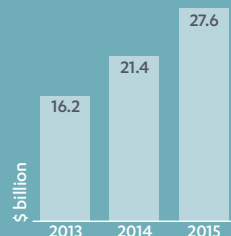


Delivering Investment Strategies Globally

Annual Report 2015

USA

FUM
MANAGED
FOR CLIENTS
IN USA



FUM MANAGED
FOR CLIENTS
IN UK & EUROPE

UK &
EUROPE

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

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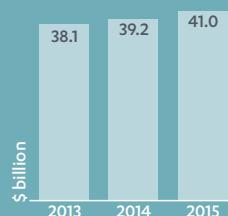
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CLOSING FUNDS UNDER MANAGEMENT

\$78.4b
+18%



FUM MANAGED
FOR CLIENTS IN
AUSTRALASIA



Source: BTIM

FEE REVENUE

\$436.6m
+4%

CASH NET PROFIT AFTER TAX

\$132.5m
+4%

ORDINARY DIVIDENDS

37.0cps
+6%

Chairman's Letter



Mr James Evans, Chairman

Dear Shareholders,

BT Investment Management's (BTIM) business diversity and global distribution have delivered continued growth in earnings in the 2015 Financial Year. Particularly pleasing was the strong increase in the fundamental drivers of our earnings: fund flows; funds under management (FUM) and base management fees.

A standout for the year was the net inflows of new monies into our funds totaling \$5.7 billion, a record for our business. These record inflows, combined with higher average market levels, investment outperformance and favourable foreign exchange movements, resulted in FUM growth of 18 per cent and total FUM of \$78.4 billion as at 30 September 2015.

Total fee revenue increased by four per cent to \$436.6 million, driven by strong growth in base management fees. Base management fees were \$371.1 million, a 28 per cent increase on the previous year. It is noteworthy that the growth in base management fees has not only been sufficient to offset reduced performance fees this year, it has contributed to an increase in total revenue.

Our revenue is derived from diverse sources; across geographies, clients and products. These different revenue sources reduce our reliance on earnings from any one region, client or product.

Revenue is derived from diverse sources across geographies, clients and products reducing our reliance on earnings from any one region, client or product.

The business is in a position of strength and we are confident in our strategy and our ability to continue to grow the business into the future.

BTIM operates in some of the largest funds management markets in the world, including the United States (US), United Kingdom (UK), Asia, Europe and Australia. Across these markets our capabilities are varied. We offer specialist investment services in the management of equities, fixed income and diversified strategies. We have a broad client base including super, pension, government, corporate and industry funds as well as financial planning groups, wealth management platforms, private banks, private wealth managers and high-net worth individuals. This expansive and diverse reach generates a more stable revenue stream.

Cash net profit after tax (Cash NPAT) increased four per cent on the prior year to \$132.5 million, the highest level of earnings for the Group since its listing in 2007. Cash earnings per share (Cash EPS) were 44 cents per share, three per cent higher than the previous year, and dividends per share increased by six per cent to 37.0 cents per share. Since the 2012 Financial Year, following the acquisition of our offshore business, J O Hambro Capital Management (JOHCM), Cash NPAT has grown 219 per cent and Cash EPS has grown by 201 per cent.

Shareholder Base

In June 2015, our largest shareholder, the Westpac Group, reduced its shareholding¹ in BTIM from 59 per cent to approximately 31 per cent. Through an institutional book-build and a retail entitlement offer, new shareholders came onto the register and existing shareholders were given the opportunity to increase their holding.

As a result of the sell-down the shareholder base has expanded and there has been an increase in free-float and liquidity of BTIM's shares. This has led to BTIM being included in a number of S&P/ASX market indices which will support and broaden the appeal of BTIM.

The number of shareholders invested in BTIM has grown from around 9,300 to approximately 25,800 which I believe is a strong endorsement for our business, strategy and future prospects. I would like to welcome all new shareholders to the Company and I look forward to meeting some of you at our Annual General Meeting on 8 December 2015.

Returns to Shareholders and Strong Capital Position

The Board has declared a final dividend of 20.0 cents per share, bringing total dividends for the year to 37.0 cents per share.

The total dividends declared this financial year represent a yield of 6 per cent (based on the opening share price at 1 October 2014). Together with a share price appreciation of 55 per cent, shareholders who have been on the register since the beginning of the financial year have received a total return of 61 per cent. Notably, in the rankings of total shareholder return of the S&P/ASX 200 companies, BTIM was ranked number one over three years to September 2015. Over this period BTIM delivered a total shareholder return (TSR) of 493 per cent.

Our gearing levels are low, providing us with a strong capital position. As at 30 September 2015, gearing was two per cent of equity.


Outlook

Our strong results this financial year reflect the effort of the many talented people who work across the BTIM Group. On behalf of the Board, I would like to thank everyone for their hard work and commitment to the Group's strategic priorities, which continued the delivery of value to our shareholders.

Building-out our business both domestically and offshore will continue to be a priority in the year ahead. We will be investing in our business to support long-term growth

including added investment in people, infrastructure and support systems.

The business is in a position of strength with low levels of gearing and a diversified portfolio of investments. We are confident in our strategy and our ability to continue to grow the business into the future.



James Evans
Chairman

¹ based on ordinary shares on issue.

Chief Executive Officer's Report



Mr Emilio Gonzalez, Chief Executive Officer

I am pleased to report another successful year for the business, continuing on from what has been a number of years of solid growth.

The year in review

I am pleased to report another successful year for the business, continuing on from what has been a number of years of solid growth. The business has grown its funds under management and as a consequence the base management fees we earn from managing client funds. We have had success in particular from the JOHCM business in attracting net flows and the domestic Australian business has seen strong growth as a result of flows into new products.

Our financial results have been assisted by a number of favourable tailwinds. Equity markets over the past few years have been higher on the back of low interest rates globally and a lower Australian dollar has translated our offshore earnings into higher Australian dollar earnings. Whilst over the long-term, equity markets, despite their unpredictability, should provide natural growth for our business, rising markets and a lower Australian dollar alone will not always favour us. In 2015 the domestic market as measured by the S&P/ASX 300, was on average up two per cent for the year. Offshore markets as measured by the MSCI All Countries World Index (ACWI) (GBP) were on average up 10 per cent.

Cash NPAT for the year was \$132.5 million, a four per cent increase on the previous year. Although the headline number shows a modest improvement on the previous year, base management fees were up 28 per cent for the same corresponding period. The reason for the more modest rise in the headline number was due to the unprecedented investment performance fee of \$121.8 million generated in the 2014 Financial Year. Whilst still a strong outcome, investment performance fees were \$51.9 million this financial year, a reduction of \$69.9 million when compared with 2014. After taking into account associated costs, the business was able to make-up for this through growth in base management fees, thereby still generating an increase in Cash NPAT.

As with previous years there were a number of factors contributing to the growth in the business. This is one of our great strengths in that there is a diversity of factors that can drive our profitability and this makes for a strong and more sustainable business. Whilst our business is heavily reliant on markets and how they move, which also impacts market sentiment and flows into our funds, our diversity across regions, investment styles, channels, asset classes as well as currency, assists to build a more resilient 'all weather' business.

Factors which contributed to the 2015 financial results were:

- Strong investment performance
- Net inflows into JOHCM funds
- Growth in FUM into US pooled vehicles
- Robust flows into Australian fixed income funds
- Success in growing FUM from new products, and
- A weaker Australian currency.

Investment performance across our funds has generally been very good. On a 12-month basis 84 per cent of the funds we manage outperformed their respective benchmarks. Supported by our distribution

capabilities, the strong investment performance underpinned net inflows of \$5.7 billion in client money through the year. This combined with an uplift from currency and markets of \$6.3 billion delivered growth in funds under management of \$12 billion, to close the year out at \$78.4 billion.

Our vision for the BTIM Group is to be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent. To execute this vision, it requires a strategy that not only provides for growth but at the same time supports a business that fosters an investment-led performance culture. We have been successful in recruiting and retaining our investment people, with no investment manager having left the organisation to join a competitor in the last five years.

Achieving the right alignment between clients, staff and shareholders is important and requires a business model that provides for a clear and transparent remuneration structure that rewards staff for value creation to BTIM as a result of generating exceptional returns for our clients. Our remuneration report details the programs we operate to achieve this outcome.

We have also provided an outline of the progress we have made on our strategy which includes attracting and retaining investment capabilities. This is laid out on pages 8 and 9. I encourage you to take the time to read through our achievements this year and the areas we have focused on.

A key focus for the future will be to ensure that as the business grows and expands across the globe, we continue to seek out talent and manage growth. Our operations across Australia, UK, Europe, Asia and the US provide a broad platform for us to source investment talent. One of our geographic areas of focus is the US where there is a deep market and significant potential for growth. Managing a growing global business will also mean ensuring we have the right structures and risk frameworks in place given the growth in regulation and complexity of operating across regions.

One of our geographic areas of focus is the United States where there is a deep market and significant potential for growth.

Chief Executive Officer's Report continued

Investment markets

Investment markets and understanding what drives them, is at the heart of what we do and while predicting markets over the short term is fraught with danger, their movement does have direct implications for the financial outcomes of our business. Later in the Annual Report our key investment managers will shed more light on how they have navigated their way through another year of ups and downs and the areas in the market where they see the best opportunities. What you will notice is that unlike many other firms we do not hold a house view. We believe investment managers perform best when they are able to independently exercise their view based on thorough analysis. There is no better way to generate a conviction of ideas.

Investment markets through the 2015 Financial Year in many ways had a number of recurring themes. Commodity prices, sovereign debt, oil prices, emerging markets and global growth or lack of it, dominated most headlines. After a strong start early in the year, a declining oil price weighed heavily on the large oil and gas producers. Fears of a real Greek default re-surfaced before a crisis was averted, and towards the end of the financial year markets took a turn for the worse as concerns over China's slowing

growth and its impact on other economies began to spread. For further commentary on the markets in which we invest, please see the investment strategies section from page 20.

Global Asset Management

We have made good progress in building the business in the US market where we saw a significant uptick in investor interest in 2015. We now sell seven strategies in the US market including the JOHCM International Select strategy, which was the first strategy to be launched in the US market and continues to receive strong interest from investors. In total, we received US\$2.7 billion in flows from US investors over the course of the 2015 Financial Year, mostly into the mutual fund range. We have also launched a range of Delaware Statutory Trust structures for the US small-medium institutional market to help build our presence in that channel.

In Europe and the UK, we continue to build capacity by launching new strategies or extension strategies utilising the same portfolio managers. To this end, through the year we launched the JOHCM European Concentrated Value strategy, the JOHCM Global Smaller Companies strategy and the JOHCM Global Emerging Markets Small Cap strategy. These all complement existing strategies and are managed by existing teams.

Domestically, we saw increasing interest in our fixed income funds and growth in flows in recently launched products, whilst our Australian equities business had an exceptional year of investment performance. Newly launched products such as the Significant Investor Visa (SIV) and the institutional overlay strategy have delivered new sources of revenue to the business and are performing strongly.

We continue to focus on targeting the higher revenue margin wholesale channel where we derive 58 per cent of the Group's base management fee revenue. In Australia we have turned our focus to building the high net worth/private client area of the wholesale channel. After hiring a dedicated

resource for that segment of the market in 2014, we are now seeing flows from high net worth/private client investors into a range of our products.

In 2015, we invested in areas which will support future growth and strengthen the global platform. This included new investment capabilities, additional sales staff and investment in regulatory and legal resources.

Master Relationship Agreement

Subsequent to the year-end we announced the renewal of the Master Relationship Agreement (MRA) with our largest client, BT Financial Group (BTFG) which is part of the Westpac Group. Under the MRA we manage certain BTFG funds, superannuation funds, pooled superannuation trusts and statutory funds which have a combined value of approximately \$17 billion as at 30 September 2015. The agreement was a cornerstone of the arrangements between BTFG and BTIM when BTIM listed in December 2007 and continues our strong relationship with BTFG.

A key element of the new agreement is that it has been renewed for an indefinite period. It also sets out other terms such as fee arrangements, termination and withdrawal rights. Under the revised terms the effective management fee for the FUM declines from 32 basis points to 29 basis points, translating into a revenue impact of \$5.1 million assuming FUM as at 30 September 2015.

Key Themes

Apart from the general market themes, there are three key global trends worth pointing out that will impact our business but may also present opportunities. These trends will play out over time and are important to consider as part of how it may impact our business.

The first is the ageing population. This is not new and is well known, but it is quickly becoming an everyday issue. Globally the number of people aged over 65 is expected to double within 25 years¹. The United Nations estimate that by 2035, more than 1.1 billion people or 13 per cent of the global population will be above the age of 65

1 "Age Invaders", The Economist, 26 April 2014

(compared to eight per cent in 2014)¹ and the proportion of these people that will stay in the workforce is set to increase dramatically.

What this means for fund managers is that the retirement age population will become an increasingly important client base and the need for retirement specific products will increase. Growth assets will continue to be an important part of investors' portfolios but as investors age they generally become more risk averse and their investment needs also change. Income will become an increasing priority for investors and for us, this means the need to offer retirement products will also increase.

The second global trend impacting our industry is regulation. Regulation globally has continued to grow and shows no signs of slowing. Post the financial crisis, given the number of high profile examples which resulted in often vulnerable consumers suffering significant losses to their investment capital and the dramatic loss of consumer confidence in the financial services sector, there is and will continue to be, a mistrust of self-regulation. Therefore, governments will continue to be seen as playing a central role in safeguarding the interests of investors. As a result of this we see industry regulation and the cost of complying with these requirements continuing to increase. Importantly, greater regulation and the cost of compliance also represent opportunities for our business in that it will place an increasing burden on asset managers that don't have sufficient scale, or resources, to support the costs that will come with it, particularly on a global scale. This is likely to attract more individuals with proven investment talent to BTIM.

Finally, despite our proven capability of delivering strong active performance to clients, the debate regarding paying for active management in the face of growing interest in passive or 'passive-like' products continues.

There has been much debate about active management and how it compares to passive or index funds, as well as associated

costs. Investors must not lose sight of the importance of judging a product on its value, not simply on cost. While passively managed products are increasing in popularity due to the relative lower cost, actively managed products provide investors with access to the exceptional investment skills and expertise of portfolio managers who have a proven history of long-term investment outperformance. This cannot be replicated in passive products. We are of the strong view that active management provides greater returns to investors, making a real difference in retirement.

We see ourselves playing an important role in delivering investment solutions of the future. Key to this delivery is the commitment to attracting and retaining the right people who we are heavily reliant on to execute on our strategy.

Conclusion

Our funds under management continued to grow in 2015 supported by record net inflows, strong investment performance and a weaker Australian dollar. We are investing for future growth by bringing on new investment capabilities and building out our business globally which will help support a growing distribution platform, making our products more widely available to investors.

Our investment performance is strong which positions us well for the year ahead and whilst we cannot predict what markets will do in the coming 12 months, we remain focussed on executing our growth strategy.

Once again I would like to thank our people across the Group for their hard work this year. It is the quality of our people that ensures our business continues to deliver outstanding results for our clients and shareholders.



Emilio Gonzalez, CFA
Chief Executive Officer

We see ourselves playing an important role in delivering investment solutions of the future.

Strategic Report

Our strategy has delivered growth and record earnings.

The strategic priorities that set our framework for growing the business are: grow in new and existing markets; focus on increasing margins; build on current distribution channels; expand investment capabilities.

In each area, we have achieved progress in the 2015 Financial Year.

1.

Grow revenue from new and existing markets

2.

Focus on increasing share of higher margin channels

3.

Build on current distribution channels

4.

Expand investment capabilities

FY15 Focus Areas

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

FY15 Outcomes

- Total net flows generated by the Group were \$5.7 billion
- US mutual fund flows generated US\$2.6 billion in net flows
- Launched a range of Delaware Statutory Trust structures for the US small-medium institutional market
- Flows from private client/high net worth channel of \$0.4 billion from zero in the previous year
- Developed an institutional product designed to boost returns

FY15 Focus Areas

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

FY15 Outcomes

- Strong pricing discipline maintained in capacity constrained strategies
- Base management fee margin expanded from 46 to 49 basis points
- Newer products such as the Significant Investor Visa product attracting strong interest from investors

FY15 Focus Areas

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

FY15 Outcomes

- Added senior sales staff into the Boston office to support fund flows in US
- Flows from OEIC and Mutual funds totalled \$5.5 billion
- Resources added to focus on private client/high net worth channel in Australia, supporting strong growth in new monies
- Overlay product for institutional clients seeing early success
- Renewed Master Relationship Agreement with Westpac owned BT Financial Group to continue the supply of investment solutions

FY15 Focus Areas

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

FY15 Outcomes

- New extension strategies launched:
 - JOHCM European Concentrated Values Fund
 - JOHCM Global Emerging Markets Small-Cap Fund
 - JOHCM Global Smaller Companies Fund
- Added capabilities to support the launch of the JOHCM European Concentrated Values Fund
- Across the Group there have been no investment personnel departures to competitors

Operating Review

The 2015 Financial Year saw the BTIM Group experience significant FUM growth of 18 per cent which resulted in closing FUM of \$78.4 billion, an increase of \$12.0 billion over the year.

Funds Under Management

The 2015 Financial Year saw the BTIM Group experience significant FUM growth of 18 per cent which resulted in closing FUM of \$78.4 billion, an increase of \$12.0 billion over the year. The growth in FUM is attributed to strong net inflows of \$5.7 billion, investment outperformance and market movements of \$0.7 billion and a favourable foreign currency translation of \$5.6 billion on foreign denominated FUM.

Volatility in global markets increased in the second half of the financial year on macro concerns which drove market levels down in turn putting downward pressure on the level of closing FUM. In Australia the S&P/ASX 300 Index fell five per cent from the start to the finish of the financial year while the MSCI All Countries World Index (ACWI) (GBP) was down two per cent.

JOHCM experienced solid net inflows of \$6.2 billion during the year while BTIM (Australia) saw net outflows of \$0.5 billion, largely from the run off of the legacy retail book which is in structural decline. Positive FUM flows came via the higher margin wholesale channel (+\$5.9 billion) particularly in the US where the mutual funds saw excellent FUM growth. The institutional channel (+\$0.5 billion) and Westpac's non-legacy channel (+\$0.1 billion) were also positive for the year while the legacy book (-\$0.8 billion) remained in outflow.

Investment strategies that saw strong offshore investor demand for the year included Global equities (+\$3.1 billion), European equities (+\$1.5 billion), Asian equities (+\$0.4 billion) and UK equities (+\$0.3 billion). Income and Fixed Interest strategies (+\$0.8 billion) also attracted positive flows from domestic investors continuing the growth in this segment of the business. Cash portfolios saw outflows of \$0.6 billion on the back of lower yields.

FINANCIAL HIGHLIGHTS	FY15	FY14	CHANGE (%)
Cash NPAT	\$132.5m	\$127.0m	+4%
Statutory NPAT	\$126.4m	\$121.5m	+4%
Operating Revenue	\$436.6m	\$420.7m	+4%
Operating Expenses	\$268.2m	\$258.5m	+4%
Operating profit margin	39%	39%	flat
Cash earnings per share	44.0 cents	42.6 cents	+3%
Dividends	37.0 cents	35.0 cents	+6%
Franking	40%	35%	+14%
Average FUM	\$75.2b	\$63.1b	+19%
Closing FUM	\$78.4b	\$66.4b	+18%

Source: BTIM

Investment Performance

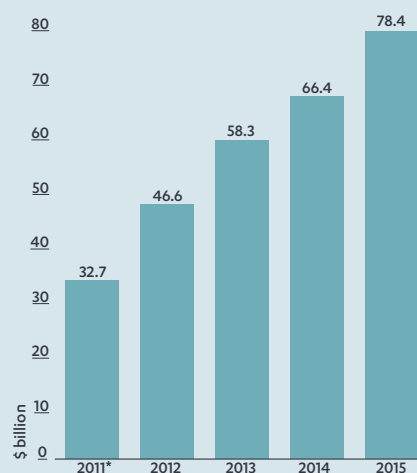
Despite the volatile markets through the second half of the year, investment performance remained strong with the majority of funds ranking in the top two quartiles of their peer groups and 97 per cent of all FUM with sufficient track record outperforming their three year benchmarks up to 30 September 2015.

Domestically the Australian equities funds had a particularly strong year with notable outperformance from the following funds: BT Wholesale Microcap Opportunities Fund (+27.5%), BT Wholesale Smaller Companies Fund (+13.3%), BT Wholesale Focus Australian Share Fund (+6.8%) and the BT Wholesale Mid Cap Fund (+6.2%). Also pleasing was the performance of the fixed income and diversified portfolios with the BT Wholesale Fixed Interest Fund (+1.7%) and the BT Wholesale Active Balanced Fund (+4.0%) performing well through the year.

Offshore, the JOHCM funds also delivered strong outperformance with 12 of the 14 funds with greater than one year track records beating their index by at least two per cent over the 2015 Financial Year. Since inception, 86 per cent of funds with a three year track record are in the top quartile. The funds that performed well against their respective benchmarks included the JOHCM Asia ex-Japan Small and Mid Cap Fund (+24.5%), JOHCM Global Opportunities Fund (+12.1%), JOHCM Asia ex-Japan Fund (+10.6%), JOHCM Global Emerging Markets Opportunities Fund (+8.6%) and the JOHCM UK Opportunities Fund (+8.0%).

A number of the JOHCM and BTIM (Australia) funds earn performance fees for achievement of above benchmark returns. JOHCM earns performance fees on a calendar year basis and the BTIM (Australia) funds on a 30 June performance year. During 2015 Financial Year the following JOHCM funds earned notable performance fees: JOHCM Global Select Fund, JOHCM European Select Values Fund, JOHCM UK Growth Fund and the JOHCM Continental European Fund. Domestically, funds that achieved performance fees included the BT Wholesale Microcap Opportunities Fund, BT Wholesale Australian Long Short Fund and the BT Wholesale MidCap Fund.

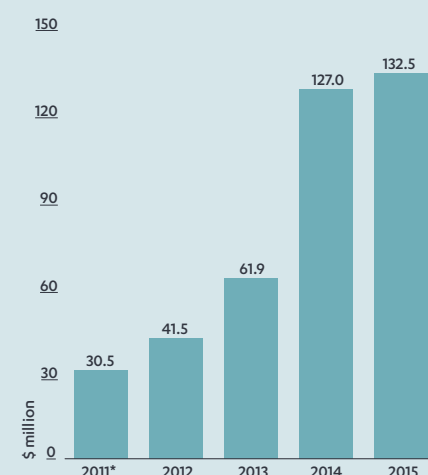
CLOSING FUNDS UNDER MANAGEMENT



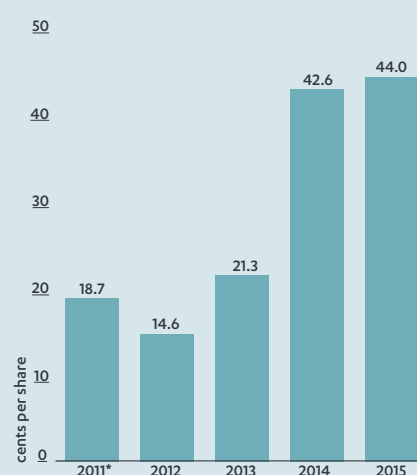
Source: BTIM

*Prior to acquisition of JOHCM

CASH NET PROFIT AFTER TAX



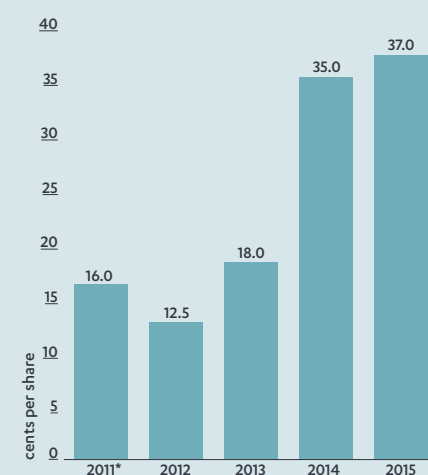
CASH EARNINGS PER SHARE



Source: BTIM

*Prior to acquisition of JOHCM

DIVIDENDS PER SHARE



Operating Review continued

Profitability

Cash NPAT for the year was \$132.5 million which represents a four per cent increase from the 2014 Financial Year, while statutory NPAT was \$126.4 million, an increase of four per cent over the same period. The result was driven by healthy net inflows, a declining Australian dollar, higher average markets and investment outperformance. As a result of the increase in earnings, Cash EPS increased three per cent to 44.0 cents per share.

Revenue

Total fee revenue was \$436.6 million, an increase of four per cent on the previous year. The increase was driven by strong growth in FUM and a lower Australian dollar which offset the reduced performance fee revenue for the year after a record 2014. Base management fees rose 28 per cent to \$371.1 million on the back of higher average FUM levels and an expansion in fee margins. Average FUM was 19 per cent higher than the previous year while fee margins increased by three basis points to 49 basis points, a seven per cent increase. In Australia the average level of the S&P/ASX 300 was two per cent higher than in the 2014 Financial Year, while the average level of the MSCI ACWI (GBP) increased 10 per cent over the same period.

Performance fees for the year totaled \$51.9 million and were \$69.9 million lower than the \$121.8 million earned in the 2014 Financial Year. The performance fees were predominantly earned in JOHCM funds with 15 investment strategies earning \$37.6 million through the year, while BTIM funds delivered performance fees totaling \$14.3 million, a record for the BTIM (Australia) business.

