m)	4.3	1.1	1.7	0.5

Notwithstanding, the share issuance under the FLE, shareholders' portion of revenue from the investment strategies increases (as Fund Manager share of revenue is reduced) such that Cash EPS should be broadly neutral, provided FUM is maintained post issuance.

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. For every \$1 billion in FUM raised under the FLE Scheme, this would equate to approximately 1.5 million newly issued shares based on the 30 September 2016 BTT share price in accordance with the FLE Scheme rules.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Sourcing of equity issued to employees

For employee incentive arrangements other than FLE, BTT equity has been delivered by either purchasing shares on market, accessing shares from employees selling post restrictions, or through the Dividend Re-investment Plan (DRP). In the case of the FLE Scheme, significant equity requirements are planned to be delivered by way of new shares. Shares issued under the FLE Scheme are designed to be broadly Cash EPS neutral as they are offset by a reduction in the revenue share that the Fund Managers earn on their investment strategies.

Benefits of our Fund Managers remuneration approach in our multi-boutique model

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).

The result for Funds Management teams is that their income each year is a direct function of the financial success of their own efforts while their longer-term wealth is driven by the success of the overall Group.

As a result of our approach, our Senior Fund Managers have a significant shareholding in the Group which produces strong alignment between the interests of Fund Managers and shareholders. Consequently, Fund Managers also have a keen interest in the Group's dividends and earnings per share performance.

By providing equity in a listed entity (i.e. BTIM), equity value can be tracked on a daily basis and value can be realised over time.

With respect to the FLE Scheme, the capitalised value is shared between Fund Managers and the Group when the FLE is converted into BTT equity. Further, no equity is granted until FUM and revenue are generated.

We believe this approach cultivates a performance oriented and stable environment that aligns fund managers to the business that is desirable for our clients when determining a suitable Fund Manager.

Further, we have been careful to mitigate against an asset gathering mentality that would likely impact investment performance. Specifically:

- 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 aligned by earning performance fees on fund returns that exceed benchmarks.

Sales Remuneration

Business Development Managers within our retail and institutional sales teams are provided market competitive fixed and variable remuneration. Consistent with other employee groups, fixed remuneration is reviewed at the beginning of each financial year.

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 FUM flows generating fee 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, OEICS in Europe and mutual funds in the US) 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.

The time horizon of payments for the revenue generation scheme varies between one to three years. Typically, payment outcomes are provided over shorter time horizons to reinforce the link between revenue generation and reward.

LINK BETWEEN REMUNERATION OUTCOMES AND GROUP PERFORMANCE

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 funds 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, the proportion as a percentage of profits attributed to Shareholders and employees is outlined in Chart 2 below.

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Chart 2: Actual Share of profits (pre-tax pre-variable reward)



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.

Remuneration outcomes and company performance is linked primarily via the contracted revenue scheme for the fund managers and the variable reward schemes for Corporate employees including the CEO and other 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 2016 Financial Year remuneration was impacted by FLE conversions that occurred during the year and an increase in performance fees.

Chart 3: VR Outcomes compared to Company performance over the last five years



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Vesting of LTI grants

The 2013 Financial Year LTI grant to the CEO representing 228,618 shares on conversion (based on a face value of \$1 million and share price of \$4.68 at the date of grant) and grants awarded to other Senior Executives under the Performance Reward Scheme were subject to two performance hurdles, TSR and Cash EPS, and are the third grants to mature under this PRS Scheme. Charts 4a and 4b illustrate the performance of the hurdles during the three year period as follows:

1. **TSR: 50% of award.** BTIM's TSR over the three-year performance period of 160.5%² was in the top quartile of the ASX 200 comparator group and so 100% of the relative TSR portion of the award will vest.
2. **Cash EPS growth: 50% of award.** Target range of greater than 5% to 10% annual compound growth. Cash EPS over the three year performance period has been achieved at 34% pa, therefore 100% of the Cash EPS portion of the award will vest.

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

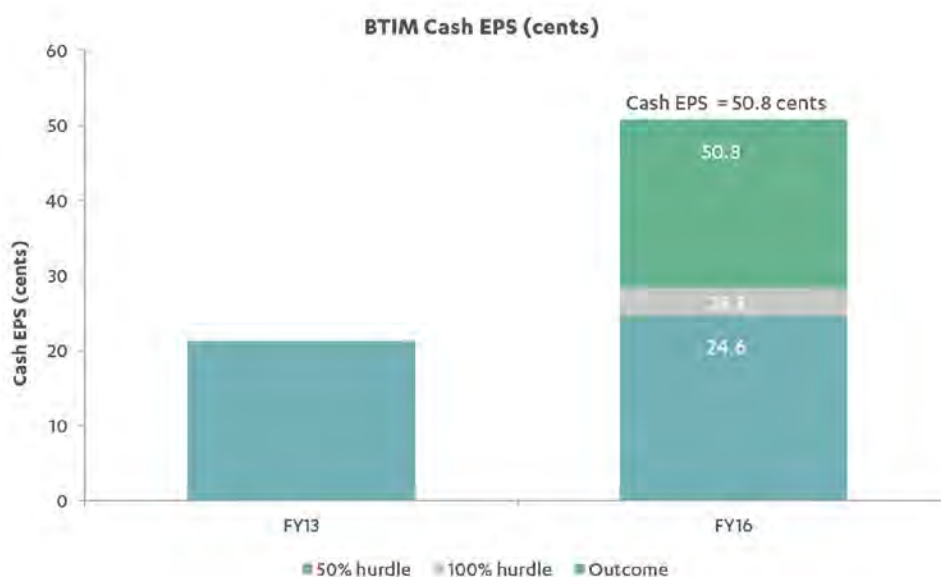
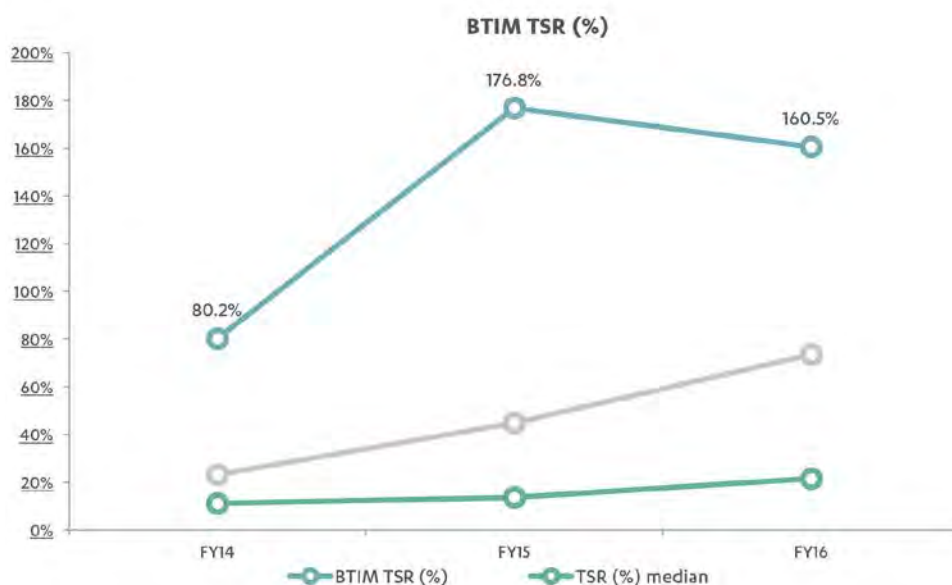


Chart 4b: Performance Reward Scheme – TSR outcomes over each three year performance period



² Source: As calculated by Orient Capital and confirmed in the TSR Report provided to the Company.

Directors' Report – Remuneration Report

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DETAILS OF EQUITY BASED REMUNERATION

Details of the various equity-based reward plans are noted in Table 4a and 4b below. As at 30 September 2016, approximately 15% of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible for managing the two employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

In accordance with Listing Rule 4.10.22, during the 2016 Financial Year, the trustees of the BTIM Employee Equity Plan and the Employee Benefit Trust (for JOHCM employees) acquired a total of 4,082,461 BTT shares at an average price of \$11.23 totalling \$45.8m. These securities were acquired to satisfy BTIM's obligations under various employee equity plans. The average price is divided by the value of the equity award an individual employee receives to determine the number of shares allocated at the grant date.

For the 2017 Financial Year BTIM estimates that its share requirements will be up to \$54.6m which will be acquired via on market purchasing and employee share sales throughout the year.

Table 4a: Equity-based employee reward schemes/plans

Variable Reward Scheme/Plan	Description	Participants
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 Group) 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.	Corporate roles including Senior Executives
Sales Incentive Plans	The Sales Incentive Plans 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, based on a percentage of net flows.	Sales roles
BTIM Australia and JOHCM Performance Reward Schemes (PRS)	The PRS was implemented in 2012 and is a broad-based LTI program which provides all eligible corporate employees with an amount of equity aimed at rewarding success. Performance conditions are tailored for employee groups and are either cash EPS, TSR, or linked to revenue or cash operating profit targets. PRS awards vest at the end of a three-year performance period. Awards granted in 2013 were tested against performance at the end of the 2016 Financial Year. Vesting outcomes for 2013 PRS awards are set out in Charts 4a and 4b. 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 PRS with the exception 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.	Corporate roles including the CEO and other Senior Executives
CEO, JOHCM LTI 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 JOHCM CEO 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 JOHCM Group CEO'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 compound annual growth in BTIM's Cash EPS and split into two equal tranches with separate growth targets and performance periods. 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.	Senior Executive

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Variable Reward Scheme/Plan	Description	Participants																								
	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 Cash EPS hurdle that vest will be determined with reference to the schedule below. Tranche A <table> <tr> <th>Annual compound growth in cash EPS</th><th>Proportion of tranche that vests (%)</th><th>Performance period for each sub-tranche – from 1 October 2013 to:</th></tr> <tr> <td>Less than 5%</td><td>0%</td><td></td></tr> <tr> <td>5% to 10%</td><td>Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td><td>Sub-tranche 1: 30 September 2016 Sub-tranche 2: 30 September 2017 Sub-tranche 3: 30 September 2018</td></tr> <tr> <td>10% or higher</td><td>100%</td><td></td></tr> </table> Tranche B <table> <tr> <th>Annual compound growth in cash EPS</th><th>Proportion of tranche that vests (%)</th><th>Performance period for each sub-tranche – from 1 October 2013 to:</th></tr> <tr> <td>Less than 16%</td><td>0%</td><td></td></tr> <tr> <td>16% to 24%</td><td>Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td><td>Sub-tranche 1: 30 September 2017 Sub-tranche 2: 30 September 2018</td></tr> <tr> <td>24% or higher</td><td>100%</td><td></td></tr> </table>	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%		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%		
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																								
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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%																									
	(2) Cumulative Net FUM Flow 40% of the performance shares are subject to a hurdle based on Cumulative Net FUM Flow into the JOHCM range of funds. 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: Tranche C <table> <tr> <th>Cumulative Net FUM Flow</th><th>Awards subject to FUM hurdle that vest (%)</th><th>Performance period for each tranche – from 1 October 2013 to:</th></tr> <tr> <td>Less than £4bn</td><td>0%</td><td>Sub-tranche 1: 30 September 2017 (with opportunity to re-test performance at 30 September 2019)</td></tr> <tr> <td>£4bn to £8bn</td><td>Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)</td><td></td></tr> <tr> <td>£8bn or higher</td><td>100%</td><td>Sub-tranche 2: 30 September 2018</td></tr> </table>	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%	Sub-tranche 1: 30 September 2017 (with opportunity to re-test performance at 30 September 2019)	£4bn to £8bn	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)		£8bn or higher	100%	Sub-tranche 2: 30 September 2018													
Cumulative Net FUM Flow	Awards subject to FUM hurdle that vest (%)	Performance period for each tranche – from 1 October 2013 to:																								
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£4bn to £8bn	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)																									
£8bn or higher	100%	Sub-tranche 2: 30 September 2018																								
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 2016 Financial Year, the Equity Strategies, Income & Fixed Interest and Global Equities 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 profit share directly attributable to the boutique.	Fund Managers																								

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Variable Reward Scheme/Plan	Description	Participants
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 including a legacy plan and the FLE. Investment professionals managing more established funds receive a variable reward opportunity as part of the profit share arrangement, with a portion of the variable reward deferred into BTT equity with a vesting period of up to five years. Investment professionals managing new funds are eligible to participate in the FLE Scheme that rewards for business building outcomes measured through FUM. Further detail on the FLE Scheme is outlined in the Fund Manager Remuneration section.	Fund Managers
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.	Fund Managers

Table 4b: Legacy equity-based employee reward schemes/plans

Variable Reward Scheme/Plan	Description
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.

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OVERSIGHT AND GOVERNANCE

The Board, through its Remuneration & Nominations 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 Remuneration Committees are responsible for the following functions and responsibilities:

- Review and make recommendation to the Board in relation to remuneration arrangement and policies for the CEO and other Senior Executive as well as Senior Executive appointments;
- Group Equity allocation approvals and approval of Group VR pools;
- Significant changes in remuneration policy and structure, including employee equity plans and benefits;
- Review and make recommendations to the Board in relation to the succession plans for the CEO and review succession plans for other Senior executives;
- Provide oversight over the Company's strategic human resource initiatives, including diversity, culture and leadership;
- Assess the collective skills required to effectively discharge the Board's duties, having regard to the Company's performance, financial position, strategic direction and performance of Directors;
- Review the composition, functions, responsibilities, size of the Board and Director tenure;
- Consider the suitability of candidates and make recommendations to the Board for the appointment of directors, director appointment criteria and succession planning;

During the 2016 Financial Year, the Board and Remuneration & Nominations Committees actioned the following significant items in relation to remuneration arrangements, as outlined in Table 5 below.

Table 5: Significant issues considered during the 2016 Financial Year

Approved conversions of various Equity schemes	Approved conversions under the FLE Scheme Approved the conversion of the 2012 performance share rights applicable to the CEO and other Senior Executives in October 2015;
Completed the review of the CEO's remuneration	The review of the CEO's remuneration was completed and outcome of the review has been disclosed on page 63 of this Report.
Approved Remuneration of incoming Senior Executives	Following the announcement of the Global Group Executive structure, the Board approved the appointment and remuneration arrangements for the Chief Executive Officer, BTIM Australia and Chief Executive Officer, JOHCM Group.
Commenced evaluation on the consequences of UCITS V Directive for the group	The introduction of the UCITS V Directive for the group is well advanced in identifying the various policy adjustments needed to comply. This work is ongoing and will be completed in the 2017 Financial Year.
Recruited UK based Director	In the 2015 Financial Year the Board identified the need for an additional Director with direct experience in the UK industry and this search has been completed.
Updated Board skills matrix	The Board skills matrix was reviewed and updated to reflect the cross section of skills across the Board.
Commenced review of NED fee structure	A review of the NED fee structure commenced and is anticipated to be completed in the 2017 Financial Year (Refer to Review of NED fee structure on page 73).