Transaction fee revenue of \$11.3 million was earned in the 2015 Financial Year. This marks a new revenue line for the business and represents fees earned on products which do not earn annuity-type fees. Other fee revenue was \$2.3 million, \$6.2 million lower than the previous year. The lower fees arose due to the termination of the

property administration contract in 2014 with Primary Health Properties Plc (PHP) in the UK, which was acquired as part of the JOHCM acquisition.

Base management fee revenue within the BTIM Group continues to diversify with \$215.3 million or 58 per cent of revenue sourced via the higher margin wholesale channel and \$94.7 million or 26 per cent of revenue sourced via the institutional channel. Base management fee revenue from the legacy book now represents eight per cent of the Group's total base management fee revenue versus 16 per cent three years ago.

Expenses

Cash operating expenses totaled \$268.2 million, a four per cent increase on the \$258.5 million reported in the 2014 Financial Year. Employee costs of \$203.0 million were broadly flat on the previous year with a nine per cent increase in fixed employee costs being offset by lower variable employee costs on the back of lower performance fee revenue. The overall full-time equivalent in the group increased by 17 to 259 reflecting the ongoing growth in the business and operational expansion, particularly into the US market.

Other operating costs were \$65.2 million which compares to \$55.4 million in the previous year, an 18 per cent increase. The increase was driven by higher volume related costs associated with growth in FUM, increased marketing and distribution costs, and higher IT expenditure and data costs.

Financing costs for the year were \$1.3 million (FY14: \$1.6 million) while the overall operating cost to income ratio was 61 per cent and in line with the 2014 Financial Year. The compensation ratio declined from 48 to 46 per cent over the same period.

Earnings per Share

Fully diluted Cash EPS was 44.0 cents per share which is three per cent higher than the prior year. Shares on issue increased

due to the conversion of converting notes together with shares issued as part of the Dividend Reinvestment Plan (DRP) which remained active throughout the year. As at 30 September 2015, the number of ordinary shares on issue was 292,565,311 and the number of outstanding converting notes was 9,031,528. The fully diluted share base as at 30 September 2015 was 301,596,839.

Dividends

The Directors declared a final dividend of 20.0 cents per share, bringing total dividends for the year to 37.0 cents per share, a six per cent increase on last year's dividends of 35.0 cents per share. The total dividends represent an 84 per cent payout ratio which is within the Directors' targeted payout ratio of 80-90 per cent of Cash NPAT.

28%

INCREASE IN BASE
MANAGEMENT FEES

The result was driven by healthy net inflows, a declining Australian dollar, higher average markets and investment outperformance.

The interim and final dividends for the 2015 Financial Year were both 40 per cent franked reflecting the significant contribution of off-shore earnings to the group's profit. BTIM does not retain excess franking credits, so franking levels in future years will continue to be determined by the relative profits of the BTIM (Australia) and JOHCM businesses. For the 2016 Financial Year, the franking levels are anticipated to be in the 35–40 per cent 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 allows shareholders to reinvest in additional BTIM shares with no commission or brokerage costs.

Financial Position

BTIM actively manages its operational and strategic capital requirements through its balance sheet using a combination of appropriate retention of earnings, debt and at times, new equity issuance. The balance sheet is set with modest gearing which moves throughout the year to accommodate the varying capital needs of the business.

BTIM maintains a revolving loan facility of £45 million (\$98 million) with the Westpac Group and as at 30 September 2015 the facility was drawn to £5 million (\$11 million). The drawn amount has reduced from an opening balance of £13 million (\$24 million) as at 30 September 2014. The financial covenants attached to the facility were comfortably met throughout the year, covenants which 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. As at 30 September 2015, BTIM's debt to equity ratio was two per cent which compares to six per cent as at 30 September 2014.

Included on the Group balance sheet at 30 September 2015 were intangible assets of \$636 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.

On 2 October 2015 BTIM announced a future issuance of equity as part of the Fund Linked Equity (FLE) program, a remuneration scheme for certain JOHCM fund managers. While the exact number of shares to be issued is not known at this time and will not be known until after the 31 December 2015 effective date, the estimated number of shares based on a valuation as at 30 September 2015 is 8.8 million shares. The number of shares to be issued remains subject to a number of variables until 31 December 2015 including market movements, fund flows, currency movements and the BTIM share price. While there will be additional BTIM ordinary shares on issue, 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 future BTIM earnings provided FUM is maintained. Full details of the FLE scheme and the share issuance are set out on page 51 in the Remuneration section of this report.

Exchange Rate

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

Over the course of the 2015 Financial Year the average AUD/GBP exchange rate was 0.5110, seven per cent lower than the average AUD/GBP exchange rate of 0.5473 for the prior year. This had a positive contribution to the Group's 2015 Financial Year earnings. The AUD/GBP rate fluctuated between 0.5505 and 0.4615 through the 2015 Financial Year and as at 30 September 2015 the spot AUD/GBP rate was 0.4615.

Reconciliation of Cash and Statutory NPAT

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

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

RECONCILIATION OF STATUTORY NPAT TO CASH NPAT	FY15 (\$MILLION)	FY14 (\$MILLION)
Statutory NPAT	126.4	121.5
Add back: amortisation of employee equity grants	41.3	32.4
Add back: amortisation and impairment of intangibles	8.4	9.6
Deduct: cash costs of employee equity grants payable during the year	(45.5)	(36.4)
Add/ (deduct): tax effect	1.9	(0.1)
Cash NPAT	132.5	127.0

Source: BTIM

Operating Review continued

Risk Management

Risk management is fundamental to our operating model and deeply integrated into the day-to-day running of our business.

Risk management is fundamental to BTIM's operating model and deeply integrated into the day-to-day running of our business. Overall risk management lies with the BTIM Board which determines the nature and level of risks that the BTIM Group is willing to accept in pursuit of its strategy through the Risk Management Framework (RMF). The RMF describes the business's approach to risk management and is supported by the respective Risk and Compliance teams who are responsible for the design and implementation of the RMF, policies and procedures and regular risk reporting to the BTIM Board and relevant Audit & Risk Management Committees¹ (ARMC).

The RMF utilises the three lines of defence approach to managing risk. The first line comprised of Chief Executive and Senior Management, who endeavour to ensure that the BTIM Group is managed in accordance with the agreed strategy as reflected in the RMF on a day-to-day basis. The second line of defence comprised of Risk and Compliance teams, are responsible for providing specialist advice, oversight as well as ongoing review and stress testing of the effectiveness of the RMF.

Where necessary the second line will also propose updates to the RMF to reflect changes in strategy, regulation and other obligations. Internal Audit² represents the third line of defence and provides independent assurance that the controls are appropriate and operating effectively. Each of the outsourced Internal Audit teams report directly and independently to the respective ARMCs who then provide reporting up to the BTIM Board.

The success of our business is based on employing a risk aware culture and taking risks that are known, understood, assessed and managed. For most risks, the Group adopts a threshold level of materiality which will influence the level of risk mitigation applied. By contrast, statutory compliance obligations in each business and jurisdiction in which we operate are managed strictly in accordance with the relevant statutory or regulatory obligation.

¹ In each of Australian and the offshore JOHCM businesses, risk issues are discussed and reviewed by Senior Management at formal Risk Committees on a monthly or quarterly basis. In addition, risk issues are presented at the BTIM Audit & Risk Management Committee and the J O Hambro Capital Management Holdings Limited Audit & Risk Committee each of which meet quarterly.

² Internal Audit is outsourced to Deloitte Touche Tohmatsu Limited in Australia and in the United Kingdom.

Business Risks

The BTIM Group has responsibility to identify and manage its risks and meet legislative requirements, ensure compliance with industry and regulatory codes, corporate governance obligations, ethical standards and community expectations. The BTIM Board has ultimate responsibility to ensure that there are processes, people and controls in place which result in proper and timely

identification of key business risks, which are understood and managed across the Group. The BTIM Board delegates authority to the CEO and Senior Management to conduct day to day business activities, consistent with the agreed strategy and as reflected in the RMF.

The Group reassesses its key business risks including people, processes and technology on a regular basis with the objective of

ensuring that controls are adequate, appropriate and consistent with the Group's strategy. The risk review includes assessment of current and evolving business risks, as well as accessing the actions taken and the controls in place to mitigate and monitor each risk. The following table provides a summary of the key business risks faced by the Group.

KEY RISK	RISK DESCRIPTION
Financial	The risk of financial loss arising from the Group's activities in the financial and investment markets
Information Security	The risk that investors or the BTIM Group may suffer service disruptions, or that investors or the BTIM Group may incur losses arising from system defects such as failures, faults, or incompleteness in computer operations, or illegal or unauthorised use of computer system
Investment	The risk of loss of revenue from ineffective investment strategies resulting in sustained underperformance relative to benchmarks, investment objectives and peer group
Market	The risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates and equity markets
Operational	The risk arising from inadequate or failed internal processes, people or systems or from internal and external events
People	The risk of an unexpected changes in key investment management or other critical roles
Regulatory	The risk of not complying with laws, regulations, contracts, industry codes, internal standards and policies applicable to the Company's operations
Strategic	The risk associated with the failure to effectively execute the Group's strategy. Risk that the strategy does not produce the expected results for the business
Third Party Relationships	The risk that services provided by third party service providers are not conducted in line with service provider agreements

Domestic Business Review

Throughout the year we oversaw continued progress executing our domestic strategic priorities, on the back of strong investment performance.

The 2015 financial year saw the domestic Australian business report growth in earnings and continued progress in executing on the strategy. Importantly the business achieved excellent investment performance for our clients across a suite of products in Australian Equities, Income and Fixed Interest strategies and Diversified strategies. We also continued to have success in raising funds in our newer products and have seen an improvement in flows in a number of our core funds.

These achievements were notable given the market backdrop. 2015 proved to be a difficult market, particularly in the second half of the year. Despite continued record low interest rates, the S&P/ASX 300 index was on average two per cent higher compared to a year ago. Concerns over the economic growth prospects of China, the effect on Australian business, lower commodity prices and pressure on Australian banks to raise capital weighed heavily on the domestic market.

Despite these headwinds the domestic business showed resilience, receiving new monies across a broad range of funds. This was noteworthy in the income-type funds as well as our newer products. Income-funds that received robust interest from investors included the BT Wholesale Fixed Interest Fund, the BT Wholesale Monthly Income Plus Fund and the BT Pure Alpha Fixed Interest Fund. New products also experienced strong demand, supporting our strategy to build new growth engines and diversify the business. Since 2011, flows into new products launched have amounted to \$2.2 billion.

In total, net inflows excluding legacy funds were \$0.3 billion, driven by flows across both the institutional (eg superannuation

funds) and wholesale (eg financial planners) channels. The retail legacy book, which largely accounts for products no longer publicly available and in run-off, had net outflows of \$0.8 billion, in line with previous year's run-rates.

Investment performance will always be a key focus across our business as we seek to deliver superior outcomes for our clients. This year, despite challenging market conditions, our Australian products delivered excellent performance outcomes for our clients: 86 per cent of funds outperformed their benchmark over the year and 54 per cent were in the top quartile over a 12 month period. Our top performing funds included: the BT Wholesale MicroCap Opportunities Fund (+22.6%), the BT Wholesale Property Securities Fund (+19.8%), the BT Wholesale MidCap Fund (+11.9%) and the BT Wholesale Future Goals Fund (+10.4%). Of particular note has been the success of our fixed income funds which have performed strongly. We encourage you to read more about our investment capabilities starting on page 20 of this annual report.

Business Strategy

Throughout the year we oversaw continued progress executing our domestic strategic priorities, which are building new revenue streams, expanding our margins and participating in the Westpac owned BTFG growth channels.

We launched two new products: an institutional overlay strategy, designed to assist in enhancing returns of our institutional client portfolios, and a Significant Investor Visa (SIV) product, which offers complying investment funds for approved offshore applicants seeking permanent residency

in Australia subject to meeting certain criteria. Both of these products have proven popular. The institutional strategy now has \$2.4 billion of funds applied as an overlay strategy and we received \$0.3 billion in applications for the SIV product.

Our strategic focus to build new revenue streams has seen us deliver new products and supported delivery of an expansion in our margins. The domestic business saw margins expand from 34 to 35 basis points this year.

Last year, we hired dedicated sales personnel to build our presence in the private client/broker channel, a channel BTIM has not traditionally focused on but one which is benefitting from high growth in self-managed super funds, and is therefore a new growth segment. This has proven to be successful with a number of our products being added to approved product lists, leading to net positive flows of \$0.4 billion from this channel.

Recently we announced the re-signing of the Master Relationship Agreement (MRA) with Westpac-owned BTFG. This arrangement covers approximately \$17 billion of funds managed by BTIM for BTFG retail funds, pooled superannuation trusts and statutory funds, and has been extended indefinitely. The MRA was a cornerstone of the original arrangements between Westpac and BTIM on Listing in December 2007 and underpins the ongoing importance of the relationship between the two companies.

Regulation

The domestic regulatory environment is ever-changing. Through the year, there were a number of regulatory-related announcements and developments that are relevant to our business.

During the year, BTIM continued to participate in the development of regulatory reforms which have the potential to create opportunities and challenges for Australian fund managers. These reforms include the Asian Region Funds Passport initiative, which aims to facilitate the cross border marketing of managed funds across participating economies in the Asia region, the Managed Investment Trust (MIT) Tax Regime, intended to reduce complexity, increase certainty and minimise compliance costs for MITs and their investors, and "Re:think", the Australian Government's discussion paper on a proposed system of lower, simpler and fairer taxes, which covers various tax aspects of investing.

Also relevant to our business is the Government's response to the Financial System Inquiry's Final Report which had been handed down on 28 November 2014. The

Report made 44 recommendations with the objective of improving Australia's financial system, including: strengthening the resilience of the financial system; improving the efficiency of the superannuation system; stimulating innovation; supporting consumers of financial products being treated fairly; and strengthening regulator capabilities and accountability. In their response released on 15 October 2015, the Government has accepted most of the recommendations made. Of particular relevance to BTIM in Australia are the adoption of recommendations to: strengthen financial product issuer and distributor accountability; develop alternative competitive models to allocate new default super fund members to a broader range of superannuation fund products; develop legislative amendments to enhance the regulatory framework for managed investment schemes; and, introduction of a product intervention power for regulators, similar to that already in place at UK's Financial Conduct Authority.

Of broader impact and application is the Volcker Rule, or section 619 of the US Dodd-Frank Wall Street Reform and Consumer

Protection Act, 2013 (Dodd Frank). The Rule prohibits banking entities from engaging in proprietary trading and from being involved with certain kinds of investment funds. The Rule applies to foreign banks with a US branch as well as to their related companies. Under US laws, so long as Westpac retains more than 25 per cent interest in BTIM, the Volcker Rule will have application to BTIM and all subsidiaries. As a result, BTIM and JOHCM have developed policies and procedures which ensure that the Group is able to comply with these requirements.

People

Strong employee engagement is critical for our business. Results of the 2015 Employee Engagement Survey highlighted that our employees are highly engaged compared to industry standards, increasing by 5 per cent since it was last measured in 2013. As we expand the business, we are focused on driving employee engagement higher and continuing to advance BTIM's high performance culture by investing in our people and providing an inclusive and supportive environment that is built on integrity and trust.

BTIM (Australia)'s Executive Team

From left to right:
Cameron Williamson,
Hayden King,
Jennifer Davies,
Emilio Gonzalez,
Daniel Campbell,
Geraldine Bouquet,
Chris Clayton.

Absent: Brian Wright



The business achieved excellent investment performance for our clients across a suite of products in Australian Equities, Income & Fixed Interest Strategies and Diversified Strategies.

Offshore Business Review

JOHCM's boutique model and investment-led approach continues to thrive. Performance returns across our geographically diverse range of equity strategies were largely solid while fund flows have been outstanding.

JOHCM's Executive Team

From left to right: Mark Molloy, Helen Vaughan, Andrew Rice, Sandy Black, Gavin Rochussen, Suzy Neubert and Rachel Butlin.



The 2015 Financial Year represented another year of significant progress at JO Hambro Capital Management (JOHCM), characterised by major inflows and the continuation of the strong long-term investment performance records built up by our fund managers across a wide range of equity strategies.

JOHCM's funds under management increased by 38 per cent, from \$27.7 billion in the 2014 Financial Year to \$38.3 billion in the 2015 Financial Year. (The chart to the right reflects JOHCM's growth over the past 14 years since the long-only equity business was launched.) Net inflows of \$6.2 billion underpinned strong growth in FUM with outperformance, adverse market movements and favourable exchange rate movements accounting for the difference.

Flows were chiefly into the JOHCM Global/International Select strategy, the two main European equity strategies – JOHCM European Select Values and JOHCM Continental European – as the launching of quantitative easing in the Eurozone created robust demand for European equity funds, JOHCM Asia ex-Japan, JOHCM Global Emerging Markets Opportunities and JOHCM UK Dynamic.

The vast majority of the flows, 88 per cent, were generated through the wholesale channel consisting of the US pooled vehicles and the UK and Ireland-registered OEIC funds, with the remaining 12 per cent attributed to institutional clients with segregated mandates. Within the institutional channel, we have maintained pricing levels on strategies where capacity is constrained, which has led us to turn away mandates at sub-optimal pricing levels. This focus on pricing has helped raise the average margin for JOHCM's funds to 66 basis points from 65 in the prior year.

It is pleasing to report that JOHCM has now enjoyed 29 consecutive quarters of net inflows. These inflows have been sustained despite a shift to more turbulent stock market conditions in 2015, following the equity bull market showing signs of running out of steam. Investors have wrestled with a number of macro issues in the past year: the recurring Greek debt crisis; the prospect of US interest rate rises from multi-year emergency level lows; a strengthening US dollar that has undermined emerging stock markets and currencies through capital outflows; tumbling commodity prices; and concerns over Chinese economic growth

coupled with government intervention in the Chinese domestic stock and currency markets. It is testament to the recognised skills of our fund managers and their ability to perform well in most economic environments, plus the capabilities of our regional sales teams, that these inflows have been achieved in the face of such varied macroeconomic and market headwinds.

Our strategic focus on the US market since 2013 has continued to yield results for the broader Group, with substantial flows into our US-registered mutual funds and Delaware Statutory Trusts. The JOHCM International Select Fund (Global ex-US), our first fund to be sold in the US market, has spearheaded this success, underpinned by the mutual fund's high ranking within the Morningstar Foreign Large Growth category over three and five years and investor demand for the strategy's idiosyncratic stock picking approach to global growth equities. Consistent with our principle of managing capacity to promote superior long-term investment returns, and in the context of high levels of investor demand, we 'soft-closed' the mutual fund in July. This means existing investors can continue to invest in the fund while it is closed to new investors.

Another solid year of investment performance has bolstered the compelling long-term track records of our diverse investment strategies: 12 of our 14 strategies with established track records (three years or greater) are ranked within the top quartile of their respective peer group since inception – the remaining two strategies (JOHCM Global Emerging Markets and JOHCM Global Emerging Markets Opportunities) are both ranked within the second quartile of their peer group.

Strategies that achieved notable outperformance versus their benchmark in the 2015 Financial Year included JOHCM UK Opportunities,

JOHCM European Select Values, JOHCM Continental European, JOHCM International Select, JOHCM Global Opportunities, JOHCM Global Emerging Markets Opportunities, JOHCM Asia ex-Japan and JOHCM Asia ex-Japan Small and Mid-Cap Equity. These strategies follow varied investment approaches and styles, highlighting the merits of eschewing a top-down 'house' view when it comes to investing. JOHCM reports performance fees on a calendar year basis. Performance fees for the 2014 calendar year, which are included in the 2015 Financial Year result, were down on the previous year's exceptionally high figure.

JOHCM's strong investment performance was recently recognised by fund analysis company Morningstar OBSR (UK), with JOHCM named 'Outstanding Investment House' for the second consecutive year, while the JOHCM European Select Values Fund and JOHCM Global Select Fund both received prestigious industry awards over the course of the year.

New products and capacity

Across the Group, we firmly believe that managing too much money within a strategy can have adverse consequences for investment performance and therefore for clients. Currently the JOHCM UK Equity Income and JOHCM Japan strategies are 'soft-closed'. As mentioned earlier, we have also 'soft-closed' the JOHCM International Select Fund. Meanwhile, we terminated the JOHCM All Europe Dynamic Growth strategy in February 2015 after it failed to gain commercial traction despite its solid performance record.

The JOHCM UK Opportunities strategy, which remained 'soft-closed' during the 2015 Financial Year, is being re-opened with a view to potentially growing strategy assets by £500 million. Increasingly volatile market conditions suggest that the defensive characteristics of this strategy's investment approach may serve cautious investors particularly well at present, while the strategy's large-cap emphasis ensures portfolio liquidity currently poses no concerns. The Risk team continually monitors all investment strategies for portfolio liquidity and the team's analysis indicates that UK Opportunities is the most liquid strategy within the JOHCM investment range.

JOHCM's approach is to create additional capacity either through the launch of new strategies by new but proven teams, or by launching complementary strategies

managed by our existing established teams. To that end, in the 2015 Financial Year £6 billion of additional capacity was created through the launch of three new investment strategies: JOHCM European Concentrated Value, managed by the existing lead manager of the JOHCM European Select Values strategy and supported by a newly-recruited and experienced European equity investor; JOHCM Global Smaller Companies, managed by our existing US Small Mid Cap Equity team from our Boston office; and JOHCM Global Emerging Markets Small Cap, managed by our existing Prague-based investment team.

As we look to build our business in the US, we are having ongoing discussions with teams in that region to add to our suite of strategies in the US market.

Regulation

In the UK, the next 12 months will see the launch of the latest iteration of the UCITS regime (UCITS 5) and publication of the final rules for the implementation of the MiFID II regime and its becoming law early in 2017.

Far-ranging consultations continue on the use of dealing commissions paid from client portfolios, where the UK's Financial Conduct Authority (FCA), as part of the new MiFID II proposals, is suggesting the complete 'unbundling' of these costs and proposing that sell-side research should be paid for by the fund manager and not by the client through volume-related commissions. The final proposals are not yet concluded, but may have adverse implications for fund management companies. The FCA has introduced further guidelines requiring fund managers to identify a research budget and to illustrate how the budget is apportioned. JOHCM has introduced an online research assessment tool, which enables the fund managers of each of JOHCM's strategies

to vote for the best research they have used. The aggregate of these votes will determine the share of the research budget that goes to each research provider.

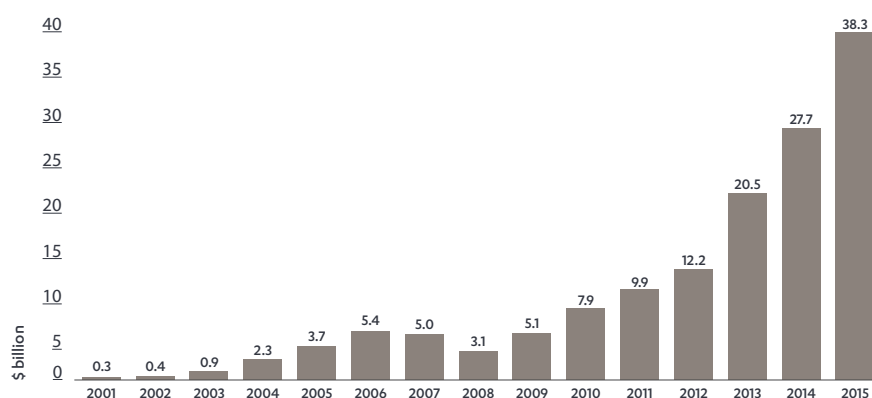
Other MiFID II changes are likely to impact on some aspects of the way we transact business for our clients and with the marketplace as a whole. They will be a major focus for us up to the commencement date of 1 January 2017.

In the US, the SEC is consulting on upgrading the data reporting it will seek from investment advisers, such as JOHCM. The timeframes are as yet uncertain, but this development reflects the continuing attention regulators worldwide are paying to the investment management industry and to reporting and disclosure requirements.

People

We have added investment professionals within our UK and European teams over the year to provide further analytical resource. In response to new and increased complexity of regulations affecting our business, particularly in the UK and US, we have appointed a new Head of Regulatory and Legal Development and also increased resources in the Compliance team.

JOHCM EQUITY ASSETS UNDER MANAGEMENT



Source: JOHCM

Note: JOHCM formed part of the BTIM Group in 2012 Financial Year.

Investment Strategies

Regional Equity Strategies

Australian Equities

Investment Review

Market drivers are changing, with returns driven by earnings growth, while the yield trade of recent years may be losing traction. This, and the emergence of disruptive trends in several major industries, provides a great opportunity for bottom-up stock pickers such as BTIM.

The Australian equity market ended down six per cent in the year to 30 September 2015. The first half saw strong returns, driven by abundant liquidity and currency weakness. The Reserve Bank of Australia's decision to cut rates saw the market surge in February; this market re-rating was led by a relentless pursuit of yield. This proved to be a crescendo in sentiment, with the market suffering significant falls from April onward, over concerns on a US interest rate policy mistake and decelerating Chinese growth. The shift in market sentiment reflected a significant change in the market's drivers; the era of 'cheap money', fuelled by zero rates and quantitative easing came to an end triggering a rise in risk premiums and a return to earnings as the driver of stock returns. It also signalled a shift in leadership of the market away from rate sensitivities, with industry dynamics becoming the focus of returns.

This offers both challenges and opportunities for investors, but plays into the hands of well-resourced active investors such as BTIM. By way of example a key feature of the market has been the emphasis on dividend yields. For investors this means that the assessment of sustainability and growth in dividends is critical, which requires a detailed understanding of industry dynamics and company strategy. The desire to satiate investors' appetite for yield has led to overall market dividend payout ratios reaching 75 per cent - exceeding levels seen at the depths of the GFC. In some cases this is sustainable due to companies undertaking 'self-help' cost measures, or benefitting from a falling currency and lower interest rates. For others we believe their dividends are unsustainable as they

are not covered by free cash flow. This is particularly evident in the resource sector. Another key feature of the year was the emergence of 'disruption' to long-standing industry structures and business models. This has been evident for example, in supermarkets where Aldi's discount model has risen to challenge the traditional duopoly of Woolworths and Coles; in the case of Woolworths this has been compounded by poor capital allocation decisions leading to a substantial decline in returns. In the case of the banks, the regulator has demonstrated a determination to ensure capital positions are 'unquestionably strong' by adjusting capital rules, triggering a wave of capital raising, diluting returns and choking growth in dividends. We are also seeing disruptive trends in resources, media, telecom, insurance, retail and

health care. Such disruption creates uncertainty, which leads to mispricing and in turn, opportunity for investors such as BTIM, with the resources to undertake the required analysis and exercise the appropriate judgement.

In this environment, the ability to sift through the market to identify companies able to grow earnings and sustain their dividends is paramount. We are finding these



Investment professionals focussed on Australian Equities
From left to right: Andrew Waddington, Paul Hannan, Rajinder Singh, Crispin Murray, Noel Webster, Peter Davidson and Julia Forrest.

opportunities and investing in companies with relatively high or improving returns on capital as a result of recent investment, cyclical tailwinds or self-help.

Our stable of funds maintained their strong performance trajectory of recent years. The flagship Australian Equities funds – including the BT Wholesale Core Australian Share Fund, BT Wholesale Focus Australian Share Fund, BT Wholesale Imputation Fund, BT Wholesale Australian Long Short Fund, BT Wholesale MidCap Fund and BT Wholesale Smaller Companies Fund – outperformed their benchmarks by a significant margin. Several, including both the Core & Focus funds, rank in the top quartile of their peers on a three year basis. In the large-cap strategies, performance was driven by good stock calls including positions in Qantas, Macquarie Group and Asciano. At the same time, we avoided Woolworths, which sold off on the realisation that it was not responding with sufficient vigour to new competitive pressures – a conclusion we reached some time ago. These positions were notable in that they were non-consensus when initiated and ultimately demonstrated the value that our team and approach delivers.

In terms of flows, the broader context is one of limited new allocation to Australian equities; however the continued strong performance and team stability has led to many of our large clients increasing investment in our funds. On the retail side of the market, net flows in our large cap strategies have continued. Of particular note have been flows into the BT Wholesale Mid-Cap fund, reflecting its consistently strong performance.

Outlook

Recent market fluctuations have been largely driven by macroeconomic concerns around Chinese growth slowing, US interest rates increasing and the Australian economy pausing. We believe that the market's concerns are overdone in each instance, but resolution of these concerns will take some time. This leaves the possibility that we may see more near-term volatility. Looking through this, there is some basis for optimism. The yield spread between equities and bonds is at a multi-decade high which, in combination with valuations below their long-term average, provides a level of support for equity markets.

Rapid and significant depreciation of the Australian dollar also provides a boon to many companies. Finally, while there is a perception that the Australian economy is in the doldrums, evidence from our corporate contacts suggests that on the East Coast there are signs of improvement. As such we are at a point where there are several companies that we have been patiently waiting for more attractive prices to invest in, now approaching our target levels.

We believe earnings and stock selection remains crucial in this environment. A muted outlook for aggregate earnings expectations and the likelihood that some companies will need to cut dividends requires the ability to identify and invest in those companies offering earnings growth and sustainable yield, many of which are now at or approaching more attractive valuations. We believe this environment plays to the strengths of our team and processes.

AUSTRALIAN EQUITIES STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES)			
BT Wholesale Core Australian Share Fund	4.02	12.43	8.42
BT Wholesale Focus Australian Share Fund	6.18	13.99	8.77
BT Wholesale Imputation Fund	1.50	9.88	7.27
BT Wholesale Ethical Share Fund	5.53	12.45	8.11
BT Wholesale Australian Long Short Fund	2.81	11.88	9.19
BT Wholesale MidCap Fund	11.93	16.88	11.42
BT Wholesale Smaller Companies Fund	8.43	12.76	10.68
BT Wholesale MicroCap Opportunities Fund	22.64	27.19	22.97
BT Wholesale Property Investment Fund	19.77	16.25	14.30
BT Defensive Equity Income Fund (before franking)	(2.56)	N/A	N/A
BT Defensive Equity Income Fund (grossed up for franking)	(1.41)	N/A	N/A
BT Balanced Equity Income Fund (before franking)	(2.61)	N/A	N/A
BT Balanced Equity Income Fund (grossed up for franking)	(1.23)	N/A	N/A
BENCHMARKS			
S&P/ASX 300 Accumulation Index	(0.66)	9.09	6.29
S&P/ASX Small Ordinaries Accumulation Index	(4.90)	(1.22)	(2.54)
S&P/ASX 300 A-REIT Accumulation Index	20.08	16.21	13.64
30% ASX 200 Accumulation Index* / 70% Bloomberg Ausbond Bank Bill Index	2.27	N/A	N/A
40% ASX 200 Accumulation Index* / 60% Bloomberg Ausbond Bank Bill Index	2.15	N/A	N/A

* Index return is grossed up for franking.

Source: BTIM

Investment Strategies continued

Regional Equity Strategies

UK Equities

Investment Review

The UK stock market lost ground in the 2015 Financial Year (the FTSE All-Share Total Return Index returned -2.3 per cent in sterling terms over the 12-month period), as global stock market weakness in August and to a lesser extent in September, caused by concerns over flagging Chinese economic growth and a badly-received devaluation of the Chinese renminbi erased gains accumulated earlier in the year. This market loss came against a backdrop of solid growth and falling unemployment within the UK economy. The Bank of England left its benchmark interest rate unchanged at 0.5 per cent as inflationary pressures remained scarce, albeit upward pressure on wages began to emerge for the first time since the Global Financial Crisis.

After a subdued start to the 2015 Financial Year, UK stocks surged in early calendar year 2015 in common with other developed and emerging stock markets. Assisted by lower oil prices and a US Federal Reserve reluctant to begin raising interest rates, the introduction of quantitative easing in the Eurozone triggered a rally in risk assets over the opening calendar quarter. May's decisive UK general election result provided a further fillip to the UK equity market. An unexpected victory for the Conservative Party led to a rally in domestically-biased cyclical stocks and regulated utilities and also boosted the pound sterling.

Another eruption of the Greek debt crisis in June and the calling of a snap bailout referendum in early July reversed some of the gains seen earlier in the year and ushered in a volatile period in global stock markets. While agreement was reached between the Greek Government and the country's creditors on a third bailout package, investors' attention had by then switched to the slowing Chinese economy,

with many investors particularly rattled by the Chinese central bank's unexpected announcement in mid-August that it was lowering the reference rate for setting the value of the Chinese currency, effectively, albeit only modestly, devaluing the renminbi with immediate effect. Both developed and emerging markets sold off heavily in response as investors became concerned at the potential ramifications of a Chinese slowdown for the global economy.

Whilst the overall UK stock market finished modestly down for the 12-month period, there were marked differences in performances beneath the surface level. The oil & gas and basic materials sectors, both with large weightings in the UK equity market, lost over a quarter and a third of their value respectively as the price of oil and other commodities slumped on the back of slowing demand as well as supply side issues. In contrast, the technology, telecommunications, consumer services and consumer goods sectors all recorded

double-digit gains. By size, the large-cap FTSE 100 Index, with its high concentration of oil & gas and mining stocks, finished down five per cent in pound sterling terms, while the more domestically-biased, mid-cap FTSE 250 Index advanced 11 per cent over the year.

Two of the four JOHCM UK equity strategies (JOHCM UK Equity Income and JOHCM UK Opportunities, the largest two UK strategies) outperformed their benchmark, the FTSE All-Share Total Return Index, in the 2015 Financial Year. JOHCM UK Dynamic finished the year broadly in line with the same benchmark after fees and JOHCM UK Growth trailed the index.

In common with most JOHCM strategies, JOHCM UK Equity Income follows a bottom-up stock picking approach. The fund managers seek to add value across the market cap spectrum, often through a contrarian bent. The strategy benefited from good stock selection in mid-sized financials and industrials over the period.

Investment professionals focussed on UK Equities

From left to right:

James Lowen, Mark Costar,
Rachel Reutter,
Ben Leyland, Clive Beagles,
Todd King and
Vishal Bhatia.



The JOHCM UK Opportunities strategy represents a concentrated portfolio of companies capable of growing and developing their businesses over time.

In financials, specialist asset manager Intermediate Capital Group performed brightly after it reported strong asset growth in Europe; global real estate services provider Savills flourished, helped in part by the lifting of the threat of an additional tax on high-end UK residential properties; and private equity company 3i Group also performed well on the back of solid results and good capital discipline. A number of UK domestic-focused names in the portfolio also added value in the context of an improving domestic economy, particularly in the wake of the election result. Construction-related groups such as Marshalls, media stock ITV and transport stock National Express Group all contributed positively.

Looking ahead, the team currently finds value within small cap and mega cap stocks. The fund managers continue to avoid defensive sectors (e.g. tobacco and food producer stocks) but favour financials including banks. The team believes an imminent turn in the interest rate cycle will lead to one of the biggest changes in market leadership of the last decade, leading defensive stocks to begin underperforming financials.

The JOHCM UK Opportunities strategy represents a concentrated portfolio of companies capable of growing and developing their businesses over time. With strong balance sheets, the companies held within the portfolio have the ability to reinvest in themselves to generate long-term compounding growth irrespective of

the economic environment. The strategy outperformed the index markedly over the period while maintaining a high cash balance that reflected the team's discomfort with the prevailing level of valuations within the UK stock market. At a sector level, having no exposure to basic materials stocks was a significant boost to the portfolio's relative performance. The underweight position in the oil and gas sector and overweight position in industrials also helped relative returns, while stock picking in both these sectors proved constructive.

The JOHCM UK Dynamic strategy focuses on backing attractively-valued companies undergoing positive corporate change to improve capital allocation and cash generation. The strategy performed in line with the index after fees. Particular bright spots for the portfolio included stock picks within the financials and industrials sectors, although limited exposure to the consumer staples sector detracted from relative returns at the sector level. Net inflows into the strategy during the 2015 Financial Year were material at \$200 million, with the strategy continuing to gain a higher profile within the highly competitive UK All Companies sector.

Having outperformed strongly in the prior financial year, the JOHCM UK Growth strategy, an all-cap strategy with a bias towards owning smaller companies, finished the 12-month period behind the index. Weakness in the portfolio's industrial and oil and gas holdings was partly offset by strength in consumer services stock picks,

although limited exposure to strong-performing consumer staples stocks was a drag upon returns, overshadowing the benefits of the portfolio's large overweight exposure to technology. The portfolio also benefited from takeover approaches for a number of its long-term holdings over the period, recognition, in the team's view, that the long-term structural growth prospects of these stocks had become significantly mispriced.

With the JOHCM UK Opportunities and JOHCM UK Equity Income strategies 'soft-closed' over the year, and amid uncertainty ahead of the UK general election limiting appetite for UK equity funds, net flows into JOHCM's UK equity funds were fairly modest over the year despite their excellent long-term track records. Substantial capacity remains within the JOHCM UK Dynamic, JOHCM UK Growth and re-opened JOHCM UK Opportunities strategies.

**THE JOHCM UK GROWTH
FUND HAS RETURNED**
15.6%
**PER ANNUM OVER THE
LAST THREE YEARS**

UK STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES, £)			
JOHCM UK Growth Fund	(3.53)	15.62	11.75
JOHCM UK Equity Income Fund	(0.01)	12.55	12.51
JOHCM UK Opportunities Fund	5.17	10.47	10.58
JOHCM UK Dynamic Fund	(1.14)	13.63	12.48
BENCHMARKS			
FTSE All-Share Total Return Index	(2.79)	6.97	6.60

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

Investment Strategies continued

Regional Equity Strategies

European Equities

Investment Review

JOHCM's main European strategies were both beneficiaries of increased investor interest over the period.

After an initial surge in European share prices the region's equity markets faced a series of macroeconomic and political challenges in the course of the 2015 Financial Year, which eroded much of the early progress: the MSCI Europe NR Index finished in modestly positive territory, returning 2.6 per cent in euro terms over the 12-month period, while the MSCI Europe ex UK NR Index returned 4.1 per cent in euro terms.

With economic growth persistently weak in many European countries, the onus was on the European authorities to emulate the stimulus measures introduced in the US and Japan in recent years. The Eurozone duly launched its own version of quantitative easing in early 2015, a larger-than-expected package of €60 billion per month of financial asset purchases through until September 2016, or until medium-term Eurozone inflation expectations near its two per cent target. This prompted a sharp rally in equity and bond markets and a parallel fall in the euro. Indeed, from a stock market perspective, it was the strongest start to a calendar year in local currency terms since 1997.



The JOHCM Continental European strategy investment team

From left to right:
Oliver Juggins and Paul Wild

The weaker currency, plus lower commodity prices and extremely low borrowing costs for government and companies, created a stronger backdrop for the Eurozone economy. By March, this was starting to be reflected in more upbeat economic data. Car registration numbers rose, retail sales gained momentum and economic survey readings improved. The European Central Bank upgraded its GDP forecasts for 2015 and 2016.

By June, Greece's resurfacing debt worries started to weigh more heavily on Eurozone share prices. Positive regional economic data continued to emerge, but investors feared contagion as the Eurozone flirted with a potentially chaotic Greek exit from the single currency. After conducting a referendum on creditors' proposals which saw the anti-austerity bloc of opinion prevail at the polls, the Greek Government

\$0.8b

NET INFLOWS INTO THE
JOHCM CONTINENTAL
EUROPEAN FUND

\$0.7b

NET INFLOWS INTO
THE JOHCM EUROPEAN
SELECT VALUES FUND

ultimately bowed to creditor demands, agreeing to prioritise structural and financial reforms in the years ahead in exchange for further support.

A rebound in European stock markets in July on resolution of the immediate Greek impasse was swiftly reversed. Concerns over slowing Chinese growth and an unexpected devaluation in the Chinese currency then led European markets to sell off heavily in August. The market weakness extended into September, with a scandal relating to diesel emissions from Volkswagen cars adding to investors' worries.

By country, Irish and Danish stocks were among the best performers, while the oil-heavy Norwegian stock market struggled on the back of falling oil prices. At a sector level, the consumer staples and consumer discretionary sectors were the best performers while the energy sector sold off heavily, losing almost a third of its value over the 12-month period.

JOHCM's main European investment strategies – JOHCM Continental Europe and JOHCM European Select Values – were both beneficiaries of increased investor interest in Europe over the period, with JOHCM Continental European experiencing net inflows of \$0.8 billion and JOHCM European Select Values receiving net inflows of \$0.7 billion.

Both strategies outperformed their benchmarks over the 2015 Financial Year, building on their first quartile long-term track records. Stock selection rather than country or sector positioning was the main driver of outperformance in the case of both strategies.

The JOHCM Continental European strategy follows a pragmatic investment process that combines top-down economic and sector views with bottom-up stock picking. Good stock decisions within the financial and consumer discretionary sectors helped produce significant outperformance versus its benchmark, while performance headwinds were relatively scarce. Looking ahead, the fund manager continues to see reasons for optimism within European stock markets in spite of the reverberations caused by a weakening Chinese economy. A combination of quantitative easing, an upturn in the earnings cycle, a cheaper Euro, lower commodity prices and pent up consumer demand underpin the fund manager's measured optimism towards the region.

The JOHCM European Select Values strategy follows a highly selective, valuation-oriented investment style, which focuses on undervalued pan-European companies that generate high returns on capital.

The team's stock-picking approach is unconstrained by benchmark weightings and combines traditional 'value' investing (focusing on attractive valuations) and 'quality' characteristics, such as high return on capital employed, while portfolio turnover is typically very low. The strategy's outperformance over the 12-month period was largely based upon successful stock selection within the materials, energy and consumer-facing sectors, with brewer Heineken and Dutch-based bio materials producer Corbion among the best-performing stocks within the portfolio.

As reported earlier, JOHCM launched an extension strategy, based on the European Select Values approach, named JOHCM European Concentrated Value. Having added experienced investment capabilities to the team, this strategy will be run as a more concentrated version of its successful sister strategy and will typically own shares in larger companies.

EUROPEAN STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES, £)			
JOHCM Continental European Fund	6.21	15.58	10.79
JOHCM European Select Values Fund	3.84	13.42	11.66
BENCHMARKS			
MSCI Europe ex UK Composite Net Return Index*	(0.95)	9.70	5.63
MSCI Europe Composite Net Return Index*	(2.72)	8.07	5.47

* Fund benchmarks changed on 31 December 2012 to MSCI from FTSE.

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

Source: JOHCM

Investment Strategies continued

Regional Equity Strategies

Global and Emerging Markets Equities

Investment Review

Mounting concerns about weaker growth across the world led to higher volatility and lower equity markets globally, particularly in Asia and towards the end of the period.

Global Strategies

Mounting concerns about weaker growth across the world led to higher volatility and lower equity markets globally, particularly in Asia, towards the end of the period, largely erasing stock market gains made earlier in the year. Small and mid-cap stocks typically fared better in this market weakness as selling was concentrated in larger, more liquid holdings. While the US economic recovery now appears to be accelerating again after a brief slowdown in Q1 2015, elsewhere China's policy moves and currency initiatives in August have been interpreted as signs that the Chinese economy is struggling and that the long period of renminbi strength is over. This prompted sharp equity price falls across Asia, particularly during July and August. Meanwhile the weak oil price has been seen as a sign of deflation risk rather than being viewed as an effective 'tax cut' for consumers. In mid-September, with worries over the potential for slowing global growth trumping the need to tighten monetary policy in the face of a steady US economic recovery, the US Federal Reserve opted to delay its first interest rate hike since 2006.

JOHCM's Singapore-based Global/International Select (Global ex US) team benefited in the early part of the financial year from the strength of the technology and healthcare sectors. These trends persisted into early 2015, but technology stocks struggled in the second half of

the financial year, as did some emerging market consumer discretionary stocks, also a portfolio overweight. As a result, some of the performance gains for both strategies unwound. JOHCM International Select still finished the 2015 Financial Year materially ahead of its benchmark, courtesy of positive sector effects (zero exposure to energy stocks and being overweight technology and healthcare) and positive stock selection in financials, healthcare and materials. In contrast, JOHCM Global Select finished the year behind its benchmark, primarily on account of weakness in its technology and consumer staples holdings, which overshadowed robust stock picking in energy and financials. The team also manages a Sharia-compliant global equity strategy, which was launched in 2014. This has begun to gain commercial traction, helped by good performance over the period.

While the Global Select team employs a growth-oriented investment approach predicated on idiosyncratic stock picking, the London-based JOHCM Global Opportunities strategy has different style characteristics, emphasising quality of earnings and valuation and seeking out long-term compounding growth stocks. This strategy has now been open for three years and has generated a strong performance record since launch, helped by comfortably outperforming its benchmark over the 12-month period. With markets

in an increasingly nervous mood, the high quality, high return businesses that the team's approach prioritises have remained in demand, while the strategy has extensive available capacity.

Elsewhere, the JOHCM International Small Cap strategy (Global ex US small cap stocks), launched in late 2013 and managed from New York, enjoyed increasing commercial traction and outperformed this year.

Emerging Markets Strategies

The 12 months under review were extremely challenging for the emerging markets (EM) equity asset class, reflected in the -19.3 per cent return for the MSCI Emerging Markets NR Index in US dollar terms in the 2015 Financial Year. A strengthening US dollar and associated EM currency depreciation, sharp falls in commodity prices, slowing Chinese growth and expectations of forthcoming US interest rate rises have inflicted a heavy collective toll on EM.

JOHCM's two EM teams have contrasting investment approaches. The JOHCM Global Emerging Markets Opportunities (EMO) strategy uses a top down approach; country selection is the starting point for portfolio construction.

There has been a wide spread of country returns across EM in the past year. Structural growth stories like India, where share prices

have been buoyed by hopes of economic reform and an upturn in the earnings cycle, have outperformed markets reliant on external financing, such as Brazil and Turkey, by a large margin. This has played to the strengths of the EMO strategy, with the team's country allocation calls driving the strategy's outperformance, in particular limiting exposure to Brazil, being overweight Chinese/Hong Kong 'H' shares, and an above-index weighting in India. The strategy has received net inflows of \$256 million, bucking the trend of substantial outflows from EM equity funds in general.

The JOHCM Global Emerging Markets (GEM) strategy typically generates outperformance from stock views rather than country selection. With stock correlations rising again as the asset class sold off, it proved tougher to generate outperformance; however the GEM strategy still finished ahead of its benchmark for the year, helped by strength in its consumer discretionary and financials holdings.

As highlighted earlier, JOHCM launched an emerging markets small cap extension strategy in October 2014. While markets remain tough, the strategy has distinguished itself with significant outperformance since launch courtesy of robust stock picking in the technology, financials and industrials sectors in particular.



The JOHCM Global Emerging Markets Opportunities strategy investment team
From left to right: James Syme and Paul Wimborne

GLOBAL AND EMERGING MARKETS STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES)			
JOHCM Emerging Markets Fund	(11.14)	0.76	(0.04)
JOHCM Global Emerging Markets Opportunities Fund	(5.81)	1.05	N/A
JOHCM Global Select Fund	(5.44)	13.43	11.24
JOHCM International Select Fund (\$US)	(4.55)	13.17	10.21
JOHCM Global Opportunities Fund	10.41	14.04	N/A
JOHCM International Small Cap Equity Fund (\$US)	(2.40)	N/A	N/A
BENCHMARKS			
MSCI Emerging Markets Net Return Index	(14.39)	(3.38)	(2.72)
MSCI All Country World Net Return Index	(1.72)	8.67	7.51
MSCI EAFE Net Return Index (\$US)	(8.66)	5.63	3.98
MSCI All Country World ex US Small and Mid Cap Net Return Index	(6.40)	N/A	N/A

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

Investment Strategies continued

Regional Equity Strategies

Asian Equities Investment Review

Following a doubling of China's domestic 'A' stock market from late 2014 to June 2015, mainland Chinese stocks then fell heavily from mid-June onwards. China's financial and economic headwinds have spread across Asia, prompted by concerns about the effect of weaker Chinese economic activity on the wider Asian and global economy and by the prospect of competitive devaluation and currency outflows. Asian stock markets underperformed other regions over the final quarter of the 2015 Financial Year while the MSCI AC Asia ex-Japan NR Index finished the 12-month period down 12.4 per cent in US dollar terms.

There is more than one interpretation for events in China, but, at the very least, uncertainty has risen. This has occurred at a time when the world is also facing the prospect of US interest rates starting to rise. The immediate impact has been modest renminbi weakness, but China's long-term objectives also include convertibility and reserve status for the currency.

The Japanese equity market, in contrast, performed well, with the Topix Total Return Index returning 8.4 per cent in yen terms over the 12-month period. Japan's economic stimulus package has refocused attention on a country which has delivered low growth for a long period. Furthermore, the establishment of a benchmark index



Investment professionals focussed on Asian Equities
From left to right: Samir Mehta and Cho Yu Kooi

based on return on equity has galvanised domestic and international attention. One side effect of the latter, and of very low interest rates, has been the premium stock market rating accorded to the type of stable, high return businesses, such as food producers, which are included in the new index and whose theoretical fair value is particularly enhanced by low interest rates.

JOHCM's Japanese equity strategies both use a valuation discipline which has left them owning fewer of these businesses, so both underperformed. The all-cap JOHCM Japan Fund, which has a strong long-term record,

has a preference for smaller companies trading at low valuations; these have been overlooked in the market rally. The JOHCM Japan Dividend Growth Fund, launched in early 2015, owns larger companies which either offer attractive income or good dividend growth and aims to exploit corporate Japan's now increasing emphasis on shareholder returns.

The Japan investment team believes the Japanese stock market is clearly concerned about the economic impact of the Chinese stock market crash. However, the fund managers argue that there is plenty of counterbalancing good news from the Japanese economy: the labour market continues to tighten, the yen is still at historically low levels versus the US dollar and corporate profits are improving. This leads the team to be relatively bullish on the outlook for Japan. Japanese cyclical stocks have already discounted global recession and their valuations ignore the significant improvement in profitability and attitude to shareholders over the past few years.

JOHCM's two Asia ex-Japan strategies, both managed from Singapore, performed very strongly, even though the region as a whole saw declining share prices. Part of their success was due to country preference – both portfolios have substantial positions in the Indian market, which outperformed the rest of Asia – while their investment style also flourished. The two strategies invest in companies with good long-term growth prospects and which can deliver consistently high return on capital. This approach has worked well in markets characterised by slowing growth and declining confidence. Both strategies also use cash to protect the value of clients' investments: cash weights have been rising with a view to moving swiftly to capitalise on good investment opportunities if share prices fall.