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Engagement of remuneration consultants

The Remuneration & Nominations Committee has a Charter in place that acknowledges its obligations under the *Corporations Act 2001* in respect to remuneration advice or remuneration recommendations for KMPs. This includes:

- Committee approval is required to appoint any remuneration consultant to advise in relation to KMP remuneration;
- Any advice from the remuneration consultant must be provided directly to the Chair of the Committee and not to management; and
- Dialogue between KMP to whom the advice relates and the remuneration consultant is precluded and a declaration of their independence from the KMP to whom their recommendations relate. Confirmation that the Remuneration & Nominations Committee's conditions of engagement have been observed is also required.

By observing these requirements, the Remuneration & Nominations Committee receives assurance that the remuneration advice and recommendations provided by remuneration consultants are independent from management.

Independent Board advice and services

Guerdon Associates continues to act as the Remuneration & Nominations Committee's appointed remuneration adviser.

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*.

In the 2016 Financial Year, the Committee engaged Guerdon Associates to assist with the review of the CEO remuneration structure. It should be noted that benchmarking data was provided to assist the Committee as part of this engagement.

Services provided to management and the Committee

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

- Financial Institutions Remuneration Group (FIRG)
- McLagan
- Kepler Associates
- Egan Associates

Throughout the year, BTIM received assistance from Ernst & Young (EY) with the preparation of this Remuneration Report. EY also provided management updates on legislative and regulatory developments in the financial services industry.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

CEO AND OTHER SENIOR EXECUTIVE REMUNERATION IN THE 2016 FINANCIAL YEAR

CEO Remuneration Outcomes

The CEO remuneration structure that applied in the 2016 Financial Year is in line with the remuneration structure as set out earlier in the report, and the remuneration outcomes described below have therefore been provided in accordance with the various components.

Table 6: CEO Remuneration outcomes for the 2016 Financial Year

Fixed Remuneration Package \$602,753	There was no change in the CEO's fixed remuneration package for the 2016 Financial Year following the review against external market benchmarks.																		
Short Term Incentive \$1,700,000	The 2016 Financial Year outcome of \$1,700,000 reflects the Boards assessment of the CEO's performance against the financial and non-financial measures. 2016 Financial Year performance is assessed against a balanced scorecard of measures that are aligned to BTIM's annual goals. The table below outlines the CEO's performance: <table><tr><th>Performance measure</th><th>Description</th><th>Weighting</th><th>FY16 performance</th></tr><tr><td>Financials</td><td>Cash NPAT vs Plan, prior year Net FUM flow vs Plan, market, prior year Productivity increase</td><td>20%</td><td>Exceeds</td></tr><tr><td>Global Strategy & Execution</td><td>Progress against Strategic Objectives presented to Board</td><td>60%</td><td>Exceeds</td></tr><tr><td>Risk Management, Investment & Operational Effectiveness</td><td>Competitive investment performance Compliance standards Effective talent management</td><td>20%</td><td>Meets</td></tr></table>			Performance measure	Description	Weighting	FY16 performance	Financials	Cash NPAT vs Plan, prior year Net FUM flow vs Plan, market, prior year Productivity increase	20%	Exceeds	Global Strategy & Execution	Progress against Strategic Objectives presented to Board	60%	Exceeds	Risk Management, Investment & Operational Effectiveness	Competitive investment performance Compliance standards Effective talent management	20%	Meets
Performance measure	Description	Weighting	FY16 performance																
Financials	Cash NPAT vs Plan, prior year Net FUM flow vs Plan, market, prior year Productivity increase	20%	Exceeds																
Global Strategy & Execution	Progress against Strategic Objectives presented to Board	60%	Exceeds																
Risk Management, Investment & Operational Effectiveness	Competitive investment performance Compliance standards Effective talent management	20%	Meets																
Long Term Incentive \$1,000,000	The CEO was awarded \$1 million face value equivalent of performance share rights to BTT shares for no consideration for the 2016 Financial Year. The CEO's LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. Vesting of the award is subject to two equally weighted hurdles, measured over three years: a) 50% (\$500,000) subject to relative TSR performance, and b) 50% (\$500,000) subject to Cash EPS growth. For the LTI award for which performance was measured over three years from 1 October 2013, the TSR and Cash EPS performance hurdles have been tested and have both been achieved at 100%. (Refer to Charts 4a and 4b for further details).																		

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 Remuneration & Nominations Committee who discuss and approve the remuneration package for each individual. Changes in company profitability that impact the size of the Corporate VR pool are an important determinant in Senior Executive variable reward 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 per year. The CEO reviews the performance of his Senior Executives annually with the Committee.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Details of the CEO and other Senior Executives Remuneration Outcomes

The following Section contains both statutory (in accordance with applicable accounting standards and regulations) and voluntary disclosures of awarded remuneration for KMP. The differences between Tables 7a, 7b and 7c are largely in relation to the treatment of share-based payments:

- Table 7a (i) and 7a (ii): Voluntary disclosure outlining remuneration awarded in the current financial year comprising fixed pay and the grant of share-based payments under short- and long-term equity awards. The amounts represent the actual cash cost to the Company and are charged to Cash NPAT. The number of shares granted to each KMP is determined by the amount paid by the Company and acquired by each Group Employee Equity Trust through a combination of on market and off market purchases. The benefit shown is based on the market value of shares at the date of award and, in the case of the long term equity payments assumes the satisfaction of all performance hurdles;
- Table 7b: Voluntary disclosure outlining remuneration awarded in the current financial year, comprising fixed pay and the *vested* value of share-based payments under the short- and long-term equity awards (i.e. the realised value of equity awards based on current performance; a "cash" table – this relates to 2016 Financial Year STI awards and LTI awards granted in 2013); and
- Table 7c: Mandatory disclosure of statutory remuneration including the amortised value (in accordance with AASB2) of share-based payments under the short- and long-term equity awards for the current financial year.

Table 7a (i): Voluntary disclosure of awarded remuneration for the Global Executive Committee in the 2016 and 2015 Financial Years, based on the grant value of long-term equity payments

EMPLOYMENT BENEFITS									
		SHORT TERM					LONG TERM SHARE-BASED PAYMENTS		
FY		Salary & fees \$	Super- annuation benefits \$	Total fixed remuneration ¹ \$	Cash component of VR ² \$	Non- monetary benefits ^{3&4} \$	Long term equity payments ⁷ \$	Other ⁸ \$	Total \$
Global Executive Committee									
Emilio Gonzalez ⁶	16	592,300	35,000	627,300	850,000	12,983	1,000,000	241,311	2,731,594
	15	548,139	35,000	583,139	619,182	12,502	1,000,000	196,438	2,411,261
Gavin Rochussen ⁵	16	672,384	-	672,384	954,980	15,425	-	-	1,642,789
	15	645,793	-	645,793	762,012	10,622	-	-	1,418,427
Cameron Williamson ⁶	16	403,480	30,000	433,480	220,020	-	175,000	24,131	852,631
	15	340,194	30,000	370,194	253,839	-	175,000	-	799,033
Total CEO and other Senior Executive Remuneration	16	1,668,164	65,000	1,733,164	2,025,000	28,408	1,175,000	265,442	5,227,014
	15	1,534,126	65,000	1,599,126	1,635,033	23,124	1,175,000	196,438	4,628,721

Notes to Table 7a (i):

- The difference in the Total Fixed Remuneration package for the Global Executive Committee is due to the 2016 Total Fixed Remuneration Package being based on 27 fortnightly pays compared to the 26 fortnightly pays in 2015.
- The cash component of VR represents the award for performance during the 2016 Financial Year and will be paid in December 2016. These projected amounts were determined on 23 September 2016 and 31 October 2016, after performance reviews were completed, and approved by the Board. It should be noted there may be 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 benefits for Emilio Gonzalez include salary sacrifice benefits which are accessible by all employees and may include but are 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 0.5131 for 2016 (2015:0.5110) has been applied to convert his remuneration to Australian dollars. His remuneration package consists of a fixed remuneration component of £350,000 and awards under four equity schemes; namely the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.
- Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
- All LTI awards granted to Senior Executives are subject to performance hurdles. The amounts shown in Table 7a (i) represent the face value of the grants at time of issue. Actual outcomes may differ materially from the values shown, depending on the extent to which the relevant performance hurdles are met and the BTT share price at the time of vesting.
- The Other payment for Emilio Gonzalez and Cameron Williamson represents the dividend equivalent payment made in relation to the 2012 and 2013 performance share rights that vested in October 2015 and 2016.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Table 7a (ii): Voluntary disclosure of Short Term Equity Payments awarded to the Global Executive Committee in the 2016 and 2015 Financial Years

KMP	FY	Cost of Short Term Equity Payments ¹ (\$)	Closing share price at 30 September 2016 ^{2,3} (\$)	Allocation price for FY15 Short term equity Awards (\$)	Estimated Number of shares ⁴ (#)	Estimated Value of award at 30 September 2016 (\$)
Emilio Gonzalez	16	850,000	8.89		95,613	850,000
	15	619,182		6.54	94,676	841,671
Gavin Rochussen	16	409,277	8.89		46,038	409,277
	15	326,575		6.54	49,935	443,922
Cameron Williamson	16	79,980	8.89		8,997	79,980
	15	101,134		6.54	15,464	137,474
Total	16	1,339,257	8.89		150,647	1,339,257
	15	1,046,8915		6.54	160,075	1,423,067

Notes to Table 7a (ii):

- Equity-based remuneration in table 7a (ii) represents the actual short term equity awarded for performance for the 2016 Financial Year. These projected amounts were determined on 23 September 2016 and 31 October 2016, 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 closing share price for 30 September 2016 of \$8.89 was used to illustrate the value of awards within this table.
- Allocation price for 2016 Financial Year STI equity awards will be finalised closer to the 8 December 2016 allocation date
- It should be noted that the actual number of shares allocated for the 2016 Financial Year award will be determined closer to the allocation date on 8 December 2016.

Table 7b: Voluntary disclosure of awarded remuneration for the Global Executive Committee in the 2016 Financial Year based on the value of vested short term and long term equity payments

EMPLOYMENT BENEFITS

	FY	SHORT TERM					SHARE-BASED PAYMENTS					Other ¹⁰ \$	Total \$
		Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration ¹ \$	Cash component of VR ² \$	Non-Monetary benefits ⁶ \$	Long Service Leave ⁷ \$	STI equity payments ^{3b&4} \$	LTI equity payments ^{9a} \$	Equity forfeited \$			
CEO and other Senior Executives													
Emilio Gonzalez ⁸	16	592,300	35,000	627,300	850,000	12,983	1,821	2,443,765	2,043,548	-	241,311	6,220,728	
Gavin Rochussen ⁵	16	672,384	-	672,384	954,980	15,425	-	584,552	10,490,918	-	-	12,718,259	
Cameron Williamson ⁸	16	403,480	30,000	433,480	220,020	-	5,126	221,456	306,526	-	24,131	1,210,739	
Total CEO and other Senior Executive Remuneration	16	1,668,164	65,000	1,733,164	2,025,000	28,408	6,947	3,249,773	12,840,992	-	265,442	20,149,726	

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Table 7c: Mandatory disclosure of statutory remuneration for KMP in the 2016 and 2015 Financial Years

		SHORT TERM				LONG TERM					
	FY	Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration ¹ \$	Cash component of VR ² \$	Non-monetary benefit ⁶ \$	Long service leave ⁷ \$	STI Equity payments ^{3a&4} \$	LTI Equity payments ^{9b} \$	Other ¹⁰ \$	Total \$
Emilio Gonzalez ⁸	16	592,300	35,000	627,300	850,000	12,983	1,821	1,016,325	801,370	241,311	3,551,110
	15	548,139	35,000	583,139	619,182	12,502	7,307	1,027,862	806,127	196,438	3,252,557
Gavin Rochussen ⁵	16	672,384	-	672,384	954,980	15,425	-	474,761	3,586,843	-	5,704,393
	15	645,793	-	645,793	762,012	10,622	-	485,080	3,615,309	-	5,518,816
Cameron Williamson ⁸	16	403,480	30,000	433,480	220,020	-	5,126	154,989	133,627	24,131	971,373
	15	340,194	30,000	370,194	253,839	-	7,985	146,145	113,643	-	891,806
Geraldine Bouquet	16	277,972	26,277	304,249	113,827	-	8,987	24,672	74,844	19,304	545,883
	15	237,829	22,945	260,774	108,066	-	4,118	11,809	69,801	-	454,568
Chris Clayton	16	373,731	30,000	403,731	432,860	-	3,973	197,896	53,690	-	1,092,150
	15	357,443	30,000	387,443	233,332	-	5,054	318,683	26,566	-	971,078
Jennifer Davies	16	275,074	26,003	301,077	90,000	-	1,185	40,610	74,844	8,445	516,161
	15	255,836	24,495	280,331	124,803	-	4,064	30,017	57,381	-	496,596
Hayden King	16	286,526	27,091	313,617	153,340	-	2,815	57,736	80,133	-	607,641
	15	269,247	26,087	295,334	174,043	-	3,965	33,656	53,009	-	560,007
Total CEO and other Senior Executive Remuneration	16	2,881,467	174,371	3,055,838	2,815,027	28,408	23,907	1,966,989	4,805,351	293,191	12,988,711
	15	2,654,481	168,527	2,823,008	2,275,277	23,124	32,493	2,053,252	4,741,836	196,438	12,145,428

Notes to Tables 7b and 7c:

- The difference in the Total Fixed Remuneration package for KMP is due to the 2016 Total Fixed Remuneration Package being based on 27 fortnightly pays compared to the 26 fortnightly pays in 2015.
- The cash component of VR represents the award for performance during the 2016 Financial Year and will be paid in December 2016. These projected amounts were determined on 23 September 2016 and 31 October 2016, 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 7b and 7c are represented differently and as follows:
 - in Table 7c equity-based remuneration represents the amortisation of 'fair value' at grant over the vesting period of all grants allocated up to the year ended 30 September 2016, and does not represent the vested portions of the grant (refer to Table 9). 'Fair value' is determined as required 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 7b the equity awards that vested on 1 October 2016 have been treated as vesting in the 2016 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2016, 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 2016 Financial Year is not included in Tables 7b and 7c as the equity was not granted in the 2016 Financial Year and will be reported in the 2017 Financial Year. Table 9 includes equity that vested on 1 October 2016.
- Gavin Rochussen is remunerated in Pounds Sterling. An average exchange rate of 0.5131 (2015: 0.5110) has been applied to convert his remuneration to Australian dollars. His remuneration package consists of a fixed remuneration component of £350,000 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.
- 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.
- Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued during the 2016 Financial Year in accordance with actuarial-based valuation methodologies.
- Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
- Long term equity payments in Tables 7b and 7c are represented differently and as follows:
 - In table 7b the LTI equity that vested on 1 October 2016 has been treated as vesting in the 2016 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2016, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
 - In table 7c 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 expectation as at 30 September 2016 of the likely level 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 included in the estimated fair value of securities at grant date in accordance with AASB2, and is not adjusted during the life of the grant. The accounting treatment of non-market and market conditions is in accordance with Accounting Standards.
- The Other payment for Emilio Gonzalez, Cameron Williamson, Geraldine Bouquet and Jennifer Davies represents the dividend equivalent payment made in relation to the 2012 performance share rights that vested in October 2015.