ASIAN STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES, £)			
JOHCM Asia ex Japan Fund	3.88	9.43	N/A
JOHCM Asia ex Japan Small & Mid Cap Fund	17.63	16.39	N/A
JOHCM Japan Fund	1.97	11.35	8.45
JOHCM Japan Dividend Growth Fund	(0.22)	N/A	N/A
BENCHMARKS			
MSCI All Country Asia ex Japan Net Return Index	(6.70)	2.11	N/A
MSCI All Country Asia ex Japan Small Cap Net Return Index	(6.90)	4.14	N/A
Topix Total Return Index	5.25	11.72	6.49
Topix 100 Total Return Index	3.03	N/A	N/A

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

Regional Equity Strategies

US Equities

Investment Review

Broad investment themes frame the team's research efforts and influence the investable universe, although the investment process is driven by a bottom-up perspective that identifies companies with strong fundamentals and potential.

Following the hire of a Boston-based US small and mid cap equity (US SMID) team in mid-2014, JOHCM has launched pooled investment vehicles for the US wholesale market, the UK and Continental European market, and a commingled fund (a fund consisting of several accounts blended together) aimed at US trusts and endowments. The JOHCM US Small and Mid-Cap strategy finished ahead of its benchmark, the Russell 2500 NR Index, before fees in its first full year.

Broad investment themes help to frame the team's research efforts and influence the investable universe, although the investment process is ultimately driven by a bottom-up perspective that identifies companies with strong fundamentals and upside potential. Current themes include the digitisation of cash, consolidation among regional banks, increased appetite for organic and healthy food within the US, expansion of healthcare coverage generating growth opportunities for healthcare plan providers and a resurgent US housing market.

Many of the companies in which the US SMID team invests compete against companies in Europe and Asia. JOHCM decided to use the team's expertise and understanding of their stocks' peers to launch a Global Smaller Companies strategy. The aim is to market this actively when the team has built a track record in this strategy.



The JOHCM US Small and Mid-Cap strategy investment team
From left to right:
Vince Rivers, Arun Daniel
and Thorsten Becker

US STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES, \$US)			
JOHCM US Small Mid Cap Equity Fund	(1.47)	N/A	N/A
BENCHMARKS			
Russell 2500 NR Index	(2.65)	N/A	N/A

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

Investment Strategies continued

Income and Fixed Interest Strategies

Investment Review

2015 saw the Income and Fixed Interest boutique have one of its best years since 2009. Not only did we top the peer group for our fixed income strategy, we also received the Fund Manager of the Year award for 2015 from Lonsec/Money Management in the Australian Fixed Income category. These great achievements recognise the team's hard work and investment discipline over the last five years. Our discipline of focusing on the defensive characteristics of bonds (which at times has been against the grain in Australian fixed interest), has delivered strong results for our clients.

Through the year we received positive endorsements for our strategies from a number of investment consultants and researchers. This resulted in upgrades in consultant recommendations and inclusion of our strategies in new client model portfolios. The flagship Fixed Income strategy, the BT Wholesale Fixed Interest Fund, as well as the BT Wholesale Monthly Income Plus and BT Wholesale Pure Alpha Fixed Income funds, were all included in model portfolios during the year.

Our defensive investment philosophy and willingness to be non-consensus in our views saw us differentiated from our peer group and outperform strongly. This, along with greater awareness and availability of our products, saw an increase in new client interest and inflows of \$0.8 billion into our strategies. Our flagship retirement income strategy, the BT Wholesale Monthly Income Plus Fund, had particular success. The primary objective of this fund is to provide consistent monthly income in volatile market conditions and some capital appreciation to offset inflation. This has resonated particularly well with investors.

With new strategies and FUM growth comes the opportunity to increase resourcing. In 2015 we took on two investment analysts, Oliver Ge and Arpit Marthur and promoted Robin Lu to Assistant Portfolio Manager. We now have a team of nine and one of the largest and most capable quantitative teams in the marketplace, further adding to our competitive advantage.

Whilst we have delivered strong results for our clients, the real reward is knowing that in these turbulent times we have been able to provide a secure source of returns and protection for our clients' capital when many other parts of their portfolios are struggling.

Market commentary

The last 12 months have seen some of the most important macro events since the GFC. For the most part these moves have been very supportive for bond investors. Unfortunately, however, many investors held short positions in bonds and missed much of this upside. The central theme in the marketplace was that the US Federal Reserve (the Fed) would start hiking rates in the first quarter of 2015, an outcome we considered improbable. Unfortunately for the market the dramatic drop in oil prices, coupled with a rise in the US dollar, saw domestic data weaken and the threat of deflation sweep across the developed world.

In this environment it was very hard for the Fed to raise rates, especially when we saw an unprecedented number of central banks around the world cut rates in the first quarter of 2015. The divergence in monetary policy between central banks has helped drive the US dollar higher over the course of the year. Its ascent has also been aided by investors repaying US dollar-denominated debt and repatriating funds to the US.

It is also worth highlighting the significance of negative interest rates, which have been enacted by the European Central Bank, Swiss National Bank, the Riksbank and others. This effectively forces commercial banks to lend and in turn help stimulate their economies

rather than 'safe house' excess cash in central banks. It is significant for bond investors as it opens the prospect of further interest rate cuts, which would be beneficial for bond prices.

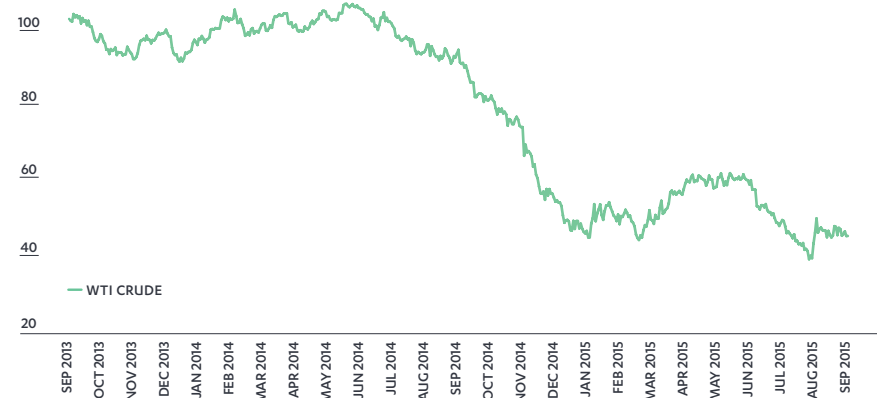
In terms of fund positioning, while one of our favourite themes is significantly out of consensus (long bonds) and one is squarely in consensus (long US dollar) both have significant opportunities to outperform over the coming year.

For the past year we've been particularly vocal about four central investment themes:

1. The global economic growth pulse is now slowing with all areas contributing to the weakness, including the US.
2. The emerging market dislocation, which we have been expecting for some time, is now firmly in train and it will worsen in the short to medium-term.
3. Liquidity is mispriced and volatility is too low and will rise soon.
4. Risk assets are due for a period of consolidation/weakness.

Overall we have been building exposures to bonds (in which the investor base is very short), the US dollar (which will benefit from a safe haven bid and continued short covering) and volatility (which is still very cheap).

MARKET DRIVER – CRUDE OIL (\$/BBL)



Source: Factset



Investment professionals focussed on Income & Fixed Interest strategies

From left to right: Justin Davey, Peter Farac, Vimal Gor,
George Bishay and Steve Campbell

MARKET DRIVER – US DOLLAR (USD INDEX)



Source: Factset

Outlook

Our conviction grows as we head into the 2016 Financial Year. Our models continue to signal that the trends we identified earlier are well established and we believe the pulse of world growth is slowing. The European Central Bank's Quantitative Easing experiment and Abenomics in Japan seem not to be delivering results as expected. This, along with a China's transition from industrial production to consumer-led growth, is likely to be painful for the global economy.

These factors, coupled with emerging market dislocation, will see the demand for bonds remain high and continue to drive our 'lower for longer' themes. We also have a strong conviction about the strength of the US dollar as other world economies try to depreciate their way out of potential economic troubles.

Domestically we face strong headwinds with slowing growth in China and continued falls in commodity prices. Whilst the Australian dollar is dropping against the US dollar, compared to our other major trading partners, it is not depreciating as quickly as the market would have hoped. Despite concerns of asset bubbles, especially in property, we believe the Reserve Bank will be forced to cut rates again and at this stage there is a distinct possibility that we could be heading towards a one per cent cash rate.

We continue to maintain a liquid, well diversified portfolio with some elements of protection against large market falls. What enables us to produce returns in volatile periods is the rigorous, comprehensive and repeatable investment processes we use that combines strong quantitative research with fund manager experience.

INCOME & FIXED INTEREST STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES)			
BT Pure Alpha Fixed Income Fund	8.56	N/A	N/A
BT Wholesale Fixed Interest Fund	8.63	5.59	7.29
BT Government Bond Fund	7.69	4.76	6.80
BT Wholesale Enhanced Credit Fund	6.28	5.94	7.49
BT Wholesale Enhanced Cash Fund	2.81	3.72	4.71
BT Wholesale Managed Cash Fund	2.63	2.91	3.68
BT Wholesale Monthly Income Plus Fund	6.38	6.44	6.41
BENCHMARKS			
Bloomberg AusBond Composite 0+ Yr Index	6.91	4.89	6.64
Bloomberg AusBond Bank Bill Index	2.47	2.73	3.51

Source: BTIM

Investment Strategies continued

Diversified Strategies

Investment Review

Our portfolios were well positioned for market volatility in the 2015 Financial Year and we both outperformed our peers and delivered strong performance for our clients.

2015 Achievements

The 2015 Financial Year was a very successful one for the Diversified Strategies boutique and its clients. Performance was strong, particularly since the start of the calendar year where we achieved high first quartile, rolling one-year returns in each and every month and across every risk class.

Moreover, at various times throughout the year several of our diversified funds were the best performing products in their class over rolling one-year periods. This success is a direct outcome of the major changes we made around three years ago to both the investment process and underlying investment strategies: a great outcome for both our clients and BTIM shareholders.

As part of the broader Group's focus on innovative new products, this year we introduced a new strategy called the BT Risk Parity Fund. The strategy is the latest 'satellite strategy' in our liquid alternative assets fund, the BT Total Return Fund. Managed within the Diversified Strategies team, the portfolio is part of a new breed of multi-asset strategies that focus on targeting a specific level of volatility rather than a specific level of return. In addition to being a true risk-balanced approach¹, the strategy utilises our highly successful tactical asset allocation (TAA) process and thereby leverages our intellectual property.

For the second year in a row, we received nominations for Asset Allocator of the Year and for Multi-Sector Fund of the Year at the 2015 Lonsec/Money Management Fund Manager of the Year Awards. These nominations reflect our ongoing process of continual improvement as we seek to deliver industry-leading outcomes for our clients.

Portfolio positioning

The latter part of the 2015 Financial Year was a particularly volatile time in financial markets. This commenced in April when the prospect of an increase in European inflation was enough to send European bond yields rocketing and bond prices plummeting. This was followed in short order by Greek induced market jitters and a continued focus on whether the US Federal Reserve would officially put an end to loose US monetary policy. Together, these macro events conspired to make markets especially nervous. The final 'shove' came when China released a slew of underwhelming economic data and unexpectedly devalued its currency in early August. Since then equity and commodity markets (in particular) have sold off materially and high volatility has ensued.

Pleasingly, our portfolios were well positioned for this volatility and we both outperformed our peers and delivered strong performance for our clients. The flagship BT Wholesale Active Balanced Fund returned 9.84 per cent before fees in the year to 30 September 2015. Of this amount, 3.96 per cent accrued from active management; demonstrating that in times of stress, active management can materially improve investor outcomes.

The TAA we employed helped us add a further 1.14 per cent in value to the fund, driven in part by weakening demand for commodities and our underweight position in this asset class.

In April, we undertook a strategic asset allocation review. We decided to reduce our fixed interest exposures and replace them with alternative assets. As can be seen from the chart over the page, forecast Australian



The Diversified Strategies team
From left to right: Martyn Wild
and Stuart Eliot

THE BT WHOLESALE ACTIVE BALANCED FUND RETURNED

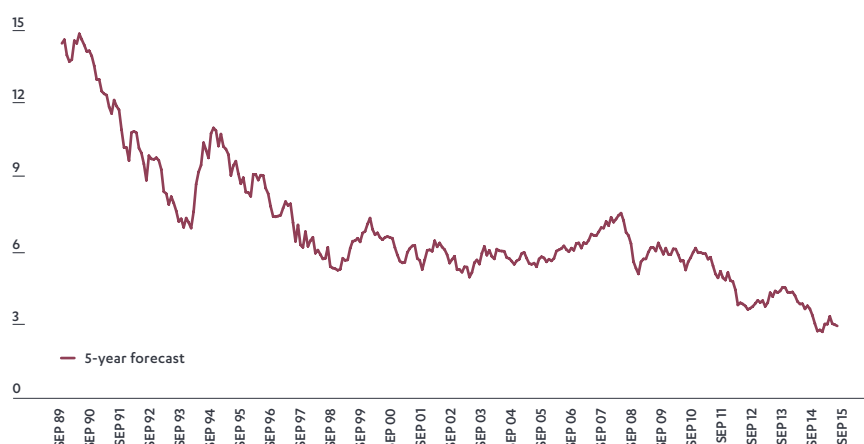
9.84%

**BEFORE FEES IN THE YEAR
TO 30 SEPTEMBER 2015**

fixed interest returns are at a low level and continue to fall as yields have been on a downward trajectory since the 1980s. This has been driven in recent times by low and stable inflation, tepid economic growth and accommodative central bank policies.

¹ BTIM's Risk Parity fund is considered to be a 'risk-balanced' approach on account of the fact that each asset in the portfolio receives a capital weight such that its expected contribution to overall portfolio volatility is equal. Therefore, no single asset or asset class can consistently dominate the variability of portfolio returns, unlike classic balanced funds where the underlying asset class exposures are not necessarily risk equivalent, allowing certain asset classes (like equities) to dominate the portfolio's return volatility.

AUSTRALIAN FIXED INTEREST 5 YEAR TOTAL RETURN FORECAST (% PER ANNUM)



Source: BTIM and Bloomberg

The concern for us is that real returns on Australian bonds are therefore likely to be around one per cent or less per annum for an investment made today. Hence, we have looked to partially substitute fixed income assets and the role they play in our portfolios. We say “partially” because bonds will continue to play a material role in our portfolios. Traditionally, fixed interest has been used to reduce risk and provide stability to the portfolio. It is our view that substituting this asset by a few per cent, i.e. at the margin, with alternative, cash plus assets is a sensible way to improve the surety our portfolios provide.

Outlook

Recently we have been asked: “Are you expecting volatility to continue?” Our response has been an emphatic “Yes”!

Investors are still reeling from the dramatic sell off across asset classes in August this year. As such, we believe that it will take a while for anxiety to dissipate and we expect overreactions (both up and down) to be likely for some time.

Notwithstanding, our impression is that the fundamental economic backdrop is largely unchanged and that the global recovery will continue – led by advanced economies such as the United States. We expect the European Central Bank will ultimately be required to do more than is currently expected as the pace of necessary structural reform remains slow. We think this sell off could be too far done, but possibly not finished either. As long term investors, we are therefore on the lookout for opportunistic trades, particularly in equities and commodity markets.

Of course, this view is at least partially contingent upon market confidence. As we have seen in the past few months, news headlines are trumping market fundamentals, which suggests to us that the market is skittish and looking for problems. Although not our base case, we worry that it would be too easy for a recession to become a self-fulfilling prophecy.

While flash crashes are painful to endure, they are to be expected from time to time. Our portfolios have been built to withstand the occasional speed bump. We will continue to take advantage of market conditions to strengthen our portfolio and add long-term value for our clients.

DIVERSIFIED STRATEGIES	1 YEAR (%)	3 YEARS (% PA)	5 YEARS (% PA)
KEY FUND PERFORMANCE (BEFORE FEES)			
BT Wholesale Conservative Outlook Fund	8.69	8.20	7.70
BT Wholesale Balanced Returns Fund	9.81	11.43	9.08
BT Wholesale Active Balanced Fund	9.84	12.31	9.45
BT Wholesale Future Goals Fund	10.39	13.87	10.11
BT Total Return Fund	6.85	5.82	4.98
BENCHMARKS			
BT Wholesale Conservative Outlook Benchmark*	6.48	6.80	6.80
BT Wholesale Balanced Returns Benchmark*	6.29	9.16	7.68
BT Wholesale Active Balanced Benchmark*	5.88	9.72	7.95
BT Wholesale Future Goals Benchmark*	5.73	10.88	8.34
Bloomberg AusBond Bank Bill Index	2.47	2.73	3.51

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

Source: BTIM

Corporate Sustainability & Responsibility

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

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

BTIM's approach to responsible investment

BTIM is dedicated to responsible investment and, as an investment manager, strives to embed a culture incorporating corporate responsibility programmes and sustainable activities throughout the organisation.

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

JOHCM and BTIM's affiliate, BTFG have both been signatories to the United Nations Principles for Responsible Investment since 2007. Through this initiative, signatories

commit to incorporating key ESG principles into investment analysis and decision making processes across the range of their investments. We also take 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, we report 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.

BTIM's sustainable and ethical funds

BTIM offers a diverse range of products that incorporate ESG best practice.

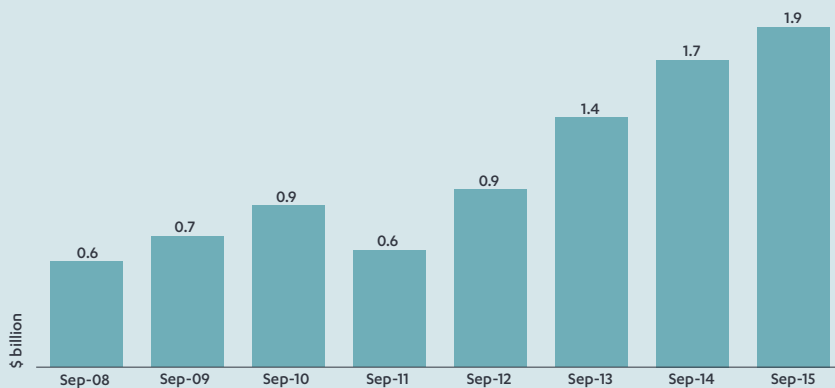
Clients are offered products that include both 'best of sector' and ethical screening in the investment decision making process.

BTIM's suite of products with an ESG tilt include:

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

BTIM's sustainable products continue to attract investor interest. As at 30 September 2015, we managed \$1.9 billion on behalf of investors in these products, an increase of 11 per cent on last year and 222 per cent in the seven years since September 2008.

BTIM SUSTAINABLE & ETHICAL FUNDS UNDER MANAGEMENT



Source: BTIM

11%

INCREASE IN THE
VALUE OF SUSTAINABLE
PRODUCTS MANAGED ON
BEHALF OF CLIENTS, IN
THE 2015 FINANCIAL YEAR

Regnan

BTIM is a client and active shareholder of Regnan Governance Research and Engagement Pty Limited (Regnan). Regnan represents institutional investors with the objective of driving and facilitating ESG best practice in the companies in which they invest. Regnan undertakes research in ESG matters and engages companies to constructively encourage change in corporate practices to better address ESG risk and opportunity.

In the year to 30 September 2015, Regnan worked with 47 of the top 200 ASX listed companies, many of which were engaged several times in the sustained pursuit of positive change. Regnan held in depth discussion with those charged with

governance – more than 51 per cent were face-to-face meetings with board members.

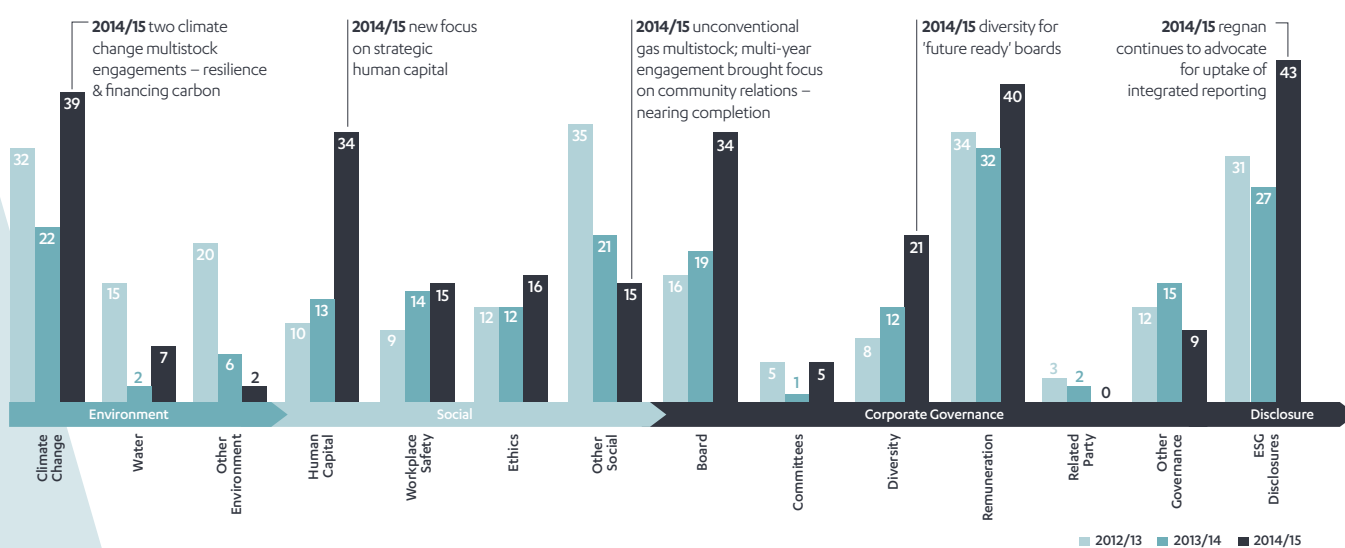
Regnan's engagement covers a broad range of topics across ESG issues. It has substantial focus on environmental and social topics alongside traditional corporate governance and AGM voting matters. Many engagements address multiple aspects of ESG and it is increasingly rare for discussions to be limited to only corporate governance matters.

In 2015, Regnan increased the number of engagements addressing social issues. Community relations continue to be a key theme particularly so for unconventional/coal seam gas companies. Strategic human capital and diversity for 'future ready' boards have also featured as key topics this year.

Engagement on environmental issues has expanded with climate change continuing to be a key topic. During 2014/15, Regnan focused on resilience for companies most exposed to climate change and the actions of lenders in financing carbon intensive activities.

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. BTIM considers this initiative important in our leadership of ESG principles in funds management and maintains board representation in Regnan.

AREAS OF REGNAN ENGAGEMENT BY TOPIC – 2014/15 AND PRIOR 2 YEARS



Corporate Sustainability & Responsibility continued

Proxy voting

BTIM regards corporate governance and 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 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.

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 BTIM Australia's proxy voting pattern for the 12 months to 30 June 2015 is set out below. Specific details on how each proxy has been voted are available on the BTIM website.

PROXY VOTING 2014-2015	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	DID NOT VOTE
Number of resolutions	1518	1343	93	19	63
Percentage of total (%)	–	88.5	6.1	1.2	4.2

Source: BTIM

JOHCM

JOHCM engages ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate our voting and engagement activities. Our 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.

Improving the environmental efficiency of our operations

BTIM has a longstanding commitment to reducing its environmental impact and understands the important role we have in minimising the direct impact our business operations have on the environment.

Given the nature of its operations and size of its workforce (FTE 259), BTIM has a relatively small environmental footprint. However, we have continued to implement a number of environmental impact improvements in the 2015 Financial Year, both as a standalone business and also in conjunction with the building management teams in the offices in which we reside. These supplement our ongoing improvements which include areas such as recycling, efficient energy devices and usage and reduction in printed material, including shareholder communications.

Workplace

The BTIM 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 exceptional client investment outcomes. BTIM Group's people strategy seeks to cultivate the organisational values, culture, leadership behaviours and work practices that maximise employee engagement and well-being and drive individual and team contribution to achieve BTIM's strategic goals.

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

- paid parental leave (over and above legislative entitlements)
- continuation of certain benefits including superannuation during parental leave
- paid contribution leave (BTIM Australia specific)
- flexible work arrangements
- support for working parents
- leadership development programs

- support of industry specific professional accreditations and memberships
- onsite training programs and an in-house learning and development portal
- support to pursue and complete professional development-related study
- employee excellence recognition awards
- service recognition awards, and
- wellness initiatives.

During the 2015 Financial Year, the BTIM Group implemented the following initiatives:

- In May, BTIM Australia employees participated in the 2015 Employee Engagement Survey. A five per cent uplift in employee engagement was achieved since the last measurement was taken in 2013, advancing the organisation's standing within the top quartile of Aon Hewitt's Best Employer range.
- Leadership development programs were rolled out to a broader group of people leaders within the Australian business to enhance the leadership behaviours and capability of current and future leaders.
- Wellness events took place in each quarter, making initiatives including nutrition consultations, cycling classes, yoga, flu injections and medical checks (focused on vision and heart) available to employees within the Australian and UK businesses.

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 BTIM Group operates.

In Australia, the BTIM Community Committee – comprising employees from across the company – helps coordinate and champion community involvement and fundraising initiatives. This Financial Year, the committee 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:

- The Wayside Corporate Day where a group of BTIM employees was involved in cooking lunch for local community members
- A Christmas gift collection from our employees in support of The Wayside Chapel Christmas Party
- Employee donations of warm clothing, blankets and personal toiletry items for the Wayside Chapel Winter Appeal
- Fundraising efforts through initiatives including a Bake Off, and
- Donating the proceeds of Entertainment Book sales to The Wayside Chapel.

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

The JOHCM Group and its employees regularly sponsor and support UK-based charities and special causes. In the 2015 Financial Year specific activities included:

- Running a Christmas raffle where corporate gifts were donated as prizes and proceeds went to charities chosen by employees, and
- Participation in, and being one of the leading fund raisers for, the Macmillan Cancer Charity's annual cake and coffee morning.

In the 2015 Financial Year, the BTIM Group continued to support individual employees in their charitable endeavours through the provision of community service leave and corporate matching of funds raised for various registered charities.

BTIM Group Diversity and Inclusion Strategy

The BTIM Group's Diversity and Inclusion Strategy (D&I Strategy) was refreshed during the 2015 Financial Year and is a business imperative to be achieved by 2020. The D&I Strategy aims to attract, engage and retain a diverse workforce and maximise the business benefits of tapping into the full pool of available talent. Central to the D&I Strategy is the principle of harnessing differences in skills and perspective and using the talents and contributions of all employees to execute on the broader business strategy.

BTIM Group's leaders are required to take accountability for establishing a diverse and inclusive workplace. 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 BTIM Group is committed to delivering on the following:

- Continued development of women in senior leadership
- Increased female representation across the investment platform
- Broad diversity within the emerging talent pool
- Heightened awareness of leader 'bias' which impacts on business decision-making
- Leaders and employees that support a diverse and inclusive work environment, and
- Flexible work practices operational across all organisational levels and business units.

The BTIM Group makes its commitment to increase female representation across the investment platform knowing full well that the industry in which it operates is characterised by a long standing shortage of female fund managers, analysts and graduates. To achieve greater gender diversity in this area will require a deliberate focus and sustained commitment over the long-term. BTIM Group is committed to fostering the cultural shifts required to change the industry.

Corporate Sustainability & Responsibility continued

BTIM Group's Commitment to Gender Diversity

In 2011, the BTIM Group set public targets for female representation at Board and Executive level to be achieved in the Australian business by 2015 as follows:

- 20 per cent female representation on the BTIM Board (including CEO)
- 30 per cent female representation at CEO-1 level (Executive Team)

As at 30 September 2015, these targets have broadly been achieved with 33 per cent female representation at the BTIM Board level and the proportion of CEO-1 level females at 29 per cent. Thirty seven per cent of the BTIM Group's total workforce is female.

In the 2015 Financial Year, the BTIM Group reset the public target for female representation at Board and Executive level in the Australian business to be achieved by 2020 as follows:

- A minimum of 30 per cent female representation on the BTIM Board (including CEO)
- A minimum of 30 per cent female representation at the CEO-1 level (Executive Team)

These targets reflect the lean Group leadership team and acknowledge that individual appointments swing the ratio materially. However, the Board and Management intend to exceed these targets through focused recruitment and development.

2015 Diversity and Inclusion Initiatives

Addressing gender diversity starts with measurement. BTIM submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May. The report provides a breakdown of BTIM Australia's gender composition and average pay across all levels of the organisation and comprehensively outlines work practices

and policies which support gender diversity. The report can be accessed in the shareholder centre via the BTIM website.

Development of Women in Senior Leadership

Membership with the Women in Banking and Finance Group was obtained during the 2015 Financial Year to provide senior female employees with the opportunity to network with like-minded professionals and attend industry specific events that will further their career and personal development.

Conscious Decision Making Program

Work commenced on the design and development of the BTIM Conscious Decision Making Program. Partnering with Melbourne Business School's Centre for Ethical Leadership, the program is designed to raise awareness of unconscious knowledge that can lead to biased decision making and impact meaningful inclusion of diverse groups, thereby limiting business innovation and creativity.

Enabling Flexibility

The BTIM Group continued to offer policies and practices that are designed to encourage and support flexible work arrangements 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)
- continuation of certain benefits including superannuation during unpaid parental leave
- timeout and career break, and
- job sharing.

Developing our Diversity and Inclusion networks and building on our employment brand

BTIM is a member of the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA). The NEEOPA membership enables delegates to receive ongoing education via industry forums and events and ensures that diversity centric practices remain relevant and cater to the specific needs of our workforce. To further enhance BTIM's Diversity and Inclusion capability, BTIM Australia became a member of the Diversity Council of Australia (DCA) this Financial Year. The DCA membership provides all BTIM employees with access to free or discounted educational forums and events, as well as access to the Members only area of the DCA website which contains ground-breaking research reports, thought leadership, regular diversity journals and web-based diversity practice tools and resources with local, regional and global insights. BTIM is also listed on the DCA website as a leader in Diversity and Inclusion.

2015 Financial Report

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

The Directors present their report and the annual financial report for the BTIM Group for the 2015 Financial Year.

Directors

The Directors of the Company during the 2015 Financial Year and up to the date of this report are:

DIRECTORS	APPOINTMENT DATE	PERIOD
James Evans	Appointed to the Board on 2 June 2010, Appointed Chairman on 6 December 2013	Full year
Emilio Gonzalez	22 January 2010	Full year
Meredith Brooks	1 April 2013	Full year
Brad Cooper	29 April 2010	Full year
Andrew Fay	1 October 2011	Full year
Deborah Page	7 April 2014	Full year

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



James Evans

BEc, CPA, F Fin, FAICD

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

Independent: Yes

Board Committees: Member, Audit & Risk Management Committee

James Evans has 40 years of corporate experience. His most recent executive role, which he held from 2003 to 2008, was as the Chief Risk Officer, Wealth Management at the Commonwealth Bank of Australia. As part of this role, James held directorships in the Commonwealth Bank's funds management, general insurance, life insurance and lease financing businesses. James also held a number of other senior executive roles with the Commonwealth Bank in the areas of finance, accounting, business development and strategy.

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

James is a non-executive director of the Equigroup companies, Hastings Funds Management Limited, Investa Wholesale Funds Management Limited and Suncorp Portfolio Services Limited.

Directorships of other listed entities over the past three years: Australian Infrastructure Fund Limited (2010-2013)



Emilio Gonzalez

BCom (Ec), CFA

Term: Appointed Chief Executive Officer on 22 January 2010

Independent: No

Board Committees: Nil

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

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

Emilio is also a director and chairman of BTIMFS and BTIMI and a director of J O Hambro Capital Management Holdings Limited and BTIM UK Limited.

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



Meredith Brooks

BA, FIAA

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

Independent: Yes

Board Committees: Chair, Remuneration & Nominations Committee

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

Meredith is currently Chair of Critical Path Inc, a Council Member of Glaucoma Australia and a member of the Industry Advisory Board for the Faculty of Business and Economics at Macquarie University.

Meredith was a non-executive director of Perpetual Limited from 2004 to 2011.

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


Brad Cooper

DipBM, MBA

Term: Appointed a Non-executive Director on 29 April 2010

Independent: No

Board Committees: Member, Remuneration & Nominations Committee

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

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

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

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


Andrew Fay

BAGec (Hons), A Fin

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

Independent: Yes

Board Committees: Chairman, Audit & Risk Management Committee

Andrew Fay has over 25 years' experience in the financial services sector and was Chief Executive Officer at Deutsche Asset Management (Australia) Limited from 2005 to 2008 and Chief Investment Officer from 2000 to 2008. Prior to that, he held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2006, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew was, until September 2011, the Chairman and a non-executive director of Deutsche Asset Management (Australia) Limited, having been appointed to this role in 2008. He is a non-executive director of Deutsche Managed Investments Limited.

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

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


Deborah Page, AM

BEC, FCA, MAICD

Term: Appointed a Non-executive Director on 7 April 2014

Independent: Yes

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

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

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

Directorships of other listed entities over the past three years: Australian Renewable Fuels Limited (March 2012 to October 2015).

Company Secretary
Chris Millard

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

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

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2015 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	9	9	4	4	—	—	—	2
Emilio Gonzalez	9	8	—	—	4	—	—	5
Meredith Brooks	9	9	—	—	2	5	5	—
Brad Cooper	9	8	—	—	2	5	4	—
Andrew Fay	9	9	4	4	—	—	—	2
Deborah Page AM	9	9	4	4	—	5	5	—

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

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

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

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Senior Management Team

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

NAME OF EXECUTIVE	POSITION	JOINED 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
Hayden King	Chief Operating Officer	2014	2014
Gavin Rochussen ¹	Chief Executive, JOHCM	2011	2011
Cameron Williamson	Chief Financial Officer	2008	2010
Brian Wright	Head of Corporate Development	2009	2012

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

Details of the qualifications, experience and responsibilities of the current members of the Senior Management Team are set out below:



Emilio Gonzalez

BCom (Ec), CFA

Chief Executive Officer

Refer to Directors' biographies.



Geraldine Bouquet

BCom (HRM & IR), CAHRI

Head of Human Resources

Geraldine Bouquet was appointed the Head of Human Resources in May 2008.

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

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



Daniel Campbell

MA (Hons), GradDipAppFin

Head of Investment Products

Daniel Campbell was appointed BTIM's Head Portfolio Specialist in 2010. He was appointed to his current role on 1 October 2013. Daniel's responsibilities include management of a number of BTIM's critical relationships, including BT Financial Group and Research Houses. Daniel is also responsible for investment and portfolio analytics at BTIM and chairs the BTIM Investment Review Committee which has oversight of BTIM's portfolios risk and performance.

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


Chris Clayton

BBus (Ec) Grad DipAppFin, MAppFin

Head of Sales & Marketing

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

Chris has extensive experience in the Australian Financial Services industry having worked in Asset Management, Superannuation, Insurance and Financial Planning. His focus over the past 15 years has been the retail and institutional marketplace. Chris was the inaugural CEO of Acadian Asset Management (Australia) and has also worked with such companies as Colonial First State, National Australia Bank, Tower and Sunsuper.


Jennifer Davies

LLM, LLB

Chief Risk Officer

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

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

With over 25 years' experience in the financial services sector in Australia and the Asia Pacific region, prior to joining BTIM, Jennifer held senior management roles at global investment firms, including Deutsche Asset Management (Asia) Limited and UBS Global Asset Management (Hong Kong) Limited.


Hayden King
Chief Operating Officer

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

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

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

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


Gavin Rochussen

BCom, BAcc, Chartered Accountant (SA)

Chief Executive Officer, J O Hambro Capital Management

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

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

Prior to joining JOHCM, Gavin was the Chief Executive of Fleming Family & Partners, 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.

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


Cameron Williamson

BAcc, CA

Chief Financial Officer

Cameron Williamson was appointed BTIM's Chief Financial Officer in February 2010, having joined BTIM in 2008.

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

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

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


Brian Wright

BCom, CA

Head of Corporate Development

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

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

Brian was at Bankers Trust from 1990 to 2003. He held a number of senior positions at Bankers Trust, including Operations Manager for Equity & Currency Derivatives in the Investment Bank. In 1995, he moved to funds management where he held the position of Business Manager for Currency & International Bonds before being appointed Business Manager for the Australian and International Equity business.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Principal activities

The principal activity of the BTIM Group during the 2015 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 2015.

Operating and Financial Review

The Operating and Financial Review (OFR) containing the information on the operations and financial position of the BTIM Group is set out in the Chairman's Letter, CEO's Report 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 (JOHCM) effective 1 October 2011. These two segments comprise of the investment management business in Australia (BTIM) and outside of Australia (BTIM UK). The statutory net profit after tax (NPAT)¹ of the BTIM Group for the 2015 Financial Year was \$126,417,956 (2014: \$121,504,043).

The BTIM Group's cash net profit after tax (Cash NPAT)¹ for the 2015 Financial Year was \$132,455,886 (2014: \$127,016,358). The increase on the prior year is predominantly driven by higher funds under management (FUM).

	2015 \$'000	2014 \$'000
Reconciliation of statutory NPAT to Cash NPAT		
Statutory NPAT	126,418	121,504
Add back: amortisation of employee equity grants	41,336	32,371
Deduct: cash cost of ongoing equity grants	(45,521)	(36,410)
Add back: amortisation and impairment of intangibles ²	8,383	9,642
Add back/(deduct): tax effect	1,840	(91)
Cash NPAT	132,456	127,016

Funds under management at 30 September 2015 was \$78.4 billion, an increase of 18% from the FUM of \$66.4 billion at 30 September 2014. The movement for the full year ended 30 September 2015 has been driven by positive market and investment performance of \$0.7 billion, net inflows of \$5.7 billion and a weaker Australian dollar relative to the Pounds sterling which contributed to a positive foreign exchange movement of \$5.6 billion.

Dividends

The Directors have resolved to pay a final dividend and dividend-linked coupon of 20.0 cents (40% franked⁴) per share, (2014: 19.0 cents per share 35% franked) on ordinary shares and converting notes. The amount of dividend and dividend-linked coupon which has not been recognised as a liability at 30 September 2015 is \$60.3 million (2014: \$57.0 million). The Company paid an interim dividend and dividend-linked coupon of 17.0 cents per share (\$48.7 million) on 2 July 2015.

	2015 \$'000	2014 \$'000
Equity dividends on ordinary shares		
(a) Dividends declared and paid during the Financial Year		
Final 35% franked ⁴ dividend for the 2014 Financial Year: 19.0 cents per share (2013 Financial Year: 10.0 cents per share 50% franked)	52,891	27,097
Interim 40% franked ⁴ dividend for the 2015 Financial Year: 17.0 cents per share (2014 Financial Year: 16.0 cents per share fully franked)	47,159	42,963
	100,050	70,060

	2015 \$'000	2014 \$'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 2015 Financial Year 20.0 cents (40% franked ¹) per share (2014 Financial Year: 19.0 cents per share 35% franked)	58,513	54,031

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.

Dividend-linked coupons on converting notes	\$'000	\$'000
(a) Coupons paid during the Financial Year		
Final 35% franked ¹ coupon for the 2014 Financial Year: 19.0 cents per converting note (2013 Financial Year: 10.0 cents per converting note 50% franked)	1,717	1,556
Interim 40% franked ¹ coupon for the 2015 Financial Year: 17.0 cents per converting note (2014 Financial Year: 16.0 cents per converting note fully franked)	1,537	2,462
	3,254	4,018
(b) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2015 Financial Year: 20.0 cents (40% franked ¹) per converting note (2014 Financial Year: 19.0 cents per converting note 35% franked)	1,806	2,919

Significant changes in the state of affairs

In June 2015, The Westpac Group sold part of its investment in the BTIM Group. As a result of the sell down The Westpac Group's holding reduced from 59% of BTIM's issued capital to its current holding of 31%. The reduced ownership has resulted in The Westpac Group no longer having a controlling interest in the BTIM Group effective from June 2015.

Other than the above, there has been no other significant changes in the state of affairs of the BTIM Group during the 2015 Financial Year.

Matters subsequent to the end of the financial year

A final dividend of 20.0 cents (40% franked¹) per share on ordinary shares and a final dividend-linked coupon of 20.0 cents per note on converting notes, is to be paid on all ordinary shares and converting notes outstanding at the record date.

On 2 October 2015, BTIM announced a future issuance of ordinary shares under the Fund Linked Equity (FLE) program. Based on valuations as at 30 September 2015 this equates to approximately 8.8 million new ordinary shares on issue. The exact number of ordinary shares will not be known until after the 31 December 2015 effective date and will be subject to a number of variables. Further details on the FLE program are outlined on pages 51 to 53 of the Remuneration Report. The new ordinary shares are scheduled for issuance in January 2016.

On 16 October 2015, BTIM announced the renewal of the Master Relationship Agreement (MRA) with the Westpac-owned BT Financial Group (BTFG) relating to assets managed by BTIM for BTFG funds. Funds under management relating to the MRA totalled approximately \$17 billion as at 30 September 2015, and under the revised terms the effective management fee for the FUM declines from 32 basis points to 29 basis points, translating to a decrease in investment management fee revenue of approximately \$5.1 million. The new pricing became effective 1 October 2015.

On 26 October 2015, UK legislation to change the rate of UK corporate tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 has been substantively enacted for accounting purposes. Had the changes been enacted at balance date, the impact on the financial statements of the BTIM Group, would have been to reduce the balance of the deferred tax assets by approximately \$1.3m and to reduce the balance of the deferred tax liabilities by approximately \$1.8m.

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

Likely developments and expected results of operations

The OFR sets out the information on the business strategies and prospects for future financial years (refer to our Chairman's Letter, CEO's Report 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, 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 continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

INTRODUCTION TO THE 2015 REMUNERATION REPORT

The Directors present the Remuneration Report for the year ended 30 September 2015. 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 general Corporate employees are rewarded.

The KMP for BTIM includes the Non-executive Directors, Chief Executive Officer (CEO) and other Senior Executives as listed in the tables below who are accountable for planning, directing and controlling the affairs of the Company and its controlled entities.

Non-executive Directors

Name	Position	Term as KMP
James Evans	Chairman	Full year
Meredith Brooks	Director	Full year
Brad Cooper	Director	Full year
Andrew Fay	Director	Full year
Deborah Page	Director	Full year

CEO and other Senior Executives

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

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	47
Employee Remuneration Structure and Policy (including the CEO and other Senior Executives)	48
BTIM Group's Business Model and Approach to Remuneration	48
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	54
Details of Equity Based Remuneration	57
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CEO and other Senior Executive Remuneration in the 2015 Financial Year	61
CEO and other Senior Executive Employment Agreements	69
Non-executive Director Remuneration and Employment Agreements	70
Director and Senior Executive holdings	73

A MESSAGE FROM THE CHAIR OF THE REMUNERATION & NOMINATIONS COMMITTEE

Talent management is at the centre of our remuneration systems. Our remuneration policies are aimed at attracting, retaining and equitably rewarding our highly talented workforce, while safeguarding the interests of our clients and delivering return to shareholders. We drive performance and shareholder value creation by having a significant component of total remuneration tied to the achievement of the Group's strategic objectives. 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 grow on a global scale, with operations spanning multiple jurisdictions including the UK, Singapore, the US and Australia. As we continue to grow and extend our operations globally, our employment and remuneration environment is open to more complexity and subject to additional regulatory frameworks. 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 relevant regulatory requirements.

Our business performance in 2015 remained strong with JOHCM continuing to be an integral part of our business delivering significant growth again in 2015. This year also represents the first year where testing hurdles for Performance Share Rights granted to a broad base of employees have been easily exceeded, resulting in 100% conversion and impacting remuneration outcomes for all employees.

To ensure our remuneration structures continue to support our business objectives, in 2015, we:

- Implemented the planned extension of the Fund Linked Equity Scheme to international investment teams as outlined in our 2014 Remuneration Report;
- Undertook a review of NED fees resulting in an increased pool and Chairman's fee but leaving the majority of fees unchanged;
- Revised the structure of the 2015 Remuneration Report to enhance readability; and
- Commenced a review of the CEO's remuneration, which is still in progress.

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 continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

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. Further, 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 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 BTIM Group and its shareholders.

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

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).

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 ensure that the CEO and other Senior Executives take a long-term value-building approach to decision-making and to minimise activities that focus only on short-term results or excessive risk taking. 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 grants' performance under the Performance Reward Scheme (PRS) vesting period is measured over three-year periods (i.e. where test dates are due to take place between 2015 to 2017 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.

Corporate Employee Remuneration including the CEO and other Senior Executives

Our corporate employees consist of the CEO and other Senior Executives, Finance and Tax, Investment Products, Human Resources, Operations, Information Technology, Marketing, Sales Support, Product Management, Client Services, Legal and Risk & Compliance teams.

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 short term incentives (STI) and /or long-term incentives (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 (KPI), 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, while the CEO's priorities are determined by the Board.

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 investment teams, ability to resolve issues and risk management.

STI payment outcomes are capped at 200% of target, for significant outperformance against KPIs, and for Senior Executives 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

All 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) are eligible to participate in a 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 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 EPS and Total Shareholder Return (TSR), or to revenue or cash operating profit targets. At the end of the performance period and upon satisfying the relevant performance conditions, performance share rights vest and convert into BTT shares.

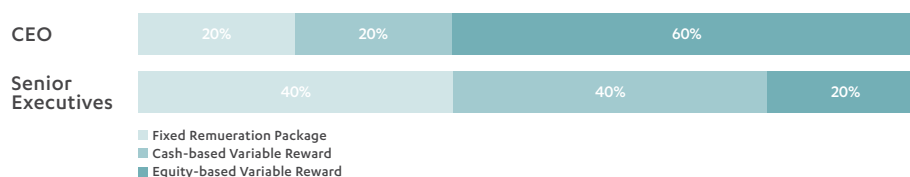
Target remuneration mix

For the CEO and other Senior Executives remuneration, the Remuneration & Nominations Committee sets an on-target remuneration mix to be competitive, attracting and retaining the calibre of executives required to drive the Company's strategic outcomes. Specifically, our remuneration mix approach 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 performance against performance measures of both short and long term incentives. The cash portion of STI awards are paid to the CEO and other Senior Executives in December.

Details of the remuneration components for the 2015 Financial Year for the CEO and other Senior Executives are included in Table 7a.

Chart 1: CEO and other Senior Executives – target remuneration mix



CEO Remuneration Structure

The following table outlines the CEO's remuneration structure for the 2015 Financial Year.

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	<p>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 2015 Financial Year was \$1.4m.</p> <p>The CEO's awarded STI outcome is approved annually by the Board. 50% of the awarded STI is delivered as cash, with the remaining 50% deferred into restricted shares that vest over five years.</p> <p>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.</p>						
LTI grant	<p>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.</p> <p>The award is subject to two equally weighted hurdles, measured over three years:</p> <ol style="list-style-type: none"> 50% subject to relative TSR performance, and 50% subject to Cash EPS growth. <p>TSR performance hurdle</p> <p>The TSR portion of awards vests as follows, subject to relative performance against the S&P/ASX 200 Accumulation Index.</p> <table> <tr> <th>TSR performance</th><th>Percentage of TSR-tested award to vest</th></tr> <tr> <td>Below weighted median</td><td>Nil</td></tr> <tr> <td>At weighted median</td><td>50%</td></tr> </table>	TSR performance	Percentage of TSR-tested award to vest	Below weighted median	Nil	At weighted median	50%
TSR performance	Percentage of TSR-tested award to vest						
Below weighted median	Nil						
At weighted median	50%						

Directors' Reportcontinued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Remuneration component	Description	
LTI grant cont...	Between the median and top quartile	Straight line between 50% and 100%
	At or above top quartile	100%

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.

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 CEO.

In Australia, variable remuneration is based on a profit-sharing approach. Our fund management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the BTIM CEO upon joining the Company. Our bespoke approach ensures that the variable reward delivered to teams and Fund 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 fund 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 JOHCM are based on a slightly different formula and differs 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 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 fund management teams have been successful in raising FUM that results in revenue generation for the business.

The Fund Manager Remuneration Schemes provides 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 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, with the first take-up of the FLE Scheme maturing in the 2017 Financial Year. 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. A key mitigant against Cash EPS dilution is the diversification across investment strategies and the vesting conditions attached to the equity grant. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. As the BTT equity is considered as having been earned, it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

The table below summarises the operation of the FLE Scheme and how it interacts with Fund Manager remuneration and key Group metrics.

Table 2: Operation of the 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.

The investment strategies in the FLE Scheme represents FUM of \$17.2 billion as at 30 September 2015. These investment strategies have been supporting the strong growth in the business. Based on the FUM at 30 September 2015, the value of BTT equity that would be granted to participants in the FLE Scheme is approximately \$138m. 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 \$138m in BTT equity, this would equate to 14.6m newly issued shares based on a theoretical BTT share price of \$9.47 in accordance with the FLE Scheme rules. The 14.6m shares would increase the fully diluted share count by 4.8% (and earnings correspondingly increase in offset).

On 2 October 2015, BTIM announced a partial conversion of FLE rights which is effective 31 December 2015. Newly issued BTT shares will be used to satisfy the conversion and as at 30 September 2015, this represents 8.8m issued shares. The exact number of shares to be issued will not be known until after the 31 December 2015 effective date 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 the table below.

Table 3: Investment Strategies participating in the FLE scheme

Financial years	Financial year				
	16 ¹	17	18	19	20-22
Estimated number of shares to be issued (m)	8.8	3.8	0.7	0.9	0.4

1 Includes shares to be issued under the 30 September 2015 notice received by Company.

As a consequence of the share issuance the shareholders' share of revenue increases such that Cash EPS should be broadly neutral provided FUM is maintained 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 over time. For every \$1 billion in FUM raised under the FLE Scheme, this would equate to approximately 1 million newly issued shares based on the 30 September 2015 BTT share price in accordance with the FLE Scheme rules.

Sourcing of Equity issued to employees

For employee incentive arrangements to date, 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, noting that 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 Fund Management teams is that their income each year is a direct function of the financial success of their own efforts but their longer-term wealth is driven by the success of the overall Group.

In contrast to other Funds Management businesses, equity is not tied up in small unlisted vehicles who have securities with no liquidity other than through a business sale. 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.

As a result of our approach, our senior Fund Managers have a significant shareholding in the Group producing 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.

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, stable and culturally-attuned environment 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 also aligned by earning performance fees on fund returns that exceed benchmarks.