Directors' Report – Remuneration Report

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Table 8 illustrates the relative proportions of fixed, cash VR and equity remuneration in the relevant financial year (calculated based on statutory accounting disclosures; i.e., Table 7c) as a percentage of total remuneration. Table 8 differs to Chart 1 which is based on the target equity-based remuneration.

Table 8: 2016 and 2015 Financial Years fixed and variable remuneration as a proportion of total remuneration

CEO and other Senior Executives	FIXED REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION ¹		CASH VR AS A PERCENTAGE OF TOTAL REMUNERATION		EQUITY AS A PERCENTAGE OF TOTAL REMUNERATION ²	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Emilio Gonzalez	18	19	24	19	58	62
Gavin Rochussen	12	12	17	14	71	74
Cameron Williamson	45	42	23	28	32	30
Geraldine Bouquet	57	58	21	24	22	18
Chris Clayton	37	40	40	24	23	36
Jennifer Davies	59	57	17	25	24	18
Hayden King	52	53	25	31	23	16

Notes to Table 8:

1 Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.

2 The equity component represented in this table includes the equity component of VR for the 2016 and 2015 Financial Years and long term incentives.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Share based-payments

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 below.

Table 9: CEO and other Senior Executive short term equity allocations

	Date of grant	Number of shares granted (#)	Value of award at grant (\$ per award)	Number of shares vested ¹ 1 Oct 2016	Proportion of award vested (%)	Proportion of award forfeited (%)
CEO						
Emilio Gonzalez	01-Dec-11	553,708	1.95	124,583	100	-
	06-Dec-12	301,265	2.20	60,253	80	-
	05-Dec-13	214,822	4.86	42,964	60	-
	04-Dec-14	133,328	6.78	26,666	40	-
	03-Dec-15	94,638	13.01	18,926	20	-
Other Senior Executives						
Gavin Rochussen	02-May-12	50,366	2.15	10,073	80	-
	06-Dec-12	61,407	2.20	12,281	80	-
	05-Dec-13	105,979	4.86	21,196	60	-
	04-Dec-14	59,585	6.78	11,917	40	-
	03-Dec-15	49,636	13.01	9,928	20	-
Cameron Williamson	01-Dec-11	204,810	1.95	4,417	100	-
	06-Dec-12	31,375	2.20	6,275	80	-
	05-Dec-13	32,919	4.86	6,584	60	-
	04-Dec-14	22,030	6.78	4,406	40	-
	03-Dec-15	15,457	13.01	3,093	20	-
Geraldine Bouquet	03-Dec-15	4,454	13.01	890	20	-
Chris Clayton	03-Jul-14	73,079	6.58	14,616	80	-
	03-Dec-15	13,437	13.01	2,689	20	-
Jennifer Davies	04-Dec-14	5,937	6.78	1,187	40	-
	03-Dec-15	5,379	13.01	1,075	20	-
Hayden King	04-Dec-14	4,168	6.78	833	40	-
	03-Dec-15	8,552	13.01	1,712	20	-

Note to Table 9:

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.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

The Group's 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. Table 10 below provides an overview of the CEO and other Senior Executives current LTI awards which have not yet vested.

Table 10 – CEO and other Senior Executive long term incentive awards

FY16	Commencement of Test Period for Grant	Award vehicle	Awards granted	Value of award at grant TSR Hurdle \$	Value of award at grant Non TSR Hurdle \$	Date of vesting	Vested during the year	Lapsed during the year	Balance as at 1 Oct 2016
Emilio Gonzalez	01-Oct-13	Performance Share Rights	228,618	2.66	4.28	01-Oct-16	228,618	-	-
	01-Oct-14	Performance Share Rights	163,829	3.68	6.05	01-Oct-17	-	-	163,829
	01-Oct-15	Performance Share Rights	103,997	5.92	9.73	01-Oct-18	-	-	103,997
Gavin Rochussen	01-Oct-11	Converting Notes	968,728	n/a	1.98	01-Oct-16	968,728	-	-
	01-Oct-13	Performance Shares	204,923	n/a	6.13	01-Oct-16	204,923	-	-
	01-Oct-13	Performance Shares	922,154	n/a	6.13	01-Oct-17	-	-	922,154
	01-Oct-13	Performance Shares	204,923	n/a	6.13	01-Oct-18	-	-	204,923
	01-Oct-13	Performance Shares	717,230	n/a	6.13	01-Oct-19	-	-	717,230
Cameron Williamson	01-Oct-13	Performance Share Rights	34,292	2.66	4.28	01-Oct-16	34,292	-	-
	01-Oct-14	Performance Share Rights	28,670	3.68	6.05	01-Oct-17	-	-	28,670
	01-Oct-15	Performance Share Rights	18,199	5.92	9.73	01-Oct-18	-	-	18,199
Geraldine Bouquet	01-Oct-13	Performance Share Rights	18,289	2.66	4.28	01-Oct-16	18,289	-	-
	01-Oct-14	Performance Share Rights	16,382	3.68	6.05	01-Oct-17	-	-	16,382
	01-Oct-15	Performance Share Rights	10,399	5.92	9.73	01-Oct-18	-	-	10,399
Chris Clayton	01-Oct-14	Performance Share Rights	16,382	3.68	6.05	01-Oct-17	-	-	16,382
	01-Oct-15	Performance Share Rights	10,399	5.92	9.73	01-Oct-18	-	-	10,399
Jennifer Davies	01-Oct-13	Performance Share Rights	18,289	2.66	4.28	01-Oct-16	18,289	-	-
	01-Oct-14	Performance Share Rights	16,382	3.68	6.05	01-Oct-17	-	-	16,382
	01-Oct-15	Performance Share Rights	10,399	5.92	9.73	01-Oct-18	-	-	10,399
Hayden King	01-Oct-13	Performance Share Rights	22,861	2.66	4.28	01-Oct-16	22,861	-	-
	01-Oct-14	Performance Share Rights	16,382	3.68	6.05	01-Oct-17	-	-	16,382
	01-Oct-15	Performance Share Rights	10,399	5.92	9.73	01-Oct-18	-	-	10,399

Notes to Table 10:

- Table 10 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 D2 within 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 the CEO and other Senior Executives with a test period commencement date of 1 October 2013 have met both performance hurdles and are treated as having vested in this table.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Table 11 below outlines VR deferred to equity that has been awarded to the CEO and other Senior Executives with an associated vesting schedule for the 2016 Financial Year. 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 in the table below.

Table 11: Equity components of variable remuneration

CEO and other Senior Executives	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}					FY21 onwards \$
				FY17 \$	FY18 \$	FY19 \$	FY20 \$		
Emilio Gonzalez	12	1,079,731	Nil	242,938	-	-	-	-	-
	13	662,783	Nil	132,556	132,556	-	-	-	-
	14	1,044,035	Nil	208,810	208,810	208,810	-	-	-
	14	793,304	Nil	793,304	-	-	-	-	-
	15	903,964	Nil	180,793	180,793	180,793	180,792	-	-
	15	797,028	Nil	-	797,028	-	-	-	-
	16	1,231,240	Nil	246,227	246,253	246,253	246,253	246,254	-
	16	813,777	Nil	-	-	813,777	-	-	-
Gavin Rochussen	12	108,289	Nil	21,657	21,658	-	-	-	-
	12	1,918,082	Nil	1,918,082	-	-	-	-	-
	13	135,098	Nil	27,019	27,020	-	-	-	-
	14	515,058	Nil	103,012	103,012	103,008	-	-	-
	14	12,561,780	Nil	1,256,178	5,652,804	5,652,798	-	-	-
	15	403,986	Nil	80,797	80,797	80,797	80,798	-	-
	16	645,764	Nil	129,163	129,150	129,150	129,150	129,150	-
Cameron Williamson	12	399,380	Nil	8,614	-	-	-	-	-
	13	69,025	Nil	13,805	13,805	-	-	-	-
	14	159,986	Nil	31,998	31,998	31,993	-	-	-
	14	118,993	Nil	118,993	-	-	-	-	-
	15	149,363	Nil	29,873	29,873	29,872	29,872	-	-
	15	139,480	Nil	-	139,480	-	-	-	-
	16	201,096	Nil	40,240	40,214	40,214	40,214	40,214	-
	16	142,407	Nil	-	-	142,407	-	-	-
Geraldine Bouquet	14	63,463	Nil	63,463	-	-	-	-	-
	15	79,698	Nil	-	79,698	-	-	-	-
	16	81,372	Nil	-	-	81,372	-	-	-
	16	57,947	Nil	11,579	11,592	11,592	11,592	11,592	-
Chris Clayton	14	480,860	Nil	96,172	-	-	-	-	-
	15	79,698	Nil	-	79,698	-	-	-	-
	16	81,372	Nil	-	-	81,372	-	-	-
	16	174,815	Nil	34,984	34,958	34,958	34,958	34,958	-
Jennifer Davies	14	63,463	Nil	63,463	-	-	-	-	-
	15	40,252	Nil	8,051	8,051	8,050	8,050	-	-
	15	79,698	Nil	-	79,698	-	-	-	-
	16	69,981	Nil	13,986	13,999	13,999	13,999	13,998	-
	16	81,372	Nil	-	-	81,372	-	-	-
Hayden King	14	79,328	Nil	79,328	-	-	-	-	-
	15	28,259	Nil	5,648	5,648	5,648	5,648	-	-
	15	79,698	Nil	-	79,698	-	-	-	-
	16	111,262	Nil	22,274	22,247	22,247	22,247	22,247	-
	16	81,372	Nil	-	-	81,372	-	-	-

Notes to Table 11:

- 1 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.
- 2 The vesting schedule for a component of the VR equity for the CEO and other Senior Executives differs from the standard vesting schedule, whereby shares vest equally over five years.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Loans to KMP and their related parties

No loans were provided to KMP or their related parties during the year or as at the date of this report.

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 incentives, other benefits, and participation, when eligible, in relevant equity-based plans. The employment agreements for the CEO and other Senior Executives are currently open-ended, permanent, full time, common law employment agreements.

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

Table 12: Summary of notice periods

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

Table 13: Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez, CEO	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration as at the date of termination of employment (termination date) • accrued but unused annual leave and long service leave as at the termination date • all unvested shares will be determined by the Board at its discretion • any payment of a VR in the year of termination, including cash and/or equity, will be determined by the Board at its discretion • BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	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 • If employment ceases on the grounds of redundancy, ill-health/disability or death, the BTT equity subject to an LTI award, which has not reached the vesting dates, will be subject to Board approval, • BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: • 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 • 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 – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 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.
	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

NED Remuneration

The total NED fee pool for the 2016 Financial Year was \$1.6 million, which was approved by shareholders at the 2015 AGM.

NEDs are paid a fixed fee for their service on the Board. NEDs (with the exception of the Chairman of the Board) also receive additional fees for their service on the Board's committees. In addition to these fixed fees, NEDs 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 BTIM Group share plan or other incentive arrangements.

A summary of the fees payable to NEDs during the 2016 Financial Year are set out in Table 14 below.

Table 14: Non-executive director fees

BTIM Board fees	Fee policy (\$'000s)
Board Chairman	275
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 Directors and Audit & Risk Management Committee – Chairman	70

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

NED Remuneration in the 2016 Financial Year

With the exception of an increase in the fees payable to the Chairman of the BTIM Board, disclosed in BTIM's 2015 Remuneration Report, there were no changes to the fees paid to NEDs in the 2016 Financial Year.

The annual fees payable to NEDs are set out in Table 14 above.

NED Annual Fee Pool

At the AGM on 8 December 2015, shareholders approved the current aggregate NED fee pool of \$1.6 million. For the 2016 Financial Year, \$840,121 (53%) of the annual fee pool was used. The annual fee pool includes the subsidiary board and committee fees of \$70,000, paid to Andrew Fay as a NED of J O Hambro Capital Management Holdings Limited and as Chairman of that board's Audit & Risk Committee.

Director Appointment

On 26 October 2016, the Company announced the appointment of Kathryn Matthews to the Board. Ms Matthews will commence on 1 December 2016.

Review of NED fee structure

In October 2016 the Company commenced the process of aligning and simplifying the corporate governance of the Group across its multiple jurisdictions. The materiality of Group earnings outside Australia requires increased focus, visibility and insight into our global businesses. Consequently, we are progressively aligning the composition of subsidiary boards and clarifying reporting and accountabilities to meet the evolving needs of the business and in line with the recently implemented Global Group Executive Committee. The first stage has been to appoint all the BTIM NEDs, including the recently appointed UK-based Director, to J O Hambro Capital Management Holdings Limited, and to conduct board and committee meetings in an omnibus arrangement. There will be no increase to the current NED fee pool. However individual NED fees will be adjusted to reflect the expanded responsibilities and time commitment of serving on both boards (and respective committees). These fees will now be captured as part of the NED annual fee pool. The outcome of the NED fee review will be outlined in BTIM's 2017 Remuneration Report.

Retirement allowances

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

NED Director shareholdings

NEDs (including the Chairman) are expected to hold a minimum number of shares in the Company that is equal to the value of the Director's annual base fee. Newly appointed NEDs are expected to reach the minimum shareholding within three years of their appointment to the Board.

The number of BTIM securities held by each NED is set out in Table 16.

NED 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.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Remuneration for NEDs

The fees paid to NEDs in the 2016 and 2015 Financial Years are shown in Table 15.