Directors’ Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

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, in Europe OEICS 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 fund management teams with the support of corporate employees. The variable reward schemes vary for different groups of employees to provide the right level of alignment to drive performance and reward outcomes.

The reward outcomes may vary depending on an individual’s role in the business. Taking into account all of the variable remuneration schemes across the business as described above, when the share of pre-tax pre-variable reward profits (revenue less operating costs of running the business prior to distribution of variable reward and profits to shareholders) is assessed, the proportion as a percentage of profits attributed to Shareholders and employees is outlined in Chart 2 below.

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

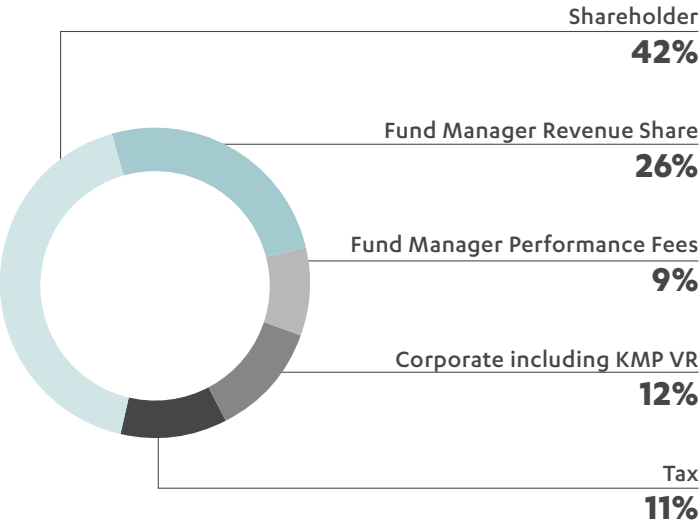
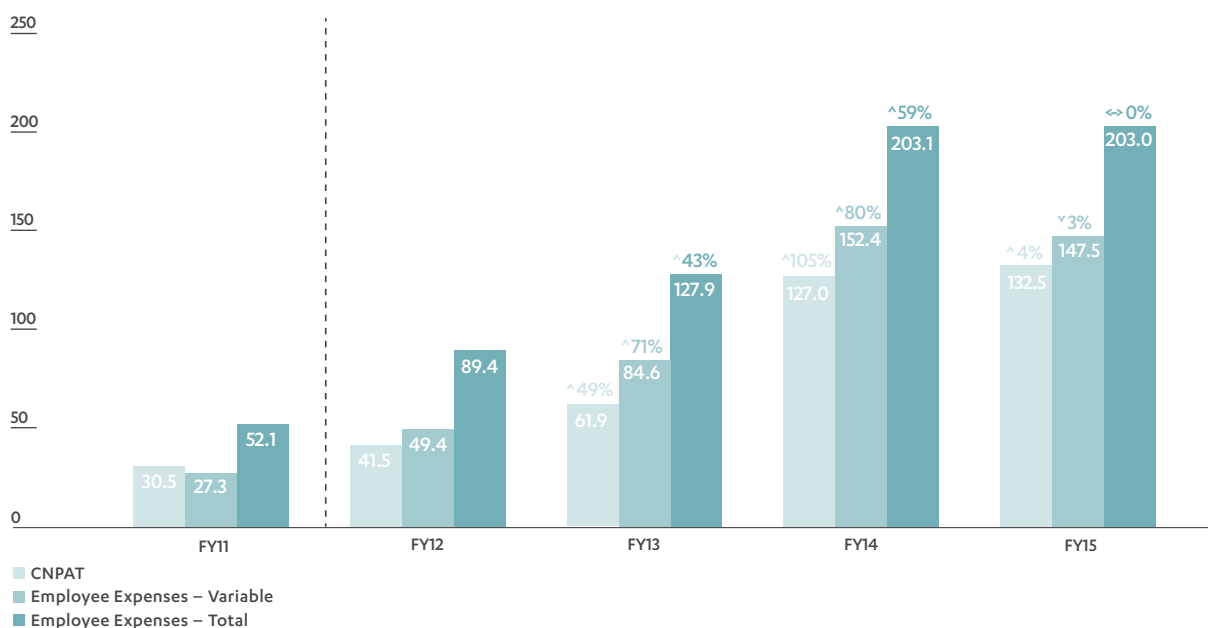


Chart 3 demonstrates the linkage between Group performance (i.e. Cash NPAT) and overall remuneration outcomes (i.e. variable reward and total employee expenses) over the last five years. The 2011 Financial Year is not comparable with the 2012 to 2015 Financial Years given the expanded BTIM Group following the acquisition of JOHCM.

Remuneration outcomes and company performance is linked primarily via the contracted revenue scheme 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 2015 Financial Year variable remuneration was impacted by a decrease in performance fees.

Chart 3: VR Outcomes compared to Company performance over the last five years¹



¹ Some FY11 and FY12 items have been re-classified for consistency purposes.

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Vesting of LTI grants

The 2012 Financial Year LTI grant (face value of \$1 million at grant) issued to the CEO and grants awarded to other Senior Executives under the Performance Reward Scheme was subject to two performance hurdles including TSR and Cash EPS and is the second grant 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 493%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 in Cash EPS over the three year performance period has been exceeded by 44%, 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

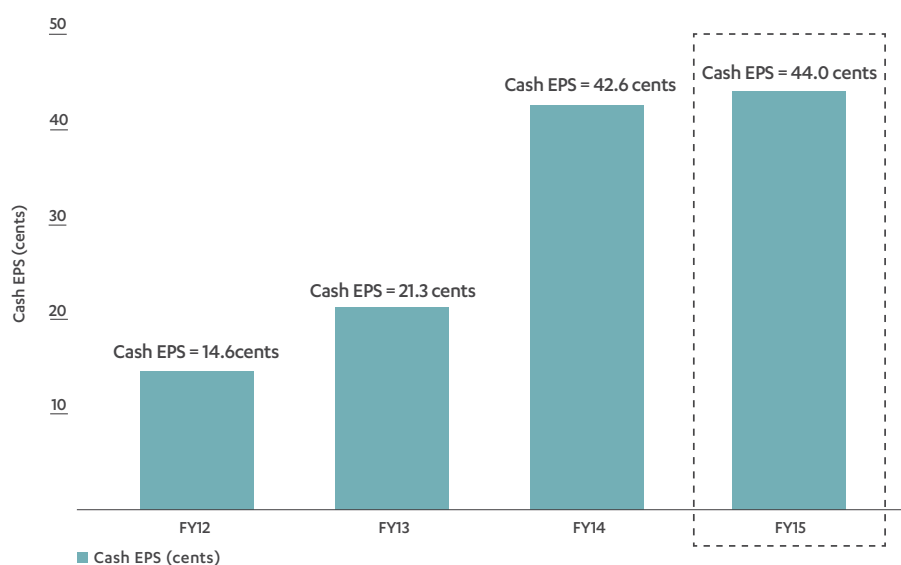
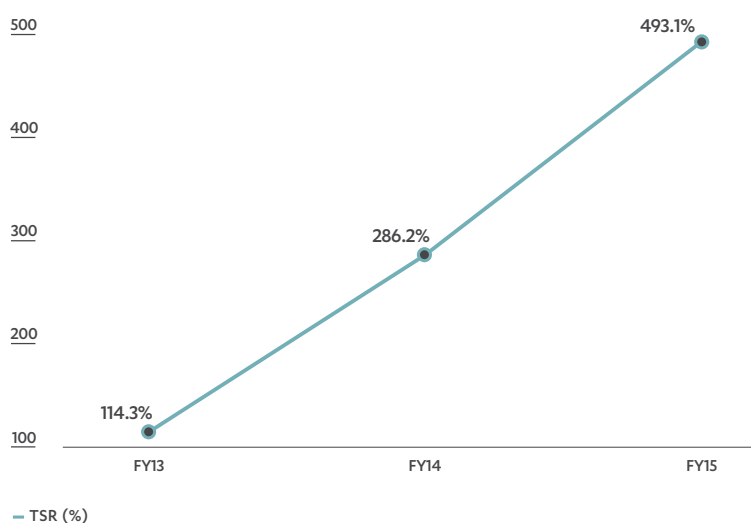


Chart 4b : Performance Reward Scheme – TSR outcomes over the three year performance period



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

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 2015, approximately 10% of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible to manage the two employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

In accordance with Listing Rule 4.10.22, during the 2015 Financial Year, the trustees of the BTIM Employee Equity Plan and the Employee Benefit Trust (for JOHCM employees) acquired a total of 5,768,226 BTT shares at an average price of \$6.81 totalling \$39.3m. These securities were acquired to satisfy BTIM's obligations under various employee equity plans.

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	<p>The three schemes are designed to reward performance specifically for senior and general employees (including the CEO, JOHCM) who work within the BTIM and JOHCM corporate support teams and who do not participate in a revenue share scheme. The variable component for each individual employee is set annually and is based on regular analysis of competitor market data for each role.</p> <p>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.</p>	Corporate roles including Senior Executives
Sales Incentive Plans	<p>The Sales Incentive Plans are designed to reward performance specifically for Business Development Managers who work within the BTIM and JOHCM sales teams.</p> <p>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.</p>	Sales roles
BTIM Australia and JOHCM Performance Reward Schemes (PRS)	<p>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.</p> <p>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.</p> <p>Awards granted in FY12 were tested against performance at the end of FY15. Vesting outcomes for FY12 PRS awards are set out in Table 7b.</p> <p>A similar program has been implemented for JOHCM employees who were not employed by JOHCM at the time of the acquisition. This program is aligned to the BTIM Australia scheme 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.</p>	Corporate roles including the CEO and other Senior Executives
CEO, JOHCM LTI arrangements	<p>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.</p> <p>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 shares.</p> <p>The performance shares are subject to performance hurdles and vesting conditions relating to the JOHCM 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.</p> <p>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.</p>	Senior Executive

(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. 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.

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Variable Reward Scheme/Plan	Description	Participants
Tranche A		
Annual compound growth in cash EPS	Proportion of tranche that vests (%)	Performance period for each sub-tranche – from 1 October 2013 to:
Less than 5%	0%	
5% to 10%	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Sub-tranche 1: 30 September 2016 Sub-tranche 2: 30 September 2017 Sub-tranche 3: 30 September 2018
10% or higher	100%	
Annual compound growth in cash EPS	Proportion of tranche that vests (%)	Performance period for each sub-tranche – from 1 October 2013 to:
Less than 16%	0%	
16% to 24%	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Sub-tranche 1: 30 September 2017 Sub-tranche 2: 30 September 2018
24% or higher	100%	
Tranche B		
(2) Cumulative Net FUM Flow		
40% of the performance shares are subject to a hurdle based on Cumulative Net FUM Flow 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:		
Cumulative Net FUM Flow	Awards subject to FUM hurdle that vest (%)	Performance period for each tranche – from 1 October 2013 to:
Less than £4bn	0%	
£4bn to £8bn	Progressive pro rata vesting between 50% to 100% (i.e. on a straight line basis)	Sub-tranche 1: 30 September 2017 (with opportunity to re-test performance at 30 September 2019)
£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 2015 Financial Year, the Equity Strategies and Income & Fixed Interest boutiques operated under their own arrangements, as per the Boutique VR Scheme. The VR pool for each boutique is based on an agreed formula that accounts for profit share directly attributable to the boutique.	
	Fund Managers	

Variable Reward Scheme/Plan	Description	Participants
Fund Manager Remuneration Schemes (FMRS)	<p>The FMRS are designed to recognise and reward Fund Managers for fund performance and asset / client retention. The FMRS cater for two plans depending on the lifecycle of the fund.</p> <p>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.</p> <p>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.</p>	Fund Managers
JOHCM Long Term Retention Equity	<p>An LTI plan has been put in place to provide long-term retention of certain Fund Managers which is linked to individual performance</p> <p>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.</p>	Fund Managers

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

Variable Reward Scheme/Plan	Description
BTIM Australia General Reward Plan (GRP)	<p>The GRP was discontinued in the 2013 Financial Year and has been replaced with the PRS (as noted in Table 4a above). The last award made under the GRP was in the 2012 Financial Year.</p> <p>The GRP was a reward scheme that allowed certain eligible employees to participate in BTIM Australia's success by receiving an offer of BTT equity. The award was at the discretion of the Remuneration & Nominations Committee and took into consideration BTIM Australia's overall financial performance, measured by a relative increase in cash earnings achieved versus the prior year. The maximum value of shares each eligible employee was able to receive was \$2,000 per annum.</p>
JOHCM Long Term Incentive Reward Schemes	<p>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.</p> <p>The schemes replaced pre-acquisition LTI schemes and dividends are payable during the performance period.</p>

OVERSIGHT AND GOVERNANCE OF REMUNERATION

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 recommending to the Board for approval:

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

During the 2015 Financial Year, the Board & Remuneration & Nominations Committee actioned the following significant decisions in relation to remuneration arrangements, as outlined in Table 5 below.

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Table 5: Decisions on KMP remuneration subsequent to the end of the 2015 Financial Year

Introduced a Board Skills Matrix	Undertook a review of Board skills, details of which are included in our 2015 Corporate Governance Statement.
Undertook a review of NED fees & Board Evaluation	The review of NED fees will result in an increase of 60% in the total pool (subject to shareholder approval) to accommodate for global growth and recruitment of additional NEDs over time. There was also an adjustment made to the Chairman's fee effective from 1 October 2015. Further details are outlined in the NED fee section of this report on pages 70-71.
Commenced a review of the CEO's remuneration	The review of the CEO's remuneration is currently still in progress and the outcome of the review will be disclosed in the 2016 Remuneration Report.

Engagement of remuneration consultants

Guerdon Associates continues to act as the Remuneration and Nominations Committee's appointed remuneration adviser. The Remuneration & Nominations Committee has Charters in place that acknowledge its obligations under the *Corporations Act 2001* in respect to remuneration advice or remuneration recommendations for KMPs. This includes:

- Requiring Committee approval to appoint any remuneration consultant to advise in relation to KMP remuneration;
- Any advice from the remuneration consultant must be provided directly to the Chair of the Committee and not to management; and
- Precludes dialogue between KMP to whom the advice relates and the remuneration consultant, declaration of their independence from the KMP to whom their recommendations relate, and also confirmation that the Remuneration and Nominations Committee's conditions of engagement have been observed.

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

Independent Board advice

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

Services provided to management

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

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

Throughout the year, BTIM received external advice from Ernst & Young in relation to the FLE Scheme and assistance with the preparation of this Remuneration Report. Ernst & Young were also engaged to provide management with guidance and advice on the FLE Scheme and updates on legislative and regulatory developments in the financial services industry.

CEO AND OTHER SENIOR EXECUTIVE REMUNERATION IN THE 2015 FINANCIAL YEAR

CEO Remuneration Outcome

The CEO remuneration structure that applied in the 2015 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 2015 Financial Year

Fixed Remuneration Package \$602,753	There was no change in the CEO’s fixed remuneration package for 2015 following the review against external market benchmarks.																							
Short Term Incentive \$1,400,000	<p>The 2015 outcome of \$1.23m sits within the payout range for on-target performance and reflects the Boards assessment of the CEO’s performance against the financial and non-financial measures.</p> <p>FY15 performance is assessed against a balanced scorecard of measures that are aligned to BTIM’s annual goals. The table below outlines BTIM’s FY15 performance.</p> <table><tr><th>Performance measure</th><th>Description</th><th>Weighting</th><th>FY15 performance</th></tr><tr><td rowspan="3">Financials</td><td>Cash NPAT vs Plan, prior year</td><td rowspan="3">30%</td><td rowspan="3">Met</td></tr><tr><td>Net FUM flow vs Plan, market, prior year</td></tr><tr><td>Productivity increase</td></tr><tr><td>Global Strategy & Execution</td><td>Progress against Strategic Objectives presented to Board</td><td>50%</td><td>Met</td></tr><tr><td rowspan="3">Investment & Operational Effectiveness</td><td>Competitive investment performance</td><td rowspan="3">20%</td><td rowspan="3">Met</td></tr><tr><td>Compliance standards</td></tr><tr><td>Effective talent management</td></tr></table>				Performance measure	Description	Weighting	FY15 performance	Financials	Cash NPAT vs Plan, prior year	30%	Met	Net FUM flow vs Plan, market, prior year	Productivity increase	Global Strategy & Execution	Progress against Strategic Objectives presented to Board	50%	Met	Investment & Operational Effectiveness	Competitive investment performance	20%	Met	Compliance standards	Effective talent management
Performance measure	Description	Weighting	FY15 performance																					
Financials	Cash NPAT vs Plan, prior year	30%	Met																					
	Net FUM flow vs Plan, market, prior year																							
	Productivity increase																							
Global Strategy & Execution	Progress against Strategic Objectives presented to Board	50%	Met																					
Investment & Operational Effectiveness	Competitive investment performance	20%	Met																					
	Compliance standards																							
	Effective talent management																							
Long Term Incentive \$1,000,000	<p>The CEO was awarded \$1 million performance share rights to BTT shares for no consideration for the 2015 Financial Year. The CEO’s LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking.</p> <p>The award is subject to two equally weighted hurdles, measured over three years:</p> <div><div>a)</div><div>50% (\$500,000) subject to relative TSR performance, and</div></div> <div><div>b)</div><div>50% (\$500,000) subject to Cash EPS growth.</div></div> <p>For the LTI award for which performance is measured over three years from 1 October 2012, the TSR and Cash EPS performance have been tested and the performance hurdles have both been achieved at 100%. (Refer to Charts 4a and 4b for further details).</p>																							

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 the CEO's direct reports. Changes in company profitability that impact the size of the Corporate VR pool are an important determinant in Senior Executive variable outcomes with non-financial factors also having an influence. Financial performance indicators considered include Company profitability, expense management and sales performance.

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

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

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Details of the CEO and other Senior Executives Remuneration Outcomes

The following Section contains both statutory (in accordance with AASB2) and voluntary disclosures of awarded remuneration for the CEO and other Senior Executives. The differences between Tables 7a, 7b and 7c are largely in relation to the treatment of share-based payments:

- Table 7a: Voluntary disclosure outlining the grant value of share-based payments under the short- and long-term equity awards for the current financial year (i.e., the potential value, at grant, of equity awards (i.e. FY15 LTI awards) assuming the satisfaction of all performance hurdles and share price at grant);
- Table 7b: Voluntary disclosure outlining the vested value of share-based payments under the short- and long-term equity awards for the current financial year (i.e. the realised value of equity awards based on current performance; a "cash" table – this relates to FY15 STI awards and LTI awards granted in 2012); and
- Table 7c: Mandatory disclosure in accordance with AASB2 outlining the amortised value of share-based payments under the short- and long-term equity awards for the current financial year.

Table 7a: Voluntary disclosure of awarded remuneration for the CEO and other Senior Executives in the 2015 and 2014 Financial Years, based on the grant value of share-based payments

EMPLOYMENT BENEFITS										

Notes to Table 7a on following page

Notes to Table 7a:

1. The cash component of VR represents the award for performance during the 2015 Financial Year and will be paid in December 2015. These projected amounts were determined on 26 September 2015, 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.
2. Equity-based remuneration in Table 7a represents the actual short term equity awarded for performance for the 2015 Financial Year. These projected amounts were determined on 26 September 2015, 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.
3. 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.
4. The non-monetary benefits provided to Gavin Rochussen include healthcare coverage, life cover and long term disability cover.
5. Gavin Rochussen is remunerated in Pounds Sterling. An average exchange rate of 0.5110 (2014: 0.5473) has been applied to convert his remuneration to Australian dollars. His remuneration package consists of a fixed remuneration component of £330,000 and he is a participant in four equity schemes including the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.
With effect from 26 October 2011, a portion of any annual bonus in respect of the relevant financial year payable under the Senior Staff Bonus Scheme is deferred and paid in BTT equity (Senior Staff Bonus Deferred Shares). The Senior Staff Bonus Deferred Shares will be held over the period of five years from the date the bonus is deferred (the Deferral Period). 20% of the Senior Staff Bonus Deferred Shares will become capable of sale or transfer on the Relevant Date after each anniversary of the date the bonus is deferred into Senior Staff Bonus Deferred Shares.
6. Chris Clayton commenced employment with BTIM on 1 July 2014. His fixed remuneration package has been pro-rated for the period employed during the 2014 Financial Year. He did not qualify for a bonus in the 2014 Financial Year. The short term equity granted in the 2014 Financial Year represents a sign on grant. Hayden King commenced employment with BTIM on 17 March 2014. His fixed remuneration package and bonus has been pro-rated for the period employed during the 2014 Financial Year. The Long Term equity granted in the 2014 Financial Year represents a sign on grant.
7. Geraldine Bouquet was on maternity leave during the 2014 Financial Year. Her fixed and variable remuneration represents a pro-rata amount for the 2014 Financial Year.
8. Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
9. All LTI awards granted to Senior Executives are subject to performance hurdles. The amounts represented in Table 7a represent the face value of the grants at time of issue. Actual outcomes may differ materially from zero to the value of shares represented by the number of shares that meet the performance hurdles at the time of vesting.
10. The Other payment for Emilio Gonzalez represents the dividend equivalent payment made in relation to the 2011 performance share rights that vested in October 2014.

Directors' Report continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Table 7b: Voluntary disclosure of awarded remuneration for the CEO and other Senior Executives in the 2015 Financial Year based on the value of vested share-based payments

EMPLOYMENT BENEFITS												
FY	SHORT TERM							SHARE-BASED PAYMENTS				
	Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration \$	Cash component of VR \$	Non-Monetary benefits ⁴ \$	Long Service Leave ⁷ \$	STI equity payments ^{2b & 3} \$	LTI equity payments ^{9a} \$	Equity forfeited \$	Other ¹⁰ \$	Total \$	
CEO and other Senior Executives												
Emilio Gonzalez ⁸	15	548,139	35,000	583,139	619,182	12,502	7,307	3,075,344	4,725,337	0	196,438	9,219,249
Geraldine Bouquet ⁶	15	237,829	22,945	260,774	108,066	0	4,118	48,886	378,018	0	0	799,862
Chris Clayton ⁵	15	357,443	30,000	387,443	233,332	0	5,054	421,619	0	0	0	1,047,448
Jennifer Davies	15	255,836	24,495	280,331	124,803	0	4,064	15,847	165,379	0	0	590,424
Hayden King ⁵	15	269,247	26,087	295,334	174,043	0	3,965	8,039	0	0	0	481,381
Gavin Rochussen ¹¹	15	645,793	0	645,793	762,012	10,622	0	533,354	0	0	0	1,951,781
Cameron Williamson ⁸	15	340,194	30,000	370,194	253,839	0	7,985	244,246	472,530	0	0	1,348,794
Total CEO and other Senior Executive Remuneration	15	2,654,481	168,527	2,823,008	2,275,277	23,124	32,493	4,347,335	5,741,264	0	196,438	15,438,939

Table 7c: Mandatory disclosure of awarded remuneration for the CEO and other Senior Executives in the 2015 and 2014 Financial Years based on AASB2 requirements

	FY	SHORT TERM					LONG TERM					Total \$
		Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration \$	Cash component of VR ¹ \$	Non-monetary benefit ⁴ \$	Long service leave ⁷ \$	STI Equity payments ^{2a & 3} \$	LTI Equity payments ^{9b} \$	Other ¹⁰ \$		
Emilio Gonzalez ⁸	15	548,139	35,000	583,139	619,182	12,502	7,307	1,027,862	806,127	196,438	3,252,557	
	14	562,997	27,500	590,497	700,000	12,502	14,014	1,115,750	889,721	0	3,322,484	
Geraldine Bouquet ⁶	15	237,829	22,945	260,774	108,066	0	4,118	11,809	69,801	0	454,568	
	14	221,253	20,511	241,764	67,500	0	(29,044)	11,537	43,235	0	334,992	
Chris Clayton ⁵	15	357,443	30,000	387,443	233,332	0	5,054	318,683	26,566	0	971,078	
	14	79,920	7,371	87,291	0	0	1,306	118,654	0	0	207,251	
Jennifer Davies	15	255,836	24,495	280,331	124,803	0	4,064	30,017	57,381	0	496,596	
	14	252,276	23,362	275,638	113,827	0	7,766	12,486	30,814	0	440,531	
Hayden King ⁵	15	269,247	26,087	295,334	174,043	0	3,965	33,656	53,009	0	560,007	
	14	146,977	13,249	160,226	86,112	0	2,220	6,954	26,443	0	281,955	
Gavin Rochussen ¹¹	15	645,793	0	645,793	762,012	10,622	0	485,080	3,615,309	0	5,518,816	
	14	602,960	0	602,960	844,144	9,342	0	480,538	3,333,053	0	5,270,037	
Cameron Williamson ⁸	15	340,194	30,000	370,194	253,839	0	7,985	146,145	113,643	0	891,806	
	14	311,890	25,573	337,463	274,338	0	10,588	153,457	67,382	0	843,228	
Total CEO and other Senior Executive Remuneration	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	
	14	2,178,273	117,566	2,295,839	2,085,921	21,844	6,850	1,899,376	4,390,648	0	10,700,478	

Notes to Tables 7b and 7c:

1. The cash component of VR represents the award for performance during the 2015 Financial Year and will be paid in December 2015. These projected amounts were determined on 26 September 2015, 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.
2. Equity-based remuneration in Tables 7b and 7c are represented differently and as follows:
 - a. equity-based remuneration in Table 7c represents the amortisation of 'fair value' at grant over the vesting period of all grants allocated up to the year ended 30 September 2015, and does not represent the vested portions of the grant (refer to Table 9). 'Fair value' is defined by accounting standards as 'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged'. Accounting standards set out specific requirements in relation to the calculation of fair value of equity-based remuneration. BTIM complies with all relevant requirements, and
 - b. In table 7b the actual equity that vested on 1 October 2015 has been treated as vesting in the 2015 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2015, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
3. The equity component of the VR outcome for KMPs for the 2015 Financial Year is not included in Tables 7b and 7c as the equity was not granted in the 2015 Financial Year and will be reported in the 2016 Financial Year. Table 9 includes equity that vested on 1 October 2015.
4. 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.
5. Chris Clayton joined BTIM on 1 July 2014. His fixed remuneration package has been pro-rated for period employed during the 2014 Financial Year. He did not qualify for a bonus in the 2014 Financial Year. The short term equity granted in the 2014 Financial year represents a sign on grant. Hayden King joined BTIM on 17 March 2014. His fixed remuneration package and bonus has been pro-rated for the period employed during the 2014 Financial Year. The Long Term equity granted in the 2014 Financial year represents a sign on grant.
6. Geraldine Bouquet was on maternity leave during the 2014 Financial Year. Her fixed and variable remuneration represents a pro-rata amount for the 2014 Financial Year.
7. Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued during the 2015 Financial Year in accordance with actuarial-based valuation methodologies. Geraldine Bouquet took long service leave during the 2014 Financial Year which resulted in a negative adjustment of \$29,044.
8. Emilio Gonzalez and Cameron Williamson are employees of BTIM and did not receive additional remuneration as Directors of JOHCM.
9. Long term equity payments in Tables 7b and 7c are represented differently and as follows:
 - a. In table 7b the LTI equity that vested on 1 October 2015 has been treated as vesting in the 2015 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2015, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
 - b. 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 most current expectation of vesting of LTI grants with non-market hurdles. For grants with non-market conditions including EPS hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed is adjusted accordingly. For grants with market conditions such as TSR, the number of shares expected to vest is 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.
10. The Other payment for Emilio Gonzalez represents the dividend equivalent payment made in relation to the 2011 performance share rights that vested in October 2014.
11. Gavin Rochussen is remunerated in Pound Sterling. An average exchange rate of 0.5110 (2014:0.5473) has been applied to convert his remuneration to Australian Dollars.

Directors' Report continued

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Table 8 illustrates the relative proportions of remuneration in the relevant financial year (calculated based on AASB2 disclosures; i.e., Table 7c) as a percentage of total remuneration that are linked to performance, IPO, sign on, retention and those that are fixed components. Table 8 differs to Chart 1 which is based on the grant value of any share-based payments (refer to Table 7a).

Table 8: 2015 and 2014 Financial Years fixed and variable remuneration as a proportion of total remuneration

	FIXED REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION ²		CASH VR AS A PERCENTAGE OF TOTAL REMUNERATION		EQUITY AS A PERCENTAGE OF TOTAL REMUNERATION ¹	
CEO and other Senior Executives	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Emilio Gonzalez	19	19	19	21	62	60
Geraldine Bouquet	58	64	24	20	18	16
Chris Clayton ³	40	43	24	0	36	57
Jennifer Davies	57	64	25	26	18	10
Hayden King ⁴	53	58	31	31	16	11
Gavin Rochussen	12	12	14	16	74	72
Cameron Williamson	42	41	28	33	30	26

Notes to Table 8

- 1 The equity component represented in this table includes the equity component of VR for the 2015 and 2014 Financial Years and long term incentives.
- 2 Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.
- 3 Chris Clayton commenced employment with BTIM on 1 July 2014 and was not eligible to receive a short term incentive bonus in the 2014 Financial Year.
- 4 Hayden King commenced employment with BTIM on 17 March 2014 and was only eligible for a pro-rata bonus.

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 granted¹ (#)	Value of award at grant (\$ per award)	Number of shares vested 1 Oct 2015	Proportion of award vested (%)	Proportion of award forfeited (%)
CEO						
Emilio Gonzalez	2-Dec-10	326,809	2.83	65,362	100	0
	1-Dec-11	553,708	1.95	124,585	78	0
	6-Dec-12	301,265	2.20	60,253	60	0
	5-Dec-13	214,822	4.86	42,964	40	0
	4 Dec 14	133,328	6.78	26,666	20	0
Other Senior Executives						
Geraldine Bouquet	2-Dec-10	26,144	2.83	5,084	100	0
Chris Clayton	3-Jul-14	73,079	6.58	43,847	60	0
Jennifer Davies	1-Dec-11	21,455	1.95	461	100	0
	4 Dec 14	5,937	6.78	1,187	20	0
Hayden King	4 Dec 14	4,168	6.78	836	20	0
Gavin Rochussen	2-May-12	50,366	2.15	10,073	60	0
	6-Dec-12	61,407	2.20	12,281	60	0
	5-Dec-13	105,979	4.86	21,196	40	0
	4-Dec-14	59,585	6.78	11,917	20	0
Cameron Williamson	2-Dec-10	18,603	2.83	3,719	100	0
	1-Dec-11	204,810	1.95	4,417	98	0
	6-Dec-12	31,375	2.20	6,275	60	0
	5-Dec-13	32,919	4.86	6,584	40	0
	4-Dec-14	22,030	6.78	4,406	20	0

Notes 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.

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. The table 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

2015 Financial Year	Commencement of Test Period for Grant	Award vehicle	No. of awards granted	Value of award at grant TSR Hurdle ¹ \$	Value of award at grant Non TSR Hurdle \$	Date of vesting ²	Vested during the year ³	Lapsed during the year	Balance as at 1 Oct 2015
Emilio Gonzalez	1 Oct 12	Performance Share Rights	491,424	1.29	2.08	1-Oct-15	491,424	0	0
	1 Oct 13	Performance Share Rights	228,618	2.66	4.28	1-Oct-16	0	0	228,618
	1 Oct 14	Performance Share Rights	163,829	3.68	6.05	1-Oct-17	0	0	163,829
Geraldine Bouquet	1 Oct 12	Performance Share Rights	39,313	1.29	2.08	1-Oct-15	39,313	0	0
	1 Oct 13	Performance Share Rights	18,289	2.66	4.28	1-Oct-16	0	0	18,289
	1 Oct 14	Performance Share Rights	16,382	3.68	6.05	1-Oct-17	0	0	16,382
Chris Clayton	1 Oct 14	Performance Share Rights	16,382	3.68	6.05	1-Oct-17	0	0	16,382
Jennifer Davies	1 Oct 12	Performance Share Rights	17,199	1.29	2.08	1-Oct-15	17,199	0	0
	1 Oct 13	Performance Share Rights	18,289	2.66	4.28	1-Oct-16	0	0	18,289
	1 Oct 14	Performance Share Rights	16,382	3.68	6.05	1-Oct-17	0	0	16,382
Hayden King	1 Oct 13	Performance Share Rights	22,861	2.66	4.28	1-Oct-16	0	0	22,861
	1 Oct 14	Performance Share Rights	16,282	3.68	6.05	1-Oct-17	0	0	16,382
Gavin Rochussen	1 Oct 11	Converting Notes	968,728	n/a	1.98	1-Oct-16	0	0	968,728
	1 Oct 13	Performance Shares	204,923	n/a	6.13	1-Oct-16	0	0	204,923
	1 Oct 13	Performance Shares	922,154	n/a	6.13	1-Oct-17	0	0	922,154
	1 Oct 13	Performance Shares	204,923	n/a	6.13	1-Oct-18	0	0	204,923
	1 Oct 13	Performance Shares	717,230	n/a	6.13	1-Oct -19	0	0	717,230
Cameron Williamson	1 Oct 12	Performance Share Rights	49,142	1.29	2.08	1-Oct-15	49,142	0	0
	1 Oct 13	Performance Share Rights	34,392	2.66	4.28	1-Oct-16	0	0	34,292
	1 Oct 14	Performance Share Rights	28,670	3.68	6.05	1-Oct-17	0	0	28,670

Notes to Table 10:

- 1 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 29 to the financial statements.
- 2 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.
- 3 The Performance Share rights allocated to the CEO and other Senior Executives with a test period commencement date of 1 October 2012 have met both performance hurdles and are treated as having vested in this table.

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Table 11 below outlines the cash VR and VR deferred to equity awarded to the CEO and other Senior Executives with an associated vesting schedule for the 2015 Financial Year. No part of the cash bonuses are payable in future years. The shares vest over a period of up to five years, provided the vesting conditions are met. No shares will vest if the vesting conditions are not satisfied and the minimum value of the shares yet to vest is nil. The maximum value of the shares yet to vest has been determined as the market value of the share at grant as reflected in Table 11 below.

Table 11: Components of variable remuneration

CEO and other Senior Executives	Cash component of VR \$	FY of grant	Value of equity grants at grant \$	Minimum total value of grant yet to vest \$	MAXIMUM COST OF EQUITY GRANTS ALLOCATED BY THE COMPANY THAT MAY VEST IN FUTURE YEARS ^{1&2}				
					FY16 \$	FY17 \$	FY18 \$	FY19 \$	FY20 onwards \$
Emilio Gonzalez	619,182	11	924,869	Nil	184,973	0	0	0	0
		12	1,079,731	Nil	242,941	242,938	0	0	0
		13	662,783	Nil	132,557	132,556	132,556	0	0
		13	828,049	Nil	828,049	0	0	0	0
		14	1,044,035	Nil	208,805	208,810	208,810	208,810	0
		14	793,304	Nil	0	793,304	0	0	0
		15	903,964	Nil	180,793	180,793	180,793	180,793	180,792
		15	797,028	Nil	0	0	797,028	0	0
Geraldine Bouquet	108,066	11	73,988	Nil	14,388	0	0	0	0
		13	66,242	Nil	66,242	0	0	0	0
		14	63,463	Nil	0	63,463	0	0	0
		15	79,698	Nil	0	0	79,698	0	0
Chris Clayton	233,332	14	480,860	Nil	288,516	96,172	96,172	0	0
		15	79,698	Nil	0	0	79,698	0	0
Jennifer Davies	124,803	12	899	Nil	899	0	0	0	0
		13	28,980	Nil	28,980	0	0	0	0
		14	63,463	Nil	0	63,463	0	0	0
		15	40,252	Nil	8,050	8,051	8,051	8,050	8,050
		15	79,698	Nil	0	0	79,698	0	0
Hayden King	174,043	14	79,328	Nil	0	79,328	0	0	0
		15	79,698	Nil	0	0	79,698	0	0
Gavin Rochussen	762,012	12	108,829	Nil	21,657	21,657	21,658	0	0
		12	1,918,082	Nil	0	1,918,082	0	0	0
		13	135,098	Nil	27,019	27,019	27,020	0	0
		14	515,058	Nil	103,013	103,012	103,012	103,008	0
		14	12,561,780	Nil	0	1,256,178	5,652,804	5,652,798	0
		15	403,986	Nil	80,797	80,797	80,787	80,797	80,798
Cameron Williamson	253,839	11	52,646	Nil	10,526	0	0	0	0
		12	399,980	Nil	8,613	8,614	0	0	0
		13	69,025	Nil	13,805	13,805	13,805	0	0
		13	82,804	Nil	82,804	0	0	0	0
		14	159,986	Nil	31,998	31,998	31,998	31,993	0
		14	118,993	Nil	0	118,993	0	0	0
		15	149,363	Nil	29,873	29,873	29,873	29,872	29,872
		15	139,480	Nil	0	0	139,480	0	0

Notes to Table 11

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

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

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

Table 12: Summary of notice periods

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

Table 13: Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez, CEO	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration as at the date of termination of employment; – accrued but unused annual leave and long service leave as at the termination date; – all vested shares relating to the initial grant as at the date of notice of termination; – all unvested shares will be determined by the Board at its discretion; – any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and – BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Gavin Rochussen	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration as at the date of termination of employment; – any payment of a VR in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and – If employment ceases on the grounds of redundancy, ill-health/disability or death, the BTT equity subject to an LTI award, which has not reached the vesting dates, will be subject to Board approval.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the termination date; – accrued but unused annual leave and/or long service leave as at the termination date; – any payment of a VR in the year of termination, including cash and/or equity, and all unvested equity entitlements relating to grants as at the termination date will be determined in accordance with the relevant plan rules; and – BTIM retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.

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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: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the date of termination of employment (termination date); – accrued but unused annual leave and long service leave as at the termination date, 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: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration as at the date of termination of employment; and – any payment of a variable reward in the year of termination, including cash and/or equity, and all unvested equity entitlements relating to grants as at the termination date will be determined in accordance with the relevant plan rules.
	Other Senior Executives	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> – accrued but unpaid fixed remuneration package as at the date of termination of employment (termination date); – accrued but unused annual leave and long service leave as at the termination date; and – any payment of a VR in the year of termination, including cash and/or equity, and all unvested equity entitlements relating to grants as at the termination date will be determined in accordance with the relevant plan rules.

Post-employment restraint

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

NON-EXECUTIVE DIRECTOR REMUNERATION AND EMPLOYMENT AGREEMENTS

During the 2015 Financial Year the Board commissioned an independent review of Non-executive Director (NED) remuneration from EY which indicated that two aspects of the remuneration for Non-executive Directors warranted adjustment being the Chairman's fee and the total fee pool. The outcome of the review is outlined below.

Chairman's fee

In 2007, when BTIM listed on the ASX, the fee paid to the Chairman was \$270,000 per annum and his role included chairing the board of the responsible entity of the BTIM funds. In 2012, this responsibility was no longer required and as a result the fee was reduced to \$220,000 per annum. The fee has remained unchanged since that time.

While the Chairman's fee has remained unchanged since 2012, BTIM's business has transformed substantially. Funds under management have grown from \$46.6 billion in the 2012 Financial Year to \$78.4 billion in the 2015 Financial Year, and the business has expanded from Australia into the United Kingdom, Europe, Asia and the United States. BTIM's market value has also increased significantly, its market capitalisation has grown by approximately 500 per cent from \$550 million in 2012 to \$2.8 billion as at 30 September 2015. This growth and expansion offshore has brought with it increased complexity in BTIM's business, and a greater time commitment required on the part of the Chairman.

An independent review of the NED fees conducted in 2015 found that the fee payable to the Chairman was below that paid to the board chairmen of other listed companies of similar size and complexity, operating within the financial services industry.

The Board determined to increase the fee paid to the Chairman by \$55,000 (from \$220,000 per annum to \$275,000 per annum). The Board believes this will assist BTIM in continuing to retain and attract a Chairman of the highest calibre. The increase in the Chairman's fee took effect from 1 October 2015.

NED aggregate fee pool

One of BTIM's key strategic objectives is to grow its global asset management business across new and existing markets. Post the acquisition of J O Hambro Capital Management in 2011, and with further expansion since that time, BTIM now has operations in Australia, the United Kingdom, Europe, the United States, and Asia. Revenue sourced from offshore markets was \$270.7 million in the 2015 Financial Year, representing 62% of the Group's total revenue.

Expanding into offshore markets has delivered significant growth to the business leading to increased returns to shareholders. It has also added to the complexity of BTIM's business, particularly in regards to the various regulatory environments associated with the jurisdictions in which it operates. As a result the time commitment required by the current NEDs has increased, and it is expected the commitment will continue to increase as the business expands further.

It is for this reason that the Board believes it would be beneficial to expand the Board's collective knowledge and experience of global markets, through the potential addition of new NEDs.

Recent benchmarking data has indicated that BTIM's Annual Fee Pool for NEDs is below that of comparable companies, particularly those companies operating in the financial services industry.

BTIM is therefore seeking shareholder approval at this AGM, to increase the maximum aggregate of remuneration that can be paid to Non-executive Directors of the Company each year (NED Fee Pool) from \$1.0 million to \$1.6 million, an increase of \$600,000. The NED Fee Pool was originally set at \$800,000 per annum in 2007, when the Company first listed on the ASX. In 2013, shareholders approved an increase in the NED Fee Pool to \$1,000,000.

Increasing the NED Fee Pool to \$1.6 million will give the Company flexibility to:

- appoint additional NEDs to the Board who have knowledge and experience in off-shore markets
- continue to attract and retain NEDs of the highest calibre;
- allow existing NEDs to be appointed to subsidiary boards within the Group, complying with the revised ASX Listing Rule 10.17; and
- allow the size of the Board to be expanded during transition periods, as part of an active Board renewal and succession planning process.

Shareholder approval to increase the aggregate fee pool to \$1.6 million will be submitted to BTIM's annual general on 8 December 2015.

Other than the increase in the Chairman's fees recently approved by the Board, there are currently no intentions to increase the fees payable to the Company's other NEDs. If approved, the increase in the Annual Fee Pool will take effect on 1 January 2016.

NEDs do not receive performance-based remuneration and are not eligible to participate in any share plan or other incentive arrangements.

A summary of the fees payable to NEDs during the 2015 Financial Year are set out in Table 14 below.

The fees paid to NEDs during the 2015 Financial Year are set out in Table 15.

Table 14: Non-executive Director fees

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

Retirement allowances

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

NED shareholdings

In the 2015 Financial Years, the Board approved a new policy under which 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 will be expected to reach the minimum shareholding within three years of their appointment to the Board.

The number of securities held by Director are 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 continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Remuneration for NEDs

The fees paid to NEDs in the 2015 and 2014 Financial Year are shown in Table 15.

Table 15: 2015 & 2014 Non-executive Director remuneration

2015 Financial Year	Notes	Fees \$	Superannuation \$	Total \$
Non-executive Directors				
James Evans	2015	219,157	18,832	237,989
	2014 1	217,012	17,939	234,951
Meredith Brooks	2015	129,502	12,303	141,805
	2014	126,705	11,795	138,500
Brad Cooper	2015 2	0	0	0
	2014	0	0	0
Andrew Fay	2015 3	209,196	18,832	228,028
	2014 3	179,847	15,831	195,678
Deborah Page	2015 4	134,483	12,776	147,259
	2014	61,552	5,771	67,323
Total	2015	692,338	62,743	755,081
	2014	585,116	51,336	636,452

Notes to Table 15

- As a result of the ASX Listing Rule 10.17 having been amended to clarify that the fee pool for NEDs is to include: "all fees payable by the entity (BTIM) or any of its child entities (subsidiaries) to a non-executive director for acting as a director of the entity or any child entity (subsidiary) (including attending and participating in any board committee meetings) which came into effect 1 July 2014, James Evans fees for the 2014 Financial Year includes an additional fee of approximately \$19,115 (representing a pro rata amount for the period served) paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings.
- Brad Cooper is an employee of Westpac and did not receive additional remuneration as a Director of BTIM.
- Andrew Fay's fees for the 2014 Financial Year includes an additional fee of \$45,500 (representing a pro rata amount for the period served) paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCM Holdings. The additional fees for the 2015 Financial Year equate to \$70,000 and relates to a full year.
- Deborah Page was appointed a NED on 7 April 2014 and therefore her 2014 Financial Year fees have been pro-rated for time served.

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

Non-executive Directors	Type of holding	Equity held at 1 October 2014	In the 2015 Financial Year:			Equity held at 30 September 2015
			Number of securities acquired	Number of securities granted as remuneration	Net change other	
James Evans	Ordinary	10,000	12,218	0	0	22,218
Brad Cooper	Ordinary	0	0	0	0	0
Andrew Fay	Ordinary	12,500	1,109	0	0	13,609
Deborah Page	Ordinary	0	15,136	0	0	15,136
Meredith Brooks	Ordinary	10,451	1,598	0	0	12,049
Total for Non-executive Directors		32,951	30,061	0	0	63,012
CEO and other Senior Executives						
Emilio Gonzalez	Ordinary	1,728,981	496,526	133,328	0	2,358,835
	Performance share rights	1,215,459	0	163,829	(495,417)	883,871
Geraldine Bouquet	Ordinary	17,781	1,109	0	(12,697)	6,193
	Performance share rights	57,602	0	16,382	0	73,984
Chris Clayton	Ordinary	73,079	0	0	0	73,079
	Performance share rights	0	0	16,382	0	16,382
Jennifer Davies	Ordinary	5,709	1,109	5,937	(6,818)	5,937
	Performance share rights	35,488	0	16,382	0	51,870
Hayden King	Ordinary	0	0	4,168	0	4,168
	Performance share rights	22,861	0	16,382	0	39,243
Gavin Rochussen ¹	Ordinary	185,322	755,071	59,585	(798,592)	201,386
	Converting Notes	2,478,870	0	0	(755,071)	1,723,799
	Loan notes	2	0	0	0	2
	Performance shares	2,049,230	0	0	0	2,049,230
Cameron Williamson	Ordinary	165,852	0	22,030	(30,000)	157,882
	Performance share rights	83,434	0	28,670	0	112,104
Total for CEO and other Senior Executives		8,119,670	1,253,815	483,075	(2,098,595)	7,757,965

Notes 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 continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

Rounding of amounts

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

Loans to Directors and Senior Executives

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

2015 Corporate Governance Statement

BTIM's 2015 Corporate Governance Statement can be viewed on BTIM's web-site 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 2015 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:

	2015 \$	2014 \$
Other assurance services		
PricewaterhouseCoopers – Australian firm	–	39,460
PricewaterhouseCoopers – UK firm	10,834	5,572
Total remuneration for non-audit services	10,834	45,032

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 75.

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



James Evans

Chairman

29 October 2015



Emilio Gonzalez

Director

29 October 2015

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of BT Investment Management Limited for the year ended 30 September 2015, 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.

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
29 October 2015

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Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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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 2015

	Notes	2015 \$'000	2014 \$'000
Revenue from continuing operations			
Investment management fees		373,413	291,716
Performance fees		51,869	121,848
Transaction fees		11,293	697
Property administration fees		–	6,482
	4	436,575	420,743
Other income	5	2,444	7,796
Expenses			
Employee expenses			
Salaries and related expenses		157,495	166,714
Amortisation of employee equity grants	29	41,336	32,371
Depreciation, amortisation and impairment		9,939	11,416
Fund administration		12,722	12,855
Investment management		10,059	8,877
Business development and promotion		9,680	8,218
General office and administration		7,675	5,419
Information and technology		7,028	5,380
Professional services		6,778	5,289
Occupancy		5,506	4,560
Finance costs	6	2,176	2,407
Distribution		4,164	3,000
Total expenses		274,558	266,506
Profit before income tax		164,461	162,033
Income tax expense	7	38,043	40,529
Profit attributable to owners of BTIM		126,418	121,504
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	18	63,558	20,975
Net unrealised loss on available-for-sale assets	18	(3,925)	(1,386)
Income tax relating to components of other comprehensive income	7, 18	640	619
Other comprehensive income, net of tax		60,273	20,208
Total comprehensive income for the financial year attributable to owners of BTIM		186,691	141,712
Earnings per share for profit attributable to ordinary equity holders of BTIM		Cents	Cents
Basic earnings per share	28	49.8	49.1
Diluted earnings per share	28	48.1	46.4

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 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	8	166,752	130,151
Trade and other receivables	9	58,731	45,935
Prepayments	10	5,016	4,580
Total current assets		230,499	180,666
Non-current assets			
Property, plant and equipment		2,087	2,347
Available-for-sale financial assets	11	87,975	87,560
Deferred tax assets	7	38,396	22,003
Intangible assets	12	636,324	586,597
Total non-current assets		764,782	698,507
Total assets		995,281	879,173
Current liabilities			
Trade and other payables	13	37,587	25,655
Employee benefits	14	112,745	82,377
Borrowings	15	18,038	11,933
Converting notes	16	13,680	13,740
Lease incentive		320	599
Current tax liabilities		21,259	22,207
Total current liabilities		203,629	156,511
Non-current liabilities			
Employee benefits	14	7,234	19,999
Borrowings	15	–	24,146
Converting notes	16	121	13,740
Lease incentive		–	387
Deferred tax liabilities	7	22,424	21,287
Total non-current liabilities		29,779	79,559
Total liabilities		233,408	236,070
Net assets		761,873	643,103
Equity			
Contributed equity	17	454,094	455,016
Reserves	18	212,546	115,967
Retained earnings		95,233	72,120
Total equity		761,873	643,103

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 2015

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2014		455,016	115,967	72,120	643,103
Profit for the 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	17	13,680	—	—	13,680
Treasury shares acquired	17	(39,256)	—	—	(39,256)
Treasury shares released	17	11,624	(11,624)	—	—
Share-based payments	18	—	47,930	—	47,930
Dividend reinvestment plan	17	13,030	—	—	13,030
Dividends and dividend-linked coupons paid	19	—	—	(103,305)	(103,305)
Balance at 30 September 2015		454,094	212,546	95,233	761,873

Balance at 1 October 2013		469,748	67,013	24,694	561,455
Profit for the financial year		—	—	121,504	121,504
Other comprehensive income for the financial year		—	20,208	—	20,208
Total comprehensive income for the financial year		—	20,208	121,504	141,712
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	17	2,511	—	—	2,511
Treasury shares acquired	17	(53,197)	—	—	(53,197)
Treasury shares released	17	7,519	(7,519)	—	—
Share-based payments	18	—	36,265	—	36,265
Dividend reinvestment plan	17	28,435	—	—	28,435
Dividends and dividend-linked coupons paid	19	—	—	(74,078)	(74,078)
		(14,732)	48,954	47,426	81,648
Balance at 30 September 2014		455,016	115,967	72,120	643,103

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 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Fees and other income received		442,586	432,593
Interest received		305	366
Distributions from unit trusts		2,191	1,877
Expenses paid		(211,437)	(197,366)
Income tax paid		(47,846)	(35,715)
Net cash inflows from operating activities	27	185,799	201,755
Cash flows from investing activities			
Payments for property, plant and equipment		(978)	(775)
Payments for available-for-sale financial assets		(26,637)	(50,495)
Payments for IT development		(562)	(836)
Proceeds from sales of available-for-sale financial assets		46,832	22,643
Net cash outflows from investing activities		18,655	(29,463)
Cash flows from financing activities			
Payments for purchase of treasury shares	17	(39,257)	(53,197)
Proceeds from external borrowings		64,103	24,147
Repayment of borrowings		(86,918)	(42,808)
Interest and other financing costs		(1,262)	(1,583)
Dividends and dividend-linked coupons paid		(90,275)	(45,645)
Net cash outflows from financing activities		(153,609)	(119,086)
Net increase in cash and cash equivalents		50,845	53,206
Cash and cash equivalents at the beginning of the financial year		130,151	83,649
Effects of exchange rate changes on cash and cash equivalents		(14,244)	(6,704)
Cash and cash equivalents at the end of the financial year	8	166,752	130,151

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of accounting

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

Compliance with IFRS

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

New and revised standards and interpretations effective and adopted

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

AASB 2014-1 Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012

In June 2014 the AASB approved a number of amendments to Australian Accounting Standards as a result of the annual improvements project. Relevant amendments to the BTIM Group include:

AASB 2, Share-based payments

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

AASB 8, Operating segments

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendments are effective for annual periods beginning on or after 1 July 2014.