Table 15: 2016 & 2015 Financial Year Non-executive director remuneration

2016 Financial Year	Notes	Fees \$	Superannuation \$	Total \$
Non-Executive directors				
James Evans	2016	282,586	20,056	302,642
	2015	219,157	18,832	237,989
Meredith Brooks	2016	134,483	12,776	147,259
	2015	129,502	12,303	141,805
Brad Cooper ¹	2016	-	-	-
	2015	-	-	-
Andrew Fay ²	2016	217,242	20,056	237,298
	2015	209,196	18,832	228,028
Deborah Page	2016	139,655	13,267	152,922
	2015	134,483	12,776	147,259
Les Vance ¹	2016	-	-	-
Total	2016	773,966	66,155	840,121
	2015	692,338	62,743	755,081

Notes to Table 15:

1 Brad Cooper and Les Vance did not receive additional remuneration as NEDs of BTIM.

2 The fee for Andy Fay includes an additional fee of \$70,000 paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

DIRECTOR AND SENIOR EXECUTIVE HOLDINGS

The table below outlines all holdings, including holdings not yet vested. For vesting, refer to Table 11.

Table 16: Director and Senior Executives holdings

IN THE 2016 FINANCIAL YEAR:						
Non-executive Directors	Type of holding	Equity held at 1 October 2015	Number of securities acquired	Number of securities granted as remuneration	Net change other	Equity held at 30 September 2016
James Evans	Ordinary	22,218	10,000	-	-	32,218
Meredith Brooks	Ordinary	12,049	2,484	-	-	14,533
Brad Cooper	Ordinary	-	-	-	-	-
Andrew Fay	Ordinary	13,609	20,000	-	-	33,609
Deborah Page	Ordinary	15,136	4,450	-	-	19,586
Les Vance	Ordinary	-	-	-	-	-
Total for Non-executive Directors		63,012	36,934	-	-	99,946
CEO and other Senior Executives						
Emilio Gonzalez	Ordinary	2,358,835	491,424	94,638	(951,205)	1,993,692
	Performance share rights	883,871	-	103,997	(491,424)	496,444
Gavin Rochussen ¹	Ordinary	201,386	755,071	49,636	(810,569)	195,524
	Converting Notes	1,723,799	-	-	(755,071)	968,728
	Loan notes	2	-	-	(2)	-
	Performance shares	2,049,230	-	-	-	2,049,230
Cameron Williamson	Ordinary	157,882	49,142	15,457	(40,000)	182,481
	Performance share rights	112,104	-	18,199	(49,142)	81,161
Geraldine Bouquet	Ordinary	6,193	35,512	4,454	(10,647)	35,512
	Performance share rights	73,984	-	10,399	(39,313)	45,070
Chris Clayton	Ordinary	73,079	-	13,437	-	86,516
	Performance share rights	16,382	-	10,399	-	26,781
Jennifer Davies	Ordinary	5,937	-	5,379	-	11,316
	Performance share rights	51,870	-	10,399	(17,199)	45,070
Hayden King	Ordinary	4,168	-	8,552	-	12,720
	Performance share rights	39,243	-	10,399	-	49,642
Total for CEO and other Senior Executives		7,757,965	1,331,149	355,345	(3,164,572)	6,279,887

Note to Table 16:

¹ Loan notes and converting notes awarded to Gavin Rochussen were granted in exchange for his shares in JOHCM at the time of the acquisition.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Rounding of amounts

Amounts in this report and the accompanying Financial Report have been rounded to the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports Instrument 2016/191), 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.

2016 Corporate Governance Statement

BTIM's 2016 Corporate Governance Statement can be viewed on BTIM's website at www.btim.com.au/about/corporate-governance/.

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*.

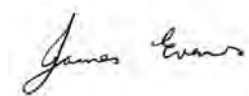
During the 2016 Financial Year the following fees paid or payable for non-audit services provided by the auditor of the BTIM Group, its related practices and non-related audit firms:

	2016 \$	2015 \$
Other assurance services		
PricewaterhouseCoopers – Australia	22,000	–
PricewaterhouseCoopers – outside of Australia	21,266	10,834
Total remuneration for non-audit services	43,266	10,834

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 77.

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



James Evans
Chairman



Emilio Gonzalez
Managing Director
3 November 2016

Auditor's Independence Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016



Auditor's Independence Declaration

As lead auditor for the audit of BT Investment Management Limited for the year ended 30 September 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 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', written over a faint circular stamp.

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
3 November 2016

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations			
Investment management fees		401,662	373,413
Performance fees		77,215	51,869
Transaction fees		14,995	11,293
Total revenue from continuing operations	B2	493,872	436,575
Other income	B2	6,184	2,444
Expenses			
Employee expenses			
Salaries and related expenses		178,336	157,495
Amortisation of employee equity grants	D2	58,125	41,336
Depreciation, amortisation and impairment		11,622	9,939
Fund administration		13,282	12,722
Investment management		9,882	10,059
Business development and promotion		11,007	9,680
General office and administration		8,431	7,675
Information and technology		10,476	7,028
Professional services		7,614	6,778
Occupancy		5,181	5,506
Finance costs		696	2,176
Distribution		1,766	4,164
Total expenses		316,418	274,558
Profit before income tax		183,638	164,461
Income tax expense	B4	41,612	38,043
Profit attributable to owners of BTIM		142,026	126,418
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	C3	(96,190)	63,558
Net unrealised gain/(loss) on available-for-sale assets	C3	16,360	(3,925)
Income tax relating to components of other comprehensive income	C3	(3,215)	640
Other comprehensive income, net of tax		(83,045)	60,273
Total comprehensive income for the financial year attributable to owners of BTIM		58,981	186,691
Earnings per share for profit attributable to ordinary equity holders of BTIM		Cents	Cents
Basic earnings per share	B3	54.4	49.8
Diluted earnings per share	B3	53.8	48.1

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

Consolidated Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	B5	174,231	166,752
Trade and other receivables		58,867	58,731
Prepayments		4,825	5,016
Total current assets		237,923	230,499
Non-current assets			
Property, plant and equipment		3,382	2,087
Available-for-sale financial assets	C5	90,059	87,975
Deferred tax assets	B4	39,341	38,396
Intangible assets	F1	541,503	636,324
Total non-current assets		674,285	764,782
Total assets		912,208	995,281
Current liabilities			
Trade and other payables		31,136	37,587
Employee benefits	D1	87,282	112,745
Borrowings	C6	–	18,038
Converting notes		121	13,680
Lease incentive		83	320
Current tax liabilities		19,081	21,259
Total current liabilities		137,703	203,629
Non-current liabilities			
Employee benefits	D1	11,923	7,234
Converting notes		–	121
Lease incentive		833	–
Deferred tax liabilities	B4	17,910	22,424
Total non-current liabilities		30,666	29,779
Total liabilities		168,369	233,408
Net assets		743,839	761,873
Equity			
Contributed equity	C2	441,059	454,094
Reserves	C3	176,439	212,546
Retained earnings		126,341	95,233
Total equity		743,839	761,873

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 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 financial year		–	–	142,026	142,026
Other comprehensive income for the financial year		–	(83,045)	–	(83,045)
Total comprehensive income for the financial year		–	(83,045)	142,026	58,981
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	C2	13,680	–	–	13,680
Treasury shares acquired	C2	(45,846)	–	–	(45,846)
Treasury shares released	C2	14,295	(14,295)	–	–
Share-based payments	C3	–	61,233	–	61,233
Dividend reinvestment plan	C2	4,836	–	–	4,836
Dividends and dividend-linked coupons paid	C4	–	–	(110,918)	(110,918)
Balance at 30 September 2016		441,059	176,439	126,341	743,839

Balance at 1 October 2014		455,016	115,967	72,120	643,103
Profit for the financial year		–	–	126,418	126,418
Other comprehensive income for the financial year		–	60,273	–	60,273
Total comprehensive income for the financial year		–	60,273	126,418	186,691
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	C2	13,680	–	–	13,680
Treasury shares acquired	C2	(39,256)	–	–	(39,256)
Treasury shares released	C2	11,624	(11,624)	–	–
Share-based payments	C3	–	47,930	–	47,930
Dividend reinvestment plan	C2	13,030	–	–	13,030
Dividends and dividend-linked coupons paid	C4	–	–	(103,305)	(103,305)
Balance at 30 September 2015		454,094	212,546	95,233	761,873

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 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Fees and other income received		511,997	442,586
Interest received		338	305
Distributions from unit trusts		2,524	2,191
Expenses paid		(290,667)	(211,437)
Income tax paid		(50,029)	(47,846)
Net cash inflows from operating activities		174,163	185,799
Cash flows from investing activities			
Payments for property, plant and equipment		(2,622)	(978)
Payments for available-for-sale financial assets		(13,120)	(26,637)
Payments for IT development		(786)	(562)
Proceeds from sales of available-for-sale financial assets		9,971	46,832
Net cash (outflows)/ inflows from investing activities		(6,557)	18,655
Cash flows from financing activities			
Payments for purchase of treasury shares		(45,846)	(39,257)
Proceeds from external borrowings		88,227	64,103
Repayment of borrowings		(103,907)	(86,918)
Interest and other financing costs		(695)	(1,262)
Dividends and dividend-linked coupons paid		(106,082)	(90,275)
Net cash outflows from financing activities		(168,303)	(153,609)
Net (decrease)/increase in cash and cash equivalents		(697)	50,845
Cash and cash equivalents at the beginning of the financial year		166,752	130,151
Effects of exchange rate changes on cash and cash equivalents		8,176	(14,244)
Cash and cash equivalents at the end of the financial year		174,231	166,752

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

A. ABOUT THIS REPORT

This is the financial report of BT Investment Management Limited (the Company) and its subsidiaries (together referred to as the BTIM Group). The Company is domiciled in Australia and the BTIM Group is a for-profit entity for the purpose of preparing financial statements.

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A1. STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

A2. BASIS OF PREPARATION

The Financial Report is presented in Australian Dollars, which is the Company's functional and presentation currency, with all values rounded to the nearest thousand (\$'000), in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports Instrument 2016/191), unless otherwise stated. The Financial Report has been prepared on a historical cost basis, except for the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are contained within the notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Accounting assumptions and estimates	Note
Share-based payments	D2
Deferred tax on share-based payments	D2
Intangibles	F1

A3. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended accounting standards adopted by the BTIM Group

The BTIM Group has adopted all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. New and revised standards and interpretations effective for the current reporting period that are relevant to the BTIM Group include:

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

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

New and amended accounting standards not mandatory and not adopted by the BTIM Group

Certain new and revised accounting standards have been published that are not mandatory for the 30 September 2016 reporting period. They are available for early adoption but have not been applied in preparing this Financial Report and are not anticipated to be adopted prior to their effective date. The BTIM Group's assessment of the impact of these new standards is set out below:

- AASB 9 Financial Instruments (effective 1 January 2018) 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 profit or loss (FVTPL), and fair value through other comprehensive income (FVTOCI).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

A3. NEW AND AMENDED ACCOUNTING STANDARDS (CONTINUED)

Under the new standard, the Group's financial instruments currently classified as available-for-sale financial assets will be classified as amortised cost, FVTPL or FVTOCI. The Group has yet to perform a detailed assessment to determine if there will be a material change to the accounting or related disclosures of these assets.

- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018) The Australian Accounting Standards Board (AASB) has issued a new standard AASB 15 Revenue from Contract with Customers for the recognition of revenue. The new standard supersedes the current revenue recognition guidance in place in AASB 118 Revenue and AASB 111 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 prior years, current year or future years.

- 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.

B. RESULTS FOR THE YEAR

This section provides information that is most relevant to understanding the financial performance of the BTIM Group.

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B1. SEGMENT INFORMATION

Description of segments

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM) for assessing performance and in determining the allocation of resources. 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 International). BTIM International comprises the BTIM (UK) Limited group of companies.

The CODM assesses the performance of the operating segments based on a measure of Cash net profit after tax (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.

CODM from 1 October 2015 – 30 April 2016 BTIM's Senior Management Team

Chief Executive Officer

Chief Executive Officer, JOHCM Group

Chief Financial Officer

Head of Human Resources

Head of Sales & Marketing

Chief Risk Officer

Chief Operating Officer

CODM from 1 May 2016 BTIM's Global Executive Committee

Group Chief Executive Officer

Group Executive, International¹

Chief Executive Officer, BTIM Australia²

Chief Executive Officer, JOHCM Group¹

Group Chief Financial Officer

Group Chief Risk Officer

¹ Gavin Rochussen was Chief Executive Officer, JOHCM Group until 3 October 2016 when Ken Lambden was appointed to this position. From 3 October 2016, Gavin Rochussen was appointed Group Executive, International.

² Michael Bargholz commenced on 26 October 2016 as Chief Executive Officer, BTIM Australia.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Segment information provided to the chief operating decision-maker:

	BTIM AUSTRALIA		BTIM INTERNATIONAL		TOTAL GROUP	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	168,253	163,891	331,803	275,127	500,056	439,018
Inter-segment revenue	925	1,923	2,944	3,590	3,869	5,513
Total segment revenue	169,178	165,814	334,747	278,717	503,925	444,531
Inter-segment expense	(2,944)	(3,590)	(925)	(1,923)	(3,869)	(5,513)
Depreciation and amortisation	(1,136)	(1,072)	(10,486)	(484)	(11,622)	(1,556)
Finance costs	(34)	(1,325)	(662)	(851)	(696)	(2,176)
Other operating expenses	(113,205)	(111,647)	(172,186)	(154,981)	(285,391)	(266,628)
Total segment expenses	(117,319)	(117,634)	(184,259)	(158,239)	(301,578)	(275,873)
Income tax expense	(15,892)	(15,056)	(30,406)	(21,146)	(46,298)	(36,202)
Cash NPAT	35,967	33,124	120,083	99,332	156,050	132,456
Deduct: amortisation of employee equity grants	(22,696)	(19,894)	(35,429)	(21,442)	(58,125)	(41,336)
Add back: cash cost of ongoing equity grants	17,474	17,552	31,831	27,969	49,305	45,521
Deduct: amortisation and impairment of intangibles	–	–	(9,891)	(8,383)	(9,891)	(8,383)
Deduct: loss on financial liabilities at fair value through profit and loss	–	–	–	–	–	–
Add back/(deduct): tax effect	1,232	(30)	3,455	(1,810)	4,687	(1,840)
Statutory NPAT	31,977	30,752	110,049	95,666	142,026	126,418
Segment assets	416,561	421,720	495,647	573,561	912,208	995,281
Segment liabilities	(81,368)	(78,998)	(87,001)	(154,410)	(168,369)	(233,408)
Net assets	335,193	342,722	408,646	419,151	743,839	761,873

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

B2. REVENUE AND OTHER INCOME

	2016 \$'000	2015 \$'000
Management, fund and trustee fees	399,024	370,068
Performance fees	77,215	51,869
Transaction fees	14,995	11,293
Service fees from related parties	1,525	1,508
Expense recoveries	733	1,067
Other revenue	380	770
Total revenue from continuing operations	493,872	436,575
Distributions from unit trusts	2,532	2,234
Interest income	338	306
Net gain on sale of available-for-sale financial assets	1,060	4,488
Net foreign exchange gain/(loss)	2,254	(4,584)
Total other income	6,184	2,444
Total revenue and other income	500,056	439,019

ACCOUNTING POLICY

Fee income

Fee income is measured at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

Management, fund and trustee fees	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	Performance fees are recognised in the accounting period in which the performance hurdles have been met.
Service fees from related parties	Service fees relate to performance management and client services performed for The Westpac Group. Service fees are recognised over the period in which the service is performed.
Transaction fees	Transaction fees on products which are non-annuitised and recognised over the period in which the service is being provided.

Other income

Other income includes distribution and interest income. Distributions are recognised as revenue when the right to receive payment is established and interest income is recognised on a time proportionate basis using the effective interest method.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

B3. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding during the financial period, that is, ordinary shares less treasury shares.

	2016	2015
Profit attributable to ordinary equity holders of BTIM (\$'000)	142,026	126,418
Weighted average number of ordinary shares on issue ('000)	303,780	291,541
Weighted average number of treasury shares ('000)	(42,863)	(37,576)
Weighted average number of ordinary shares ('000)	260,917	253,965
Basic earnings per share (cents per share)	54.4	49.8

Diluted earnings per share

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.

	2016	2015
Profit attributable to ordinary equity holders of BTIM (\$'000)	142,026	126,418
Weighted average number of ordinary shares on issue ('000)	303,780	291,541
Weighted average number of treasury shares ('000)	(42,863)	(37,576)
Weighted average converting notes ¹	3,118	8,846
Weighted average number of ordinary shares and potential ordinary shares ('000)	264,035	262,811
Diluted earnings per share (cents per share)	53.8	48.1

¹ Converting notes 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 2,599,052 issued to staff of the BTIM Group have not been included in the calculation of diluted EPS for the year ended 30 September 2016. This is because ordinary shares have been and will be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

B4. TAXATION

(a) Reconciliation of income tax expense

The income tax expense in the Statement of Comprehensive Income reconciles to accounting profit as follows:

	2016 \$'000	2015 \$'000
Profit before tax	183,638	164,461
Income tax calculated at the Australian tax rate of 30% (2015: 30%)	55,091	49,338
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in overseas tax rates	(13,596)	(11,733)
State and local taxes	1,500	–
Effect on deferred taxes of reduction in tax rates	(774)	88
Employee equity grant amortisation	320	846
Sundry non-deductible / (non-assessable) items	(156)	768
Tax credits and rebates	(210)	–
Previously unrecognised tax losses recouped	–	(1,154)
Previously unrecognised deferred tax assets	(1,031)	–
Adjustments for current tax of prior financial year	468	(110)
Total income tax expense	41,612	38,043
Represented by:		
Current tax	47,384	47,007
Deferred tax	(6,240)	(8,854)
Adjustments for current tax of prior periods	468	(110)

(b) Breakdown of deferred tax balances

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000
Employee equity grants	26,282	–	25,399	–
Employee benefits	11,763	–	10,943	–
Accrued expenses	653	–	634	–
Lease expenses	(791)	–	(737)	–
Property, plant and equipment	1,269	–	1,217	–
Share of partnership income	–	–	265	–
Business-related costs	64	–	55	–
Foreign exchange loss	101	1,086	620	–
Intangible assets	–	13,622	–	(22,044)
Available-for-sale financial assets	–	3,202	–	(380)
Total	39,341	17,910	38,396	(22,424)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

B4. TAXATION (CONTINUED)

(c) Movements in deferred tax balances

	Balance as at 1 October 2015 \$000	Charged to profit or loss \$000	Charged to comprehensive income \$000	Charged to equity \$000	Balance as at 30 September 2016 \$000
2016					
Deferred tax assets	38,396	3,092	(5,255)	3,108	39,341
Deferred tax liabilities	(22,424)	3,148	1,366	–	(17,910)
2015					
Deferred tax assets	22,003	7,138	2,661	6,594	38,396
Deferred tax liabilities	(21,287)	1,716	(2,853)	–	(22,424)

(d) Unrecognised temporary differences

Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

	2016 \$'000	2015 \$'000
Foreign currency translation	23,438	119,628
Unrecognised deferred tax liabilities relating to the above temporary differences	7,032	35,888

ACCOUNTING POLICY

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable for the period, using tax rates and laws enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate. The main corporate tax rates applicable for the current period are 30% (2015: 30%) on Australian taxable income, 20% (2015: 20.5%) on UK taxable income, 35% (2015: 35%) on US taxable income and 17% (2015: 17%) on Singapore taxable income.

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

However, deferred tax is not recognised if it arises from the initial recognition of goodwill or an asset or liability in a transaction, other than a business combination, which affects neither taxable income nor accounting profit or from investments in controlled entities, or foreign operations where BTIM 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 tax is measured 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 temporary differences reverse.

Current and deferred 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.

Tax consolidation

BTIM and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian tax legislation. BTIM is the head entity in the tax-consolidated group. Entities within the tax consolidated group have entered into a tax funding and a tax sharing agreement with the head entity.

Under the terms of the tax funding agreement, BTIM and each entity in the tax consolidated group has agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. The funding amounts are recognised as current inter-company receivables or payables.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

B5. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of cash flow from operating activities

	2016 \$'000	2015 \$'000
Profit after tax for the financial year	142,026	126,418
<i>Adjustments for non-cash expense items:</i>		
Depreciation	1,731	1,556
Amortisation and impairment of intangibles	9,891	8,383
Amortisation of employee equity grants	58,125	41,336
Interest and finance costs	696	1,262
Net gain on sale of available-for-sale financial assets	(1,060)	(4,488)
Net exchange differences	(2,254)	5,497
<i>Change in operating assets and liabilities, net of effects from the purchase of JOHCM:</i>		
Increase in trade and other receivables	(136)	(12,796)
Decrease/(increase) in prepayments	191	(436)
Increase in deferred tax assets	(3,092)	(7,138)
(Decrease)/increase in trade and other payables	(6,451)	11,932
(Decrease)/increase in employee benefits	(20,774)	17,603
Increase/(decrease) in lease liabilities	596	(666)
Decrease in current tax liabilities	(2,178)	(948)
Decrease in deferred tax liabilities	(3,148)	(1,716)
Net cash inflow from operating activities	174,163	185,799

(b) Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and in hand	16,794	15,638
Restricted cash in escrow	19,394	16,135
Deposits at call	138,043	134,979
Total cash and cash equivalents	174,231	166,752

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Restricted cash in escrow relates to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C. CAPITAL AND FINANCIAL RISK MANAGEMENT

This section provides information relating to the Group's capital structure and its exposure to financial risk and how they are managed.

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C1. CAPITAL MANAGEMENT

The BTIM Group's objectives when managing capital are to maintain a strong capital base in excess of regulatory requirements throughout all business cycles, that supports the execution of its strategic goals, in order to optimise returns to its shareholders, while ensuring compliance with the BTIM Group's Risk Appetite Statement.

Strategic capital for near-term requirements is retained in the business in order to grow the BTIM Group with surplus capital available for distribution to shareholders. The BTIM Group's current dividend policy is to pay out 80- 90% of its Cash Net Profit After Tax (NPAT) each year.

The Board regularly reviews BTIM Group's free cash flow generation, cash and cash equivalents, borrowings, tax and other financial factors in order to maintain an optimal capital structure. Debt may be used at times to provide strategic capital to the Group, and the Board may adjust the amount of dividends paid to shareholders, return capital to shareholders, increase or decrease borrowings, or issue new shares in maintaining an optimal capital structure.

The BTIM Group operates legal entities in a number of countries that are subject to various regulatory and capital requirements. These include:

- In Australia, BT Investment Management (Fund Services) Limited (BTIMFS) acts as a responsible entity of the BTIM registered and unregistered trusts, and BT Investment Management (Institutional) Limited (BTIMI) provides investment management services to institutional clients and all BTIM's registered and unregistered trusts. Both BTIMFS and BTIMI are required to maintain minimum capital requirements as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions. The level of regulatory capital required as at 30 September 2016 is \$7.5 million.
- In the UK, J O Hambro Capital Management Limited provides investment management services to JOHCM's UK and Irish Open Ended Investment Companies (OEIC's), US Mutual Funds, institutional clients and other JOHCM entities. It is required to maintain minimum capital requirements as part of its licencing requirements with the Financial Conduct Authority (FCA). During the financial year JOHCM was awarded an investment firm waiver by the FCA which expires on 30 September 2021. The level of regulatory capital required as at 30 September 2016 is \$9.5 million (£5.6 million).
- In Singapore, JOHCM (Singapore) Pte Limited provides investment management services to other JOHCM entities and a JOHCM Cayman fund. It is required to maintain minimum capital requirements as part of its licencing requirements with the Monetary Authority of Singapore. The level of regulatory capital required as at 30 September 2016 is \$0.2 million (\$0.3 million).
- In the USA, JOHCM (USA) Inc. provides investment management services to a number of JOHCM's Delaware Statutory Trusts and other JOHCM entities. It is registered as an investment adviser with the Securities and Exchange Commission. It does not have any minimum capital requirements as part of its licence.

All entities complied with regulatory capital requirements at all times throughout the 2016 financial year.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C2. CONTRIBUTED EQUITY

	2016 \$'000	2015 \$'000
Ordinary shares 307,430,721 (2015: 292,565,311) each fully paid	604,592	586,076
Treasury shares 43,303,737 (2015: 36,400,966)	(163,533)	(131,982)
Total contributed equity 264,126,984 (2015: 256,164,345)	441,059	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. All ordinary shares issued have no par value.

Movements in ordinary shares during the year:

	2016 Shares '000	2016 \$'000	2015 Shares '000	2015 \$'000
Balance at the beginning of the financial year	292,565	586,076	284,385	559,366
Converting notes converted into ordinary shares ¹	5,896	13,680	6,314	13,680
FLE share issuance ²	8,526	–	–	–
Dividend reinvestment plan	443	4,836	1,866	13,030
Balance at the end of the year	307,430	604,592	292,565	586,076

¹ 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.

(b) Treasury shares

Treasury shares are those shares issued through the Initial Public Offer and the Fund Linked Equity (FLE) scheme together with those shares 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 appropriately adjusted to the share-based payment reserve. Details of the balance of treasury shares at the end of the financial year were as follows:

	2016 Shares '000	2016 \$'000	2015 Shares '000	2015 \$'000
Balance at the beginning of the year	(36,401)	(131,982)	(35,482)	(104,350)
Treasury shares acquired	(4,082)	(45,846)	(5,768)	(39,256)
FLE share issuance ²	(8,526)	–	–	–
Treasury shares released	5,705	14,295	4,849	11,624
Balance at the end of the year	(43,304)	(163,533)	(36,401)	(131,982)

² The shares were issued following a partial exercise of rights by fund managers who operate under the FLE program.

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

	2016 Shares '000	2016 \$'000	2015 Shares '000	2015 \$'000
Unallocated shares held by trustees	17,342	109,778	18,065	91,584
Shares allocated to employees	25,962	53,755	18,336	40,398
Balance at the end of the year	43,304	163,533	36,401	131,982

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

ACCOUNTING POLICY

Ordinary shares

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

Treasury shares

Where BTIM or other entities of the BTIM Group purchase shares in BTIM, the consideration paid is deducted from total shareholders' equity and the shares treated as treasury shares. Treasury shares are recorded at cost and when restrictions on the sale of shares granted to employees are lifted from the employee share plans, the cost of such shares is appropriately adjusted to the share-based payment reserve.

C3. RESERVES

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.

	Common control reserve \$'000	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Available-for- sale-financial asset reserve \$'000	Total reserves \$'000
Balance at 1 October 2015	(25,472)	116,942	119,628	1,448	212,546
Share-based payment expense	–	58,125	–	–	58,125
Deferred tax	–	3,108	–	(3,215)	(107)
Treasury share released	–	(14,295)	–	–	(14,295)
Currency translation difference	–	–	(96,190)	–	(96,190)
Revaluation	–	–	–	16,360	16,360
Balance at 30 September 2016	(25,472)	163,880	23,438	14,593	176,439

Balance at 1 October 2014	(25,472)	80,636	56,070	4,733	115,967
Share-based payment expense	–	41,336	–	–	41,336
Deferred tax	–	6,594	–	640	7,234
Treasury share released	–	(11,624)	–	–	(11,624)
Currency translation difference	–	–	63,558	–	63,558
Revaluation	–	–	–	(3,925)	(3,925)
Balance at 30 September 2015	(25,472)	116,942	119,628	1,448	212,546

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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.

C4. DIVIDENDS

(a) Equity dividends on ordinary shares

	2016 \$'000	2015 \$'000
(i) Dividends declared and paid during the Financial Year		
Final 40% franked ¹ dividend for the 2015 Financial Year: 20.0 cents per share (2014 Financial Year: 19.0 cents per share 35% franked)	57,206	52,891
Interim 40% franked ¹ dividend for the 2016 Financial Year: 18.0 cents per share (2015 Financial Year: 17.0 cents per share 40% franked)	52,521	47,159
	109,727	100,050
(ii) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2016 Financial Year 24.0 cents (35% franked ¹) per share (2015 Financial Year: 20.0 cents per share 40% franked)	73,140	58,513
(b) Dividend-linked coupons on converting notes ²		
(i) Coupons paid during the Financial Year		
Final 40% franked ¹ coupon for the 2015 Financial Year: 20.0 cents per converting note (2014 Financial Year: 19.0 cents per converting note (35% franked ¹))	627	1,718
Interim 40% franked ¹ coupon for the 2016 Financial Year: 18.0 cents per converting note (2015 Financial Year: 17.0 cents per converting note (40% franked ¹))	564	1,537
	1,191	3,255
(ii) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2016 Financial Year: Nil converting notes (2015 Financial Year: 20.0 cents per converting note (40% franked ¹))	–	1,806

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 40% franked at the tax rate of 30%.

The franked portions of the final dividend declared or paid after 30 September 2016 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 2017. There will be no dividend – linked coupons paid after 30 September 2016 as the converting notes will have converted by the record date of the final 2016 dividend.

	2016 \$'000	2015 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	1,818	9,406

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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 \$10,970,988 (2015: \$10,340,463).

ACCOUNTING POLICY

Dividends

A provision is made for the amount of any dividend or dividend-linked coupon declared by the Directors before or at the end of the financial year but not distributed at balance date.

C5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 \$'000	2015 \$'000
Unlisted securities		
Shares in Regnan-Governance Research and Engagement Pty Limited	100	100
Shares in James Hambro & Partners LLP	197	252
Units held in pooled funds	83,104	69,098
Escrow units held in pooled funds	6,658	18,525
Total	90,059	87,975

Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

ACCOUNTING POLICY

Available-for-sale financial assets

Available-for-sale financial assets are 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 and subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity, until the financial asset is 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) 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.

Available for sale financial assets are assessed for impairment at each balance date. If objective evidence of impairment exists, such as a significant or prolonged decline in the fair value of a security below its cost, 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C6. BORROWINGS

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

	FACILITY AMOUNT	UNDRAWN AMOUNT	CARRYING AMOUNT	FACILITY AMOUNT	UNDRAWN AMOUNT	CARRYING AMOUNT
	2016 \$000	2016 \$000	2016 \$000	2015 \$000	2015 \$000	2015 \$000
Revolving loan facility (GBP)	–	–	–	98,000	87,000	11,072
Loan notes (GBP)	–	–	–	–	–	6,966
Total borrowings	–	–	–	–	–	18,038
<i>Represented by:</i>						
<i>Current</i>	–	–	–	–	–	18,038
<i>Non-current</i>	–	–	–	–	–	–

Revolving loan facility

The BTIM Group's £45 million revolving loan facility with Westpac expired on 26 September 2016.

Subsequent to year-end BT Investment Management Limited entered into a new \$25 million multi-currency debt facility with Westpac for a three year term. The facility remains undrawn at the date of this report.

Loan notes

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

ACCOUNTING POLICY

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. FINANCIAL RISK MANAGEMENT

The BTIM Group manages its business in Australia and outside of Australia 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:

	2016 \$'000	2015 \$'000
Financial assets		
Cash and cash equivalents	174,231	166,752
Trade and other receivables	58,867	58,731
Available-for-sale financial assets	90,059	87,975
	323,157	313,458
Financial liabilities		
Trade and other payables	31,136	37,587
Borrowings	–	18,038
Converting notes	121	13,801
	31,257	69,426

(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:

	2016		2015	
	10% increase	10% decrease	10% increase	10% decrease
FUM (\$ billion)	8.4	(8.4)	7.8	(7.8)
NPAT (\$'000)	26,332	(26,289)	24,802	(24,720)

The sensitivity calculation is made on the basis of FUM as at 30 September 2016 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 C5). The directly held securities consist of shares in unlisted companies and other investments.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, Asia (ex-Japan) and Australia 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 move by:

	2016		2015	
	10% Increase \$'000	10% Decrease \$'000	10% Increase \$'000	10% Decrease \$'000
Equity	8,976	(8,976)	8,762	(8,762)

(ii) Interest rate risk

The BTIM Group is 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 2016 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		EQUITY	
	50 bps increase \$'000	50 bps decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
2016				
Cash and cash equivalents	622	(622)	–	–
Borrowings	–	–	–	–
2015				
Cash and cash equivalents	593	(593)	–	–
Borrowings	(44)	44	–	–

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

	FINANCIAL ASSETS			FINANCIAL LIABILITIES		TOTAL
	Cash at bank \$'000	Trade receivables \$'000	Available- for-sale \$'000	Trade payables \$'000	Borrowings \$'000	Net Exposure \$'000
2016						
GBP	23,889	33,290	10,182	(16,254)	–	51,107
EUR	623	–	7,847	–	–	8,470
USD	299	1,963	69,941	(1,251)	–	70,952
SGD	190	188	–	(84)	–	294
2015						
GBP	23,787	34,763	19,385	(19,598)	(18,038)	40,299
EUR	70	–	7,822	–	–	7,892
USD	350	1,313	57,511	(1,032)	–	58,142
SGD	863	138	3,157	(89)	–	4,069

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

The table below shows the impact on the 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:

	PROFIT OR LOSS AFTER TAX		EQUITY	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
2016				
GBP	–	–	5,111	(5,111)
EUR	62	(62)	847	(847)
USD	–	–	7,095	(7,095)
SGD	–	–	29	(29)
2015				
GBP	488	(488)	4,726	(4,726)
EUR	–	–	789	(789)
USD	–	–	5,184	(5,184)
SGD	–	–	407	(407)

(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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 for Bank of Scotland (2015: AA- for The Westpac Group and A 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 E1). 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
2016					
Trade and other payables	31,136	–	–	31,136	31,136
Borrowings	–	–	–	–	–
Converting notes	121	–	–	121	121
2015					
Trade and other payables	37,587	–	–	37,587	37,587
Borrowings	18,071	–	–	18,071	18,038
Converting notes	13,680	121	–	13,801	13,801

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value estimation

The BTIM Group measures and recognises its available-for-sale financial assets (see Note C5) at fair value on a recurring basis, and its borrowings and converting notes initially at fair value and subsequently at amortised cost (see Note C6).

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 and current payables, the carrying amount is assumed to approximate their fair value.

(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:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - 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 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
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	–	–	197	197
Units held in pooled funds ²	–	89,762	–	89,762
Total financial assets	–	89,762	297	90,059
Financial liabilities				
Borrowings	–	–	–	–
Converting notes	–	121	–	121
Total financial liabilities	–	121	–	121
2015				
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	–	–	252	252
Units held in pooled funds ²	–	87,623	–	87,623
Total financial assets	–	87,623	352	87,975
Financial liabilities				
Borrowings	–	18,038	–	18,038
Converting notes	–	13,801	–	13,801
Total financial liabilities	–	31,839	–	31,839

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. The fair value is measured with reference to the underlying net asset values of the pooled funds.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

C7. 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 are 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, an open-end registered investment company responsible for the JOHCM mutual fund range and Delaware Statutory Trust, both domiciled in the United States of America. Each investment vehicle is an umbrella scheme with various sub-funds, each with their own investment strategy. Each sub fund had a single price directly linked to the fair value of its underlying investments.

Borrowings

The borrowings of the BTIM Group comprised a revolving loan facility and loan notes, both of which were denominated in GBP. The loan facility expired on 26 September 2016 and the loan notes were fully redeemed during the financial year.

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 which will all convert into BTIM ordinary shares on 4 November 2016. There will be no converting notes outstanding after this date.

Shares

The shares in Regnan and in James Hambro & Partners LLP are considered level 3 as the inputs to the asset valuation are not based on observable market prices and 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.

(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
2016				
Balance at the beginning of the financial period	100	252	352	352
Effects of foreign exchange movements	–	(55)	(55)	(55)
Balance at the end of the financial period	100	197	297	297
2015				
Balance at the beginning of the financial period	100	216	316	316
Effects of foreign exchange movements	–	36	36	36
Balance at the end of the financial period	100	252	352	352

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

D. EMPLOYEE REMUNERATION

This section provides a breakdown of how BTIM rewards and remunerates its employees, including Key Management Personnel (KMP). Talent management is at the centre of BTIM's remuneration systems which are aimed at attracting, retaining and equitably rewarding its highly talented workforce while safeguarding the interests of its clients and delivering returns to shareholders.

Further information on BTIM's overall remuneration approach, remuneration of KMP and insights into how the fund managers, sales teams and general corporate employees are remunerated can be found in the Remuneration Report.

D1.	Employee benefits	102
D2.	Share-based payments	102
D3.	Key management personnel disclosures	106

D1. EMPLOYEE BENEFITS

	2016 \$'000	2015 \$'000
Annual leave	1,683	1,582
Long service leave	1,407	1,194
Provision for bonus	84,192	109,969
Total current employee liabilities	87,282	112,745
Long service leave	1,054	1,014
Provision for bonus	10,869	6,220
Total non-current employee liabilities	11,923	7,234

Included in employee expenses recognised in the Consolidated Statement of Comprehensive Income is an amount related to the BTIM Group's defined contributions to employees' superannuation and pensions of \$3,797 (2015: \$3,615)

ACCOUNTING POLICY

Employee benefits

Employee benefits liabilities represents accrued wages, salaries, annual and long-service leave entitlements and other incentives recognised in respect of employee services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, such as payroll tax.

D2. SHARE-BASED PAYMENTS

(a) Share options and performance share rights

The BTIM group has four long-term incentive plans which are aimed at driving performance by delivering value only when specific performance hurdles are met or exceeded. Under these plans eligible employees are granted either nil cost options or performance share rights in the company, which when exercised convert to ordinary shares on a one-to-one basis.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Scheme	Description	Vesting conditions	Vesting period
BTIM Performance Reward Scheme (BTIM PRS)	This scheme gives the employee the right to receive ordinary shares at a future point in time upon meeting specified vesting conditions, with no exercise price payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest and are exercised, 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.	Continued employment and performance hurdles based on Total shareholder return (TSR), and Cash earnings per share growth (Cash EPS) or revenue-linked targets.	3 years
JOHCM Performance Reward Schemes (JOHCM PRS)	This scheme gives the employee the right to receive ordinary shares at a future point in time upon meeting specified vesting conditions, with no exercise price payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest and are exercised, 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.	Continued employment and performance hurdles based on TSR, and Cash EPS.	3 years
JOHCM Long Term Retention Equity – nil cost options (LTR – NCOs)	As part of the acquisition of JOHCM, JOHCM fund managers were awarded nil cost options which will vest and be exercised into BTIM ordinary shares, on a one-to-one basis.	Continued employment and FUM retention.	Up to 10 years
JOHCM Long Term Retention Equity – (NCOs)	Following the JOHCM acquisition additional awards were made. The number of other nil cost options awarded is determined with reference to individual performance each year through the performance period ending 30 September.	Continued employment	Up to 7 years

Number and weighted average exercise price (WAEP) of nil cost options and performance share rights awarded during the year:

	BTIM PRS		JOHCM PRS		LTR – NCOs		NCOs	
	Rights No.	WAEP \$	Rights No.	WAEP \$	Rights No.	WAEP \$	Rights No.	WAEP \$
2016								
Outstanding at 1 October	2,496,012	–	922,441	–	5,844,665	–	3,450,239	–
Granted	321,442	7.83	275,335	7.83	–	–	1,942,773	13.01
Vested / Exercised	(1,179,388)	–	(80,700)	–	–	–	–	–
Forfeited	(72,139)	–	(83,951)	–	(226,037)	–	–	–
Expired	–	–	–	–	–	–	–	–
Outstanding at 30 September	1,565,927	–	1,033,125	–	5,618,628	–	5,393,012	–
Exercisable at 30 September	785,964	–	425,792	–	–	–	–	–
2015								
Outstanding at 1 October	2,511,955	–	557,364	–	5,844,665	–	1,858,570	–
Granted	502,512	4.87	391,282	4.87	–	–	1,632,982	6.78
Vested / Exercised	(495,417)	–	–	–	–	–	(26,762)	–
Forfeited	(23,038)	–	(26,205)	–	–	–	(14,551)	–
Expired	–	–	–	–	–	–	–	–
Outstanding at 30 September	2,496,012	–	922,441	–	5,844,665	–	3,450,239	–
Exercisable at 30 September	1,179,388	–	80,700	–	–	–	–	–

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

D2. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of nil cost options granted during the year

The fair value of the options are valued with reference to the BTIM share price at grant date. The fair value at grant date of the nil cost options issued during the year was \$13.01 (2015: \$6.78). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2016 was 3.4 years (2015: 4.5 years).

Fair value of performance share rights awarded during the year

The fair value of the performance share rights linked to Cash EPS or revenue targets are valued with reference to the BTIM share price at grant date and the fair value of performance share rights linked to TRS are determined using a Monte Carlo simulation pricing model with the following inputs:

- Risk free interest rate 1.84%
- Volatility 30%
- Dividend yield 0%

The fair value at grant date of the performance share rights issued during the year was \$5.92 (2015: \$3.68) for the TSR performance share rights and \$9.73 (2015: \$6.05) for the Cash EPS performance share rights. The weighted average remaining contractual life of outstanding performance share rights at 30 September 2016 was 1.4 years (2015: 1.4 years).

(b) Equity grants

The BTIM group has a number of short term incentive schemes, under which ongoing equity grants are made to employees and key management personnel. Details of the schemes are as follows:

Scheme	Description	Vesting conditions	Vesting period
BTIM new and existing employee equity grants	New and existing employees may receive one-off equity grants for retention	Continued employment	Up to 5 years
BTIM Boutique variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement directly attributed to the boutique, with a portion of the variable reward deferred into BTIM ordinary shares.	Continued employment	Up to 5 years
BTIM Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and mandatorily deferred BTIM ordinary shares	Continued employment	Up to 5 years
BTIM Annual CEO award	To recognise individual achievement, the winner of the Annual CEO Award is eligible to receive \$5,000 of BTIM ordinary shares	Continued employment	Up to 1 year
Sales Incentive Plans	Incentive scheme designed to reward performance of Business Development Managers who work within the BTIM and JOHCM sales teams.	Continued employment	Up to 5 years
JOHCM Fund manager variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement with a portion of the variable reward deferred into BTIM ordinary shares.	Continued employment	Up to 5 years
JOHCM Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and/or BTIM ordinary shares	Continued employment	Up to 5 years
JOHCM CEO Performance Reward Scheme (CEO JOHCM)	Ordinary shares are escrowed and delivered to the JOHCM CEO at a future point in time upon meeting specified vesting conditions. They are granted at no consideration and dividends payable between the grant date and the vesting period will be escrowed and paid only upon vesting	Continued employment and performance hurdles based on Cash EPS and net FUM flow targets into products managed by JOHCM.	5 year period in 3 tranches at the end of years 3, 4 and 5
Rollover Equity and Fund Equity – Converting Notes	As part of the JOHCM acquisition, converting notes were issued to JOHCM employees in exchange for their JOHCM shares or other equity entitlements.	Continued employment	Up to 5 years
Staff Equity Plan – Converting Notes	As part of the JOHCM acquisition, converting notes with performance hurdles attached, were been issued to JOHCM senior and general staff.	Continued employment and achieving operating earnings growth targets	Vest in 2 tranches after 3 and 5 years

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

D2. SHARE-BASED PAYMENTS (CONTINUED)

Number and weighted average grant date fair value of equity grants awarded during the year:

	Equity grants 2016 Number	Fair value 2016 \$	Equity grants 2015 Number	Fair value 2015 \$
Total	3,574,650	13.01	2,927,239	6.78

Fair value of equity grants awarded during the year

The fair value of the equity grants was estimated by taking BTIM's share price on grant date and a discount rate reflecting the expected dividend yield over their vesting periods.

(c) Fund Linked Equity (FLE)

The fund linked equity scheme is for JOHCM investment managers which allow them to 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.

No dividends are payable on the fund linked equity and the fund linked equity does not carry voting rights.

The fair value of the fund linked equity at the time of grant is independently determined based on a market based valuation of the investment strategies. There were no new participants under the FLE scheme during the year.

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 the investment strategies. 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.

During the year BTIM issued 8,525,752 ordinary shares to satisfy a partial exercise of the equity rights by fund managers under the FLE scheme. The shares issued are subject to vesting conditions of up to five years.

Further details on the FLE program are outlined on pages 53 to 54 of the Remuneration Report.

(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:

	2016 \$'000	2015 \$'000
Total amortisation of employee equity grants	58,125	41,336

CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES: SHARE BASED PAYMENTS

The cost of equity-settled share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value calculation is performed by an external valuer and is determined using Binomial/Monte-Carlo simulation valuation techniques and other market based valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted. The valuation methodologies involve a number of judgements and assumptions which may impact the share based payment expense taken to profit and loss and equity.

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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

ACCOUNTING POLICY

Share-based payments

Share-based payment compensation benefits are provided to employees via employee share, performance share rights and option schemes. The fair value of shares, performance share rights and options granted to employees for no consideration is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. The fair value of shares, performance share rights and options 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 performance share rights and options granted are measured using Binomial/Monte-Carlo simulation valuation techniques, taking into account the terms and conditions upon which the performance share rights and options were granted.

D3. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) KMP compensation

	2016 \$	2015 \$
Short-term employee benefits	6,498,868	5,645,220
Post-employment benefits	240,526	231,270
Long-term benefits	23,907	32,493
Share-based payments	7,065,532	6,991,526
Total	13,828,833	12,900,509

(b) Shareholdings

The following table sets out details of number of BTIM ordinary shares held by key management personnel (including their related parties):

	2016	2015
Held at the beginning of the year	2,870,492	2,209,244
Granted as remuneration	191,553	225,048
Purchases	36,934	33,839
Sales	(1,812,421)	(849,422)
Other changes ¹	1,331,149	1,251,803
Held at the end of the year	2,617,707	2,870,492

¹ Other changes relate to the conversion of performance share rights to ordinary shares 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):

	2016			2015		
	Performance shares	Performance share rights	Converting notes	Performance shares	Performance share rights	Converting notes
Held at the beginning of the year	2,049,230	1,177,454	1,723,799	2,049,230	1,414,944	2,478,870
Granted as remuneration	–	163,792	–	–	258,027	–
Acquired during the year	–	–	–	–	–	–
Vested during the year	–	(597,078)	(755,071)	–	(495,417)	(755,071)
Lapsed during the year	–	–	–	–	–	–
Other changes	–	–	–	–	(100)	–
Held at the end of the year	2,049,230	744,168	968,728	2,049,230	1,177,454	1,723,799

(d) Loan notes

All loan notes held by key management personnel (including related parties) were fully redeemed during the financial year.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

E. GROUP STRUCTURE

This section explains significant aspects of the BTIM Group structure including changes during the year.

The ultimate parent entity within the BTIM Group is BT Investment Management Limited which is a listed entity in Australia with subsidiaries in Australia and overseas.

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E3.	Unconsolidated structured entities	109
E4.	Related party transactions	110

E1. PARENT ENTITY INFORMATION

(a) Summary financial information

	COMPANY	
	2016 \$'000	2015 \$'000
Profit for the financial year	105,652	139,225
Total comprehensive income for the financial year	105,652	139,225
Current assets	151,837	143,774
Total assets	757,856	718,227
Current liabilities	79,877	63,159
Total liabilities	82,172	64,295
Shareholders' equity:		
Contributed equity	441,059	454,094
Reserves		
Common control reserve	(25,472)	(25,472)
Share-based payment reserve	147,760	103,939
Retained earnings	112,337	121,371
Total equity	675,684	653,932

(b) Guarantees entered into by the parent entity

The parent entity has 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 F3.

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

The parent entity had no contractual commitment for the acquisition of property, plant and equipment (2015: \$nil).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

ACCOUNTING POLICY

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

Capital contributions

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.

E2. SUBSIDIARIES AND CONTROLLED ENTITIES

Name	Country of incorporation/formation	Class of shares	EQUITY HOLDING	
			2016 %	2015 %
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) 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	–	–

ACCOUNTING POLICY

Principles of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by the BTIM Group and its subsidiaries. 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. Subsidiaries are fully consolidated from the date on which the Company obtains control and until such time as control ceases.

In preparing the Financial Report, all Intercompany transactions, balances and unrealised gains arising within the BTIM Group are eliminated in full.

Controlled entities within the BTIM Group conduct investment management and other fiduciary activities as responsible entity, 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 responsible entity 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

Foreign currency translation

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.

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 included in the 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.

E3. 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 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 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:

	Australian equities \$'000	Australian diversified and property \$'000	Australian cash and fixed income \$'000	International equities \$'000	Other \$'000	Total \$'000
2016						
Cash and cash equivalents	–	–	138,043	–	–	138,043
Trade and other receivables	3,237	474	5,595	24,321	–	33,627
Available-for-sale financial assets	–	–	–	89,762	–	89,762
Total Assets	3,237	474	143,638	114,083	–	261,432
Maximum exposure to loss	3,237	474	143,638	114,083	–	261,432
Net asset value of funds	2,976,946	1,506,372	3,949,318	31,497,300	673,294	40,603,230
2015						
Cash and cash equivalents	–	–	134,979	–	–	134,979
Trade and other receivables	3,464	696	3,902	25,373	–	33,435
Available-for-sale financial assets	–	–	–	87,623	–	87,623
Total Assets	3,464	696	138,881	112,996	–	256,037
Maximum exposure to loss	3,464	696	138,881	112,996	–	256,037
Net asset value of funds	3,322,803	1,497,410	2,711,245	30,266,988	324,109	38,122,555

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

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 B2 for further information.

E4. RELATED PARTY TRANSACTIONS

Westpac has a 29% (2015: 31%) shareholding in BTIM and The Westpac Group are a party to a number of related party licensing, management, services and financing agreements with BTIM.

(a) The Westpac Group of companies

	2016 \$	2015 \$
Transactions during the year:		
Management, fund and trustee fees	65,633,200	70,770,894
Service fees from related parties	1,535,293	1,507,516
Service fees to related parties	7,337,865	6,754,848
Insurance premiums to related parties	160,173	141,909
Interest received on cash balances held	252,325	259,252
Bank guarantee fee paid for premises lease	24,242	16,103
Interest paid on borrowings	591,801	776,915
Dividends paid on ordinary shares	34,509,507	62,208,000
Outstanding balances:		
Current receivables - rendering of services	5,854,797	5,973,262
Current payables - purchase of services	4,599,936	5,066,988
Borrowings	–	11,072,371
Cash and cash equivalents	5,131,118	5,262,424
Other:		
Bank guarantee on premises lease	1,609,393	1,609,393

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

E4. RELATED PARTY TRANSACTIONS (CONTINUED)

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	Ongoing, subject to termination rights.	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 BTIMFS's appointment.
Initial 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.
Other Investment Management Agreements	Ongoing, unless terminated in accordance with the provisions of the agreements.	Appoints BTIMI as the investment manager for the following funds: • Advance Cash Multi-Blend; • Advance Defensive Yield Multi-Blend; • Advance Australian Shares Multi-Blend; • Advance Fixed interest Multi-Blend Fund; • WSSP Australian Equity Trust; and • ESSP Enhanced Sustainability Shares.
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 expired 26 September 2016.	The BTIM Group GBP revolving loan facility with The Westpac Group expired during the financial year. Refer to Note F5 for details of a new multi-currency debt facility entered into subsequent to year end.

(b) Other related parties

J D Hambro is Chairman of J O Hambro Capital Management Holdings Limited and is also a member and has a significant holding directly and indirectly in James Hambro & Partners LLP (JH&P), of which JOHCM holds a 5.14% interest (2015: 6.51%). J D Hambro is also a director and substantial holder of Runnall Limited, and a director and shareholder of JH&P Holdings Limited; of which both are members of JH&P.

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 \$85,063/£50,000 (2015: \$108,342/£50,000) and may be renewed thereafter.

JOHCM provided dealing and IT services to JH&P under an agreement for a fee of \$85,063/£50,000 (2015: \$108,342/£50,000), which was amended from 1 January 2016 to only provide dealing services, with an annual fee of \$34,025/£20,000.

In addition, the BTIM Group Executive, International G M Rochussen has a 3.24% (2015: 3.24%) investment in JH&P and was a member of its Executive Committee until 12 June 2016.

During the year the BT Global Concentrated Share Fund was seeded with \$2.0 million by the Company.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

F. OTHER

This section provides details on other required disclosures to comply with the Australian Accounting Standards and International Financial Reporting Standards.

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F1. INTANGIBLE ASSETS

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
2016				
Net book value as at 1 October 2015	524,652	110,219	1,453	636,324
Additions	–	–	786	786
Foreign exchange loss	(62,603)	(22,709)	–	(85,312)
Amortisation expense	–	(7,627)	(405)	(8,032)
Impairment loss	–	(2,263)	–	(2,263)
Net book value as at 30 September 2016	462,049	77,620	1,834	541,503
<i>Represented by:</i>				
Cost	462,049	126,744	3,487	592,280
Accumulated amortisation and impairment	–	(49,124)	(1,653)	(50,777)

2015				
Net book value as at 1 October 2014	483,038	102,352	1,207	586,597
Additions	–	–	562	562
Foreign exchange gain	41,614	16,250	–	57,864
Amortisation expense	–	(7,841)	(316)	(8,157)
Impairment loss	–	(542)	–	(542)
Net book value as at 30 September 2015	524,652	110,219	1,453	636,324
<i>Represented by:</i>				
Cost	524,652	161,430	2,701	688,783
Accumulated amortisation and impairment	–	(51,211)	(1,248)	(52,459)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

F1. INTANGIBLE ASSETS (CONTINUED)

Fund and investment management contracts:

Fund management contracts relate to contractual relationships to manage open-ended funds (OEICs). Investment management contracts comprise contractual relationships with individual clients. They were acquired via the business combination with JOHCM and are made up as follows:

	2016 \$'000	2015 \$'000
Fund management contracts – OEICs	67,497	95,713
Investment management contracts – Segregated mandates	10,123	14,506
Total	77,620	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 used to discount the cash flow projections (post tax) is 12% (2015:13%), based on the cost of capital.

An impairment loss of \$2.3m (2015: \$0.5m) 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.

Goodwill:

Goodwill has been derived from the following business combinations:

	2016 \$'000	2015 \$'000
Purchase of the investment management business from Westpac effective 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	228,749	291,352
Total	462,049	524,652

For the purpose of impairment testing, assets are grouped at 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 (cash generating units or CGUs). To determine if goodwill is impaired, the carrying value of the identified CGU to which the goodwill is allocated is compared to its recoverable amount.

Goodwill is allocated to CGUs according to operating segments (refer B1). Goodwill attributable to BTIM Australia and BTIM International is \$233.3m and \$228.7m 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 International are 11% and 12% (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 30 September 2016.

There has been no impairment of goodwill during the year ended 30 September 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 30 September 2016.

ACCOUNTING POLICY

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 is carried at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

F1. INTANGIBLE ASSETS (CONTINUED)

Fund and investment management contracts

Fund and investment management contracts acquired as part of a business combination are recognised separately from goodwill. They 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.

Other intangibles

Other intangibles relates to 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. 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.

Impairment

Goodwill and other intangibles assets are tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, or whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised through the Statement of Comprehensive Income for the amount by which the assets carrying amount exceeds its recoverable amount. Intangible assets, other than goodwill are reviewed for possible reversal of impairment losses at each reporting date. Reversals are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES: INTANGIBLE ASSETS

The Fund and investment management contracts 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.

The BTIM Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on 'fair value less cost to sell' methodology which requires the use of assumptions. Key assumptions requiring judgement include projected cash flows, growth rate assumptions and, discount rates.

F2. LEASE COMMITMENTS

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016 \$'000	2015 \$'000
Within one year	3,575	2,174
Later than one year but not later than five years	13,372	7,596
Later than five years	7,613	5,186
Total commitments	24,560	14,956

During the year, a ten year and three year lease agreement was entered into for the London and Singapore office respectively.

The BTIM Group had no finance leases as at 30 September 2016.

ACCOUNTING POLICY

Leases

When the terms of a lease transfer substantially all the risks and rewards of ownership to the Group, the lease is classified as a finance lease. All other leases are classified as operating leases. Payments made under operating leases are recognised as an expense 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 incentive liability in the Statement of Financial Position.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

F3. 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 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.

Regulatory authority

During the year, a group company has been in dialogue with a regulatory authority arising from an industry thematic review, with the likely outcome of this dialogue remaining uncertain and the determination of any potential outcome or consequence unable to be estimated at this time.

Capital guarantee

BTIM has guaranteed the obligations of BTIMI to its institutional clients. The effect of the guarantee, which is capped at \$5 million in aggregate, 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 2016, none of the above contingent obligations are anticipated to result in any material loss.

F4. REMUNERATION OF AUDITORS

(a) Audit and other assurance services – Australia

	2016 \$	2015 \$
PricewaterhouseCoopers		
Audit and review of Financial Reports	429,205	418,738
Other assurance services	22,000	–
Audit of Australian Financial Service Licences	16,892	16,480
Total remuneration for assurance services – Australia	468,097	435,218

(b) Audit and other assurance services – outside of Australia

PricewaterhouseCoopers		
Audit and review of Financial Reports	218,846	209,751
Other assurance services	21,266	10,834
Audit of Financial Conduct Authority Licence	34,876	42,254
Total remuneration for assurance services – outside of Australia	274,988	262,839

(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 BTIMFS and BTIMI is trustee, manager or responsible entity. The fees were approximately \$1,314,435 for the financial year (2015: \$1,272,121).

F5. SUBSEQUENT EVENTS

On 2 November 2016, BTIM entered into a new three year multi-currency \$25m debt facility with the Westpac Group. The facility remains undrawn at the date of this report.

There is no other matter or circumstance which is not otherwise reflected in this Financial Report that 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.

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2016

In the Directors' opinion:

- a) the financial statements and notes set out on pages 78 to 115 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 2016 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 A1 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
Managing Director

Sydney, 3 November 2016



Independent auditor's report

To shareholders of BT Investment Management Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of BT Investment Management Limited (the "Company") and its subsidiaries (together, the "Group") is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 September 2016 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated statement of financial position as at 30 September 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group provides investment management services through its two operating segments comprising of the investment management business in Australia ("BTIM Australia") and outside of Australia ("BTIM International").



Materiality	Audit scope	Key audit matters
- For the purpose of our audit we used overall Group quantitative materiality of \$9.3 million, which represents 5% of profit before tax of the Group, with the net performance fee earned for the year ended 30 September 2016 removed and a three-year average of the net performance fee earned included instead. Net performance fee represents the gross performance fee revenue less the expense paid to employees attributable to the performance fee. - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose the benchmark because, in our view, profit	- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving making assumptions and considering inherently uncertain future events. - The Australian engagement team directed the involvement of PwC UK, who performed an audit of the financial information of BTIM International. All other procedures were performed by the Australian engagement team. - For the work performed by PwC UK, we considered the level of involvement we needed to have in their audit work to be able to evaluate whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue during the audit	- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Carrying value of intangible assets, comprising goodwill and fund and investment management contracts - Accounting for employee remuneration schemes and employee bonuses - Recognition of fee revenue - These are further described in the <i>Key audit matters</i> section of our report.

Independent Auditor's Report



Materiality	Audit scope	Key audit matters
before tax is the metric against which the performance of the Group is commonly measured and the adjustments of performance fees addresses their volatility year to year. We selected 5% based on our professional judgement noting it is within the range of commonly acceptable profit related thresholds.	with PwC UK and review of their work.	

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets - goodwill and fund and investment management contracts <i>Refer to Note F1 of the financial report</i> This was a key audit matter as the intangible assets were the largest asset balance (\$542 million as at 30 September 2016) and due to the complexity and judgments in the discounted cash flow models used each year to perform an impairment assessment of the assets. The Group's significant judgements in assessing impairment of goodwill included forecasting cash flows of the Group for five years, which involved making revenue growth rate assumptions, and determining discount rates. The significant judgements in assessing impairment of the fund and investment management contracts forecasting cash flows of each contract for five years, which involved making assumptions on revenue growth rates and discount rates. An impairment of \$2 million was recognised in the financial report in relation to the investment management contracts.	Our audit procedures on the goodwill asset included, amongst others: - Understanding and evaluating the controls over the Group's goodwill impairment process including the review of forecasts and assumptions. - Assessing the Group's determination of their Cash Generating Units (CGU), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, based on our understanding of the nature of the Group's business. - Testing the mathematical accuracy of the discounted cash flow models used in the impairment assessment. - Evaluating the cash flow forecasts in the impairment assessment and the process by which they were developed, including comparing the forecasts to historical results and the latest Board approved budgets. We found the forecasts and budgets were materially consistent. - Assessing the historical ability of the Group to make accurate forecasts by comparing current year (2016) actual results with the figures included in the prior year (2015) forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. We found that actual 2016 performance was materially consistent with forecast performance.



Key audit matter	How our audit addressed the key audit matter
	• Comparing the key assumptions for revenue growth rates and discount rates with market information. We were assisted by valuation specialists in making this comparison for the BTIM International CGU. • Calculating what level of revenue growth rates and discount rates would result in an impairment and considered whether these levels were reasonably possible based on our knowledge of the business and historical results. We found that reasonably possible changes in key assumptions were less than those which would result in an impairment. • Evaluating management's business stress test, which outlined management's view of the impact to the Group's financial results resulting from a severe market shock, including the impact of the United Kingdom exiting the European Union on BTIM International. We also performed our own stress-test calculations of the potential impact from severe market shocks on the impairment of goodwill based on our knowledge of the business and industry. Our stress-tested calculations showed a higher value than the carrying value of the balances in the financial report. • Assessing if the disclosures of the goodwill value are in accordance with the requirements of Australian accounting standards. Our audit procedures on the fund and investment management contracts included, amongst others: • Discussions with management and inspecting board minutes, management accounts and other documentation to identify any impairment indicators. Other than the impairment recognised, there were no impairment indicators noted. • Selecting a sample of contracts based on certain risk criteria and comparing cash flow forecasts in the discounted cash flow model to actual contract performance for the year. There were no material inconsistencies. • Recalculating the amortisation charge for the year for each contract and compared this to management's calculations, checking that the inputs were consistent with contractual terms. • Testing the key assumptions for revenue growth rates and discount rates by comparing them to market information. We varied the key assumptions within the model to consider what reasonable sensitivities would result in an impairment. We found that reasonably possible changes in key assumptions are less than those which would result in an impairment.

Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
Accounting for employee remuneration schemes and employee bonuses <i>Refer to Section D and the remuneration report of the financial report</i> Accounting for employee remuneration schemes and bonuses, specifically the Fund Linked Equity ("FLE") and share based payments, was considered a key audit matter due to the significance of the expense in the statement of comprehensive income, the nature of the expense and the level of judgement that is applied in their determination, including assessing the likelihood of specific performance hurdles being met. During the year the Group issued 8.5 million ordinary shares to satisfy a partial exercise of the equity rights by fund managers under the FLE schemes.	- Assessing if the Group's disclosures of the investment management contracts are in accordance with the requirements of Australian accounting standards. Our audit procedures performed on the FLE expense included, amongst others: - Agreeing the variable inputs to the calculation used to determine the value of the equity that would have to be granted upon full conversion of FLE rights included within the remuneration report, such as listed share price of the Group, price to earnings multiple and funds under management (FUM) to appropriate supporting data. - Recalculating the FLE expense and agreeing the key inputs in the calculation (such as the listed share price of the Group, FUM, margin, earnings per share) to appropriate supporting data. - Understanding performance hurdles specified in the FLE agreements and assessing if the calculations of the FLE are consistent with the actual performance. - Assessing the disclosures in the remuneration report and financial report by comparing these disclosures to our understanding of the matter and the requirements of Australian accounting standards. Our audit procedures performed on the share based payments expense included, amongst others: - For the new equity scheme issued during the year, reading the offer letters provided to employees, considering the accounting treatment to recognise the new scheme and assessing whether the assumptions that any performance criteria will be met are consistent with forecasts. - For grants made during the current year, testing for a sample of employees that the number of shares granted agreed to third party confirmations and approval by the company and agreeing the grant date share price to published pricing data. - For grants made in prior periods, recalculating the amortisation expense based upon the grant date share price and the number of shares. - Assessing whether a share based payment expense had been recognised for entitled employees given our knowledge of the remuneration schemes. - Recalculating the current and deferred tax impact of the accounting entries posted.

Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
Recognition of fee revenue <i>Refer to Note B2 of the financial report</i> This was a key audit matter because revenue was the most significant account balance in the consolidated statement of comprehensive income. Additionally, although there was no significant judgement involved in their determination, performance fees fluctuate depending on market performance and some employee incentives are linked to fund performance. Revenue of \$500 million comprises a number of streams including, amongst other: • Investment management fees (\$402 million) • Performance fees (\$77 million) • Transaction fees (\$15 million) The calculations of these fees were performed by the service providers used by the Group to provide accounting and other services in connection with the administration of the funds' financial records. The terms of these fees were set out in signed agreements and are invoiced regularly throughout the year.	• Checking the mathematical accuracy of the remuneration expense calculations. • Assessing the disclosures in the remuneration report and financial report by comparing these disclosures to our understanding of the matter and the requirements of Australian accounting standards. To test the key controls over recognising fee revenue for BTIM Australia, we assessed an assurance report issued by an independent third party auditor in accordance with International Standard on Assurance Engagements (ISAE) No. 3402, Assurance Reports on Controls at a Service Organization. The report was in respect of relevant controls at the service provider used to provide accounting and administration services and reflected testing whether the relevant controls were appropriately designed and operating effectively. We found that that it was appropriate for us to place reliance on these controls for the purpose of our audit. For BTIM International and BTIM Australia, we also performed the following audit procedures: • Assessing whether the revenue accounting policy was consistent with Australian accounting standards. • Agreeing a sample of investment management, performance and transaction fees back to invoices and relevant supporting external evidence, such as underlying fund financial statements and third party calculations.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Letter, Chief Executive Officer's Report, Strategic Report, Operating Review, Domestic Business Review, Offshore Business Review, Investment Strategies, Corporate Sustainability & Responsibility and Director's Report included in the Group's annual report for the year ended 30 September 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 47 to 75 of the directors' report for the year ended 30 September 2016.

In our opinion, the remuneration report of BT Investment Management Limited for the year ended 30 September 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou

Partner

3 November 2016

Shareholder Information

The shareholder information set out below is current as at 14 October 2016.

Securities Exchange Listing

The ordinary shares of BT Investment Management Limited are listed on the Australian Securities Exchange under the ASX code BTT.

Number of shareholders and shares on issue

The Company has 307,430,721 ordinary shares on issue, held by 24,387 shareholders.

Twenty largest shareholders

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

		NUMBER OF SHARES	%
1	Westpac Financial Services Group Limited	90,814,493	29.54
2	J P Morgan Nominees Australia Limited	35,024,462	11.39
3	HSBC Custody Nominees (Australia) Limited	21,002,152	6.83
4	National Nominees Limited	11,702,323	3.81
5	RBC Investor Services Australia Nominees Pty Limited	8,789,128	2.86
6	Citicorp Nominees Pty Limited	7,591,471	2.47
7	BNP Paribas Nominees Pty Limited	6,554,482	2.13
8	Equiniti Trust (Jersey) Limited	5,393,012	1.75
9	Chris Lees	5,110,917	1.66
10	EFI Investments Pty Limited	4,223,271	1.37
11	BNP Paribas Nominees Pty Limited	3,681,537	1.20
12	Equiniti Trust (Jersey) Limited	3,339,808	1.09
13	Richyal Nudgem	2,731,833	0.89
14	Equiniti Trust (Jersey) Limited	2,059,121	0.67
15	Equiniti Trust (Jersey) Limited	2,049,230	0.67
16	Emilio Gonzalez	1,993,692	0.65
17	Citicorp Nominees Pty Limited	1,822,787	0.59
18	Pacific Custodians Pty Limited	1,630,218	0.53
19	NSW Investor Nominees Pty Limited	1,613,500	0.52
20	Andrew Martin Waddington	1,416,191	0.46
Total		218,543,628	71.08
Total Number of Shares		307,430,721	100.00

Distribution schedule

	NUMBER OF SHARES	%	NUMBER OF SHAREHOLDERS
1 - 1,000	2,661,165	0.87	5,028
1,001 - 5,000	29,217,777	9.50	17,020
5,001 - 10,000	9,976,443	3.25	1,395
10,001 - 100,000	19,683,133	6.40	893
100,001 and over	245,892,203	79.98	51
Total	307,430,721	100.00	24,387

Shareholder Information continued

Unmarketable parcels of shares

There are 311 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	124,538,985	40.59
Hyperion Asset Management Limited	26,425,076	8.6

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

The following unquoted securities are on issue:

Converting notes:	3,126,609
Nil cost options:	11,011,640

Voting rights of ordinary shares

Under the Company's Constitution, holders of fully paid ordinary shares have at a general meeting, one vote on a show of hands and on a poll one vote for each share held.

No voting rights are attached to converting notes or nil cost options.

Shareholder Calendar

Record date for final dividend	9 December 2016
Annual General Meeting	16 December 2016
Payment date for final dividend	21 December 2016
Interim results announcement	11 May 2017
Final results announcement	7 November 2017

Please note that the above dates are subject to change.

Glossary

\$

Australian dollars, unless indicated otherwise

S\$ or SGD

Singapore dollars

\$ or USD

US dollars

EUR

Euro

£ or GBP

Pounds sterling

2016 Financial Year or FY16

The financial year ended 30 September 2016

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

ASX

Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)

Board

Board of Directors

Bps

Basis points

BREXIT

A process by which the UK will withdraw from the European Union, as a result of a referendum held in June 2016.

BTFG

BT Financial Group, the wealth management division of Westpac

BTIM or Company

BT Investment Management Limited (ABN 28 126 385 822)

BTIM (Australia)

The Australian operations of the BTIM Group.

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

BTIM Funds

The managed investment schemes or unit trusts of which BTIM FS is the RE

BTIM Group or Group

BTIM, BTIMFS, BTIMI, BTIM UK Limited, JOHCM Holdings, JOHCM and its subsidiaries

BTIMI

BT Investment Management (Institutional) Limited (ABN 17 126 390 627), a wholly-owned subsidiary of BTIM

CEO

Chief Executive Officer

CFO

Chief Financial Officer

CGU

Cash generating unit

CODM

Chief operating decision-maker

COO

Chief Operating Officer

Corporations Act

Corporations Act 2001

cps

Australian cents per share

CRO

Chief Risk Officer

Directors

Directors of BTIM Group, unless indicated otherwise

DRP

Dividend reinvestment plan

EBITDA

Earnings before interest and tax after depreciation and amortisation

EPS

Earnings per share

FUM

Funds under management

GEC

Global Executive Committee of BTIM Group, as listed on pages 43 and 44 of the Directors' Report.

IASB

International Accounting Standards Board

JOHCM

J O Hambro Capital Management Limited

JOHCM Holdings or JOHCMH

J O Hambro Capital Managements Holdings

Key Management Personnel or KMP

Those persons having authority and responsibility for planning, directing and controlling the activities of BTIM Group, as set out on pages 43 and 44 of this Report.

KPIs

Key performance indicators

M & A

Mergers and acquisitions

NED

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 2016

Senior Executives

The Group CEO and other Senior Executives listed on page pages 43 to 44 of the Remuneration Report

Senior Management Team

Senior Management Team of BTIM Group, as listed on pages 43 and 44 of this Report.

SMA

Separately Managed Account

Soft-close

Strategies and funds closed to new investors but which remain open to existing investors on existing terms.

VR

Variable reward

Westpac

Westpac Banking Corporation (ABN 33 007 457 141)

The Westpac Group

Westpac and its controlled entities

TSR

Total shareholder return which is calculated on the three month average closing share price prior to the beginning and end of the period of performance measured and consistent with market practices for remuneration purposes

WIB

Westpac Institutional Bank

Corporate Directory

Directors

James Evans (Chairman)

Emilio Gonzalez (CEO)

Meredith Brooks

Andrew Fay

Deborah Page, AM

Les Vance

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

2016 Corporate Governance Statement

BTIM's 2016 Corporate Governance Statement can be viewed at:

www.btim.com.au/about/corporate-governance/

Auditors

PricewaterhouseCoopers

Darling Park Tower 2

201 Sussex Street

Sydney NSW 2000

Share Registry

Link Market Services Limited

Level 12

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Sydney NSW 2000

Telephone: +612 8280 7100

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