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

AASB 2013-3 Limited amendment of AASB 136 Impairment of Assets disclosures

The disclosures required by AASB 136 have been amended to:

- remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment;
- require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and
- require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

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

Historical cost convention

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

Comparative revisions

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

(b) Critical accounting assumptions and estimates

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

Share-based payments

The BTIM Group measures the cost of equity-settled securities allocated to employees by reference to the fair value of the equity instruments at the date at which they are granted. As explained in Note 29, the fair value 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 fair value calculation is performed by an external valuer. 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.

Deferred tax on share-based payments

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

Intangible assets

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

Financial liabilities – converting notes

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

Structured entities

Determination of control of structured entities (refer Note 1 (c) and 24).

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries (including structured entities) of BTIM as at 30 September 2015 and the results of the subsidiaries for the financial year then ended. BTIM and its controlled entities together are referred to in this Financial Report as the BTIM Group.

Subsidiaries are all those entities over which the BTIM Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the BTIM Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the BTIM Group. They are de-consolidated from the date that control ceases.

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

The BTIM Group has two employee benefit trusts to administer the BTIM Group's employee share schemes. These trusts are consolidated, as the substance of the relationships is that the trusts are controlled by the BTIM Group. Shares held by BT Investment Management Limited Employee Equity Plan and J O Hambro Capital Management Limited Employee Equity Plan are disclosed as treasury shares and deducted from contributed equity. For further information, refer Note 29.

Structured entities

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

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

(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Revenue recognition

Fee income

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

Performance fees are recognised in the accounting period in which the performance hurdles have been met.

Transaction fees are fees on products which are non-annuitized and recognised over the period in which the service is being provided.

Distribution income

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

Property administration fees

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

Interest income

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

(f) Expense recognition

Interest expense

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

Distribution and other fees

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

(g) Income tax

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

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

Tax consolidation legislation

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

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

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

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

(h) Leases

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

Leases in which the BTIM Group has substantially all the risks and rewards of ownership are classified as finance leases. The BTIM Group had no finance leases as at 30 September 2015.

(i) Investments and other financial assets

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

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets through profit or loss or loans and receivables.

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

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

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

Impairment

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

(j) Non-financial assets

Property, plant and equipment

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

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(j) Non-financial assets (continued)

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

- computer hardware 3 – 7 years
- office furniture and fittings 4 – 5 years
- computer software 3 – 5 years
- leasehold improvements 5 – 7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying value, and are included in the Statement of Comprehensive Income.

IT development and software

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

Fund and investment management contracts

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

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

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

Goodwill

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

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

Recoverable amount is the higher of the CGU's fair value less costs to sell and its value-in-use. Value-in-use is the present value of expected future cash flows from the CGU. Fair value is the amount obtainable for the sale of the CGU in an arm's length transaction between knowledgeable, willing parties.

(k) Trade and other payables

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

(l) Borrowings

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

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

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

(m) Borrowing costs

All borrowing costs are expensed as Finance costs.

(n) Financial liabilities

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

Converting notes at fair value

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

(o) Employee benefits**Wages, salaries, annual leave and sick leave**

Liabilities for wages, salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in current provisions in respect of employee services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for annual leave expected to be settled more than 12 months from the balance date are recognised in the non-current provision for annual leave and are measured at the present value of future payments expected to be made in respect of services provided by employees up to the balance date. No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise for non-vesting sick leave.

Long service leave

Liabilities for long service leave, expected to be settled within 12 months of the balance date, are recognised in the provision for long service leave and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for long service leave expected to be settled more than 12 months from the balance date are recognised in the provision for long service leave and are measured at the present value of future payments expected to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted to their net present value using market yields at the balance date on high quality corporate bonds with terms that match, as closely as possible, the estimated timing of future cash flows.

Share-based payments

Share-based payment compensation benefits are provided to employees via employee share and option schemes. The fair value of shares and options granted to employees for no consideration under the employee share and option schemes is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. The fair value of shares granted without market-based vesting conditions approximates the listed market price of the shares on the ASX at the date of grant. The fair value of shares granted with market-based vesting conditions has been determined using option-equivalent valuation methodologies. The fair value of options granted is measured using Binomial/Monte-Carlo simulation valuation techniques, taking into account the terms and conditions upon which the options were granted.

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

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

Termination benefits

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

Employee benefits on-costs

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Equity

Ordinary shares

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

Treasury shares

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

(q) Reserves

Common control reserve

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

Share-based payment reserve

The share-based payment reserve comprises the amortised portion of the fair value of performance share rights, shares and options granted to employees for no consideration, recognised as an expense. The share-based payment reserve is a separate component of equity. The balance of the share-based payment reserve is reduced by the payment of certain dividends not paid from retained earnings, where the requirements of the Corporations Act are met.

Available-for-sale financial assets reserve

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

Foreign currency translation reserve

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

(r) Provision for dividends

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

(s) Funds management and trust activities

Controlled entities within the BTIM Group conduct investment management and other fiduciary activities as RE, trustee or manager on behalf of individuals, trusts, retirement benefit plans and other institutions.

These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

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

(t) Earnings per share

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

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

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

(u) Cash

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

(v) Goods and services tax (GST)

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

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

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

(w) Rounding of amounts

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

(x) Segment reporting

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM). As a result, the BTIM Group has determined it has two operating segments, being the BTIM Group's investment management business in Australia (BTIM Australia) and the BTIM Group's investment management business outside of Australia (BTIM UK).

(y) Parent entity financial information

The financial information for the parent entity, BTIM, disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements of the BTIM Group except for the items disclosed below.

Share-based payments

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

Financial guarantees

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

(z) New accounting standards**New and revised standards not mandatory and not adopted**

Certain new and revised accounting standards have been published that are not mandatory for the 30 September 2015 reporting period. They are available for early adoption but have not been applied in preparing this Financial Report. The BTIM Group's assessment of the impact of these new standards is set out below:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2018)

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

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

AASB 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 application of AASB 15 is not expected to have a material impact on the BTIM Group.

The standard has not been adopted early by the BTIM Group.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

2. 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:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	166,752	130,151
Trade and other receivables	58,731	45,935
Available-for-sale financial assets	87,975	87,560
	313,458	263,646
Financial liabilities		
Trade and other payables	37,587	25,655
Borrowings	18,038	36,079
Converting notes	13,801	27,480
	69,426	89,214

(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

	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Impact on:				
FUM (\$ billion)	7.8	(7.8)	6.6	(6.6)
NPAT (\$'000)	24,802	(24,720)	19,817	(19,862)

The sensitivity calculation is made on the basis of FUM as at 30 September 2015 increasing or decreasing by 10%. The profit or loss sensitivity calculation is derived by holding net flows and market movements flat for 12 months, maintaining the current management fee margin, and flowing the revenue result through the current operating cost parameters and/or assumptions. Depending on the extent and duration of an actual FUM movement, management would respond with appropriate measures which would change the parameters and/or assumptions and potentially reduce or improve the calculated profit or loss impact.

(i) Price risk

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

Exposure to price risk also exists from directly held equity securities in funds managed by JOHCM (refer Note 11). The directly held securities consist of shares in unlisted companies and other investments.

Equity price risk sensitivity

The BTIM Group provides seed capital into a number of funds which invest in regions including the UK, Europe, Emerging markets, US and Asia (ex-Japan) which may be subject to price volatility. In aggregate, if the price increased or decreased by 10% with all other variables held constant, the value of other components of equity would increase by \$8,762,372 (2014: \$8,724,411) or decrease by \$8,762,372 (2014: 8,724,411) respectively.

(ii) Interest rate risk

The BTIM Group is also subject to interest rate risk, which impacts both the BTIM Group's FUM and the BTIM Group's cash balances and borrowings. This risk is managed through asset/liability management strategies that seek to limit the impact arising from interest rate movements.

Fair value sensitivity analysis

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

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates would be applicable to the BTIM Group's cash balances and borrowings. A change of 50 bps in the average of the effective interest rates over the year ended 30 September 2015 would have increased/(decreased) net profit or loss after tax (NPAT) and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	PROFIT OR LOSS AFTER TAX		OTHER COMPONENTS OF EQUITY	
	50 bps increase \$'000	50 bps decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
30 September 2015				
Cash and cash equivalents	593	(593)	–	–
Borrowings	(44)	44	–	–
30 September 2014				
Cash and cash equivalents	464	(464)	–	–
Borrowings	(94)	94	–	–

(iii) Foreign exchange risk

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

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

	30 SEPTEMBER 2015				30 SEPTEMBER 2014			
	GBP \$'000	EUR \$'000	USD \$'000	SGD \$'000	GBP \$'000	EUR \$'000	USD \$'000	SGD \$'000
Financial assets								
Cash at bank	23,787	70	350	863	24,669	–	246	1,045
Trade receivables	34,763	–	1,313	138	27,074	–	910	154
Available-for-sale	19,385	7,822	57,511	3,157	54,588	1,984	30,888	–
Financial liabilities								
Trade payables	(19,598)	–	(1,032)	(89)	(17,014)	–	(446)	(118)
Borrowings	(18,038)	–	–	–	(36,079)	–	–	–
Net exposure in AUD	40,299	7,892	58,142	4,069	53,238	1,984	31,598	1,081

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

2. FINANCIAL RISK MANAGEMENT CONTINUED

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

	Movement in variable against A\$	Profit or loss after tax 30 Sep 2015 \$'000	Changes in equity 30 Sep 2015 \$'000	Profit or loss after tax 30 Sep 2014 \$'000	Changes in equity 30 Sep 2014 \$'000
Pounds sterling (GBP)	+10%	(488)	4,726	(831)	6,511
	-10%	488	(4,726)	831	(6,511)
Euro (EUR)	+10%	—	789	—	198
	-10%	—	(789)	—	(198)
US Dollar (USD)	+10%	—	5,814	—	3,160
	-10%	—	(5,814)	—	(3,160)
Singapore Dollar (SGD)	+10%	—	407	—	108
	-10%	—	(407)	—	(108)

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

(b) Credit risk

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

Credit risk exposures are monitored regularly with all BTIM Group counterparties. The major counterparties are The Westpac Group, Bank of Scotland, the funds for which BTIM and JOHCM are the fund managers as well as outstanding receivables including credit exposures to wholesale and institutional clients. Exposure to credit risk arises on the BTIM Group's financial assets which are disclosed at the beginning of this Note.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of financial assets is AA- for The Westpac Group and A for Bank of Scotland (2014: AA- for The Westpac Group and A-2 for Bank of Scotland). For wholesale customers the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to certain parties (refer Note 30). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

(c) Liquidity risk

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

Maturities of financial liabilities

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

	Less than 1 year \$'000	Between 1 – 2 years \$'000	Over 2 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
30 September 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
30 September 2014					
Trade and other payables	25,655	—	—	25,655	25,655
Borrowings	12,529	24,398	—	36,927	36,079
Converting notes	13,740	13,740	—	27,480	27,480

Financing arrangements

The BTIM Group has a \$98 million (£45 million) revolving loan facility with The Westpac Group which is denominated in GBP and expires on 30 September 2016. BTIM is the guarantor on the above facility and at 30 September 2015, a further \$87 million (£40 million) (2014: \$60 million / £32 million) remains undrawn.

(d) Fair value estimation

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

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

(i) Fair value hierarchy

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

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

30 September 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	–	–	100	100
Shares in James Hambro & Partners LLP ¹	–	–	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

30 September 2014

Financial assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited	–	–	100	100
Shares in James Hambro & Partners LLP ¹	–	–	216	216
Units held in pooled funds ²	–	87,244	–	87,244
Total financial assets	–	87,244	316	87,560
Financial liabilities				
Borrowings	–	36,079	–	36,079
Converting notes	–	27,480	–	27,480
Total financial liabilities	–	63,559	–	63,559

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

2 These securities represent shares held in offshore unlisted pooled funds managed by the Group and are measured at fair value. The fair value is measured with reference to the underlying net asset values of the pooled funds.

Refer to Note 11 and Note 16 for further information.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

2. FINANCIAL RISK MANAGEMENT CONTINUED

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

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

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

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

Pooled funds

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

Borrowings

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

Converting notes

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

(iii) Unobservable inputs

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

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

(iii) Unobservable inputs (continued)

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

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

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

(iv) Fair value of other instruments

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

3. SEGMENT INFORMATION

(a) Description of segments

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

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

	BTIM		BTIM UK		Total Group	
	30 Sep 2015 \$'000	30 Sep 2014 \$'000	30 Sep 2015 \$'000	30 Sep 2014 \$'000	30 Sep 2015 \$'000	30 Sep 2014 \$'000
Revenue	163,891	143,969	275,127	284,570	439,018	428,539
Inter-segment revenue	1,923	933	3,590	1,563	5,513	2,496
Total segment revenue	165,814	144,902	278,717	286,133	444,531	431,035
Inter-segment expense	(3,590)	(1,563)	(1,923)	(933)	(5,513)	(2,496)
Depreciation and amortisation	(1,072)	(1,219)	(484)	(555)	(1,556)	(1,774)
Finance costs	(1,325)	(1,349)	(851)	(1,058)	(2,176)	(2,407)
Other operating expenses	(111,647)	(99,992)	(154,981)	(156,730)	(266,628)	(256,722)
Total segment expenses	(117,634)	(104,123)	(158,239)	(159,276)	(275,873)	(263,399)
Income tax expense	(15,056)	(12,690)	(21,146)	(27,930)	(36,202)	(40,620)
Cash NPAT	33,124	28,089	99,332	98,927	132,456	127,016
Deduct: amortisation of employee equity grants	(19,894)	(18,942)	(21,442)	(13,429)	(41,336)	(32,371)
Add back: cash cost of ongoing equity grants	17,552	13,889	27,969	22,521	45,521	36,410
Deduct: amortisation and impairment of intangibles	—	—	(8,383)	(9,642)	(8,383)	(9,642)
Deduct: loss on financial liabilities at fair value through profit and loss	—	—	—	—	—	—
Add back/(deduct): tax effect	(30)	588	(1,810)	(497)	(1,840)	91
Statutory NPAT	30,752	23,624	95,666	97,880	126,418	121,504
Segment assets	421,720	373,506	573,561	505,667	995,281	879,173
Segment liabilities	(78,998)	(74,299)	(154,410)	(161,771)	(233,408)	(236,070)
Net assets	342,722	299,207	419,151	343,896	761,873	643,103

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

4. REVENUE FROM CONTINUING OPERATIONS

	2015 \$'000	2014 \$'000
Management, fund and trustee fees	370,068	288,475
Performance fees	51,869	121,848
Property administration fees ¹	–	6,482
Service fees from related parties	1,508	1,524
Expense recoveries	1,067	1,179
Transaction fees	11,293	697
Other revenue	770	538
Total revenue from continuing operations	436,575	420,743

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

5. OTHER INCOME

	2015 \$'000	2014 \$'000
Distributions from unit trusts	2,234	1,951
Interest revenue	306	366
Net gain on sale of available-for-sale financial assets	4,488	4,684
Net foreign exchange (loss)/gain	(4,584)	795
Total other income	2,444	7,796

6. FINANCE COSTS

	2015 \$'000	2014 \$'000
Interest and finance charges paid/payable for borrowings	1,262	1,583
Net foreign exchange loss on borrowings	914	824
Total finance costs	2,176	2,407

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

7. INCOME TAX

	2015 \$'000	2014 \$'000
(a) Income tax expense		
Current tax	47,007	46,647
Deferred tax ¹	(8,854)	(5,927)
Adjustments for current tax of prior periods	(110)	(191)
Income tax expense	38,043	40,529
¹ Deferred income tax expense/(revenue) included in income tax expense comprises:		
Increase in deferred tax assets	(7,138)	(2,192)
Decrease in deferred tax liabilities	(1,716)	(3,735)
Total decrease in deferred tax	(8,854)	(5,927)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	164,461	162,033
Income tax calculated at the Australian tax rate of 30% (2014: 30%)	49,338	48,610
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee equity grant amortisation	846	1,228
Sundry non-deductible items	768	332
	50,952	50,170
Difference in overseas tax rates	(11,733)	(10,497)
Effect on deferred taxes of reduction in tax rates	88	169
Previously unrecognised capital losses	–	131
Previously unrecognised tax losses recouped	(1,154)	–
Tax losses for which no deferred tax asset was recognised	–	747
Adjustments for current tax of prior financial year	(110)	(191)
Income tax expense in the Statement of Comprehensive Income	38,043	40,529
(c) Tax expense relating to items of other comprehensive income		
Available-for-sale financial assets	(640)	(619)
	(640)	(619)
(d) Amounts recognised directly in equity		
Deferred tax on employee equity grants	(6,594)	(3,894)
	(6,594)	(3,894)
(e) Unrecognised temporary differences		
Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation	119,628	56,070
Unrecognised deferred tax liabilities relating to the above temporary differences	35,888	16,821

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

	2015 \$'000	2014 \$'000
(f) Deferred tax balances		
(i) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Employee equity grants	25,399	12,011
Employee benefits	10,943	8,251
Accrued expenses	634	420
Lease expenses	(737)	(526)
Property, plant and equipment	1,217	1,108
Share of partnership income	265	251
Unutilised foreign tax credits	–	11
Business-related costs	55	75
Foreign exchange loss	620	402
Deferred tax assets to be settled after more than 12 months	38,396	22,003
Movement in temporary differences during the financial year:		
Balance at the beginning of the financial year	22,003	15,350
Credited to profit or loss	7,138	2,192
Credited to other comprehensive income	2,661	567
Credited to equity	6,594	3,894
Balance as at the end of the financial year	38,396	22,003
(ii) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Intangible assets	22,044	20,508
Available-for-sale financial assets	380	779
Deferred tax liabilities to be settled after more than 12 months	22,424	21,287
Movement in temporary differences during the financial year:		
Balance at the beginning of the financial year	21,287	24,109
Charged/ (credited) to profit or loss	(1,716)	(3,735)
Charged to other comprehensive income	2,853	913
Balance at the end of the financial year	22,424	21,287

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction, adjusted for temporary differences and tax relating to prior periods. The main corporate tax rates applicable for the current period are 30% (2014: 30%) on Australian taxable income, 20.5% (2014: 22%) on UK taxable income and 17% (2014: 17%) on Singapore taxable income.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

8. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000
Cash at bank and in hand	31,773	29,650
Deposits at call	134,979	100,501
Balance as per Consolidated Statement of Cash Flows	166,752	130,151

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

Risk exposure

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

9. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000
Trade receivables	58,731	45,935

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

(a) Related party receivables

Related party receivables are disclosed in Note 25(e).

(b) Impaired receivables and receivables past due

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

(c) Fair value and credit risk

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

10. PREPAYMENTS

	2015 \$'000	2014 \$'000
Prepayments	5,016	4,580

Prepayments substantially relate to prepaid information and technology related expenses.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 \$'000	2014 \$'000
Unlisted securities		
Shares in Regnan-Governance Research and Engagement Pty Limited ¹	100	100
Shares in James Hambro & Partners LLP ²	252	216
Units held in pooled funds ³	87,623	87,244
	87,975	87,560

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

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

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

12. INTANGIBLE ASSETS

	2015 \$'000	2014 \$'000
Goodwill		
Cost	524,652	483,038
Net carrying value	524,652	483,038
Fund and investment management contracts		
Cost	161,430	138,373
Accumulated amortisation and impairment	(51,211)	(36,021)
Net carrying value	110,219	102,352
IT development and software		
Cost	2,701	2,139
Accumulated amortisation	(1,248)	(932)
Net carrying value	1,453	1,207
Total intangible assets		
Cost	688,783	623,550
Accumulated amortisation and impairment	(52,459)	(36,953)
Net carrying value	636,324	586,597

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

	2015 \$'000	2014 \$'000
Goodwill		
Balance at the beginning of the financial year	483,038	466,462
Foreign exchange gain	41,614	16,576
Balance at the end of the financial year	524,652	483,038
Fund and investment management contracts		
Balance at the beginning of the financial year	102,352	104,832
Foreign exchange gain	16,250	7,162
Amortisation expense	(7,841)	(7,344)
Impairment expense ¹	(542)	(2,298)
Balance at the end of the financial year	110,219	102,352
IT development and software		
Balance at the beginning of the financial year	1,207	639
Additions	562	836
Amortisation expense	(316)	(268)
Balance at the end of the financial year	1,453	1,207

¹ The impairment loss is 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.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

12. INTANGIBLE ASSETS CONTINUED

	2015 \$'000	2014 \$'000
Total intangible assets		
Balance at the beginning of the financial year	586,597	571,933
Foreign exchange gain	57,864	23,738
Additions	562	836
Amortisation expense	(8,157)	(7,612)
Impairment expense ¹	(542)	(2,298)
Balance at the end of the financial year	636,324	586,597

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

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

	2015 \$'000	2014 \$'000
<i>Fund management contracts</i>		
OEIC fund management contracts	95,713	88,383
<i>Investment management contracts</i>		
Segregated mandates	14,506	13,969
Total fund and investment management contracts	110,219	102,352

The recoverable amount of each fund and management contract has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections (post tax) is 13% (2014:13%), based on the cost of capital.

Goodwill has been derived from the following business combinations:

	2015 \$'000	2014 \$'000
Purchase of the investment management business from Westpac Banking Corporation effective 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	291,352	249,738
Total goodwill	524,652	483,038

Goodwill is allocated to the BTIM Group's cash-generating units (CGUs) identified according to operating segments (refer Note 3). Goodwill attributable to BTIM Australia and BTIM UK is \$233,300,000 and \$291,352 respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost to sell' methodology that utilises cash flow projections (post tax) based on management's best estimates over a 5 year period and then applying a terminal value in perpetuity of 3%. The discount rate used to discount the cash flow projections for BTIM Australia and BTIM UK are 11.5% and 13% (2014: 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 2015.

There has been no impairment of goodwill during the year ended 30 September 2015. 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 2015.

13. TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Trade payables	32,520	20,989
Payables – related entities (refer Note 25(e))	5,067	4,666
Total trade and other payables	37,587	25,655

Risk exposure

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

14. EMPLOYEE BENEFITS

	2015 \$'000	2014 \$'000
Current liabilities		
Annual leave	1,582	1,446
Long service leave	1,194	1,128
Provision for bonus	109,969	79,803
Total current employee liabilities	112,745	82,377
Non-current liabilities		
Long service leave	1,014	863
Provision for bonus	6,220	19,136
Total non-current employee liabilities	7,234	19,999

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

Defined contribution superannuation expense	3,615	3,134
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15. BORROWINGS

	2015 \$'000	2014 \$'000
Current	18,038	11,933
Non-current	–	24,146
Total borrowings	18,038	36,079

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
As at 30 September 2015					
Bank loans					
Revolving loan facility	11,072	–	–	–	11,072
Loan notes	6,966	–	–	–	6,966
Total borrowings	18,038	–	–	–	18,038
As at 30 September 2014					
Bank loans					
Revolving loan facility	57	24,146	–	–	24,203
Loan notes	11,876	–	–	–	11,876
Total borrowings	11,933	24,146	–	–	36,079

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

15. BORROWINGS CONTINUED

Bank loans

The BTIM Group has a \$98 million (£45 million) revolving loan facility with The Westpac Group which is denominated in GBP and expires on 30 September 2016.

An amount of \$11 million (£5 million) (2014: \$24 million / £13 million) is drawn and \$87 million / £40 million (2014: \$60 million / £32 million) remains undrawn at 30 September 2015. BTIM is the guarantor on the borrowing facility. Interest on draw-downs has been fixed for between 1 and 12 months.

Loan notes

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

Risk exposures

Details of the BTIM Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

16. CONVERTING NOTES

Conversion profile as at 30 September:

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Carrying amount liabilities \$'000
30 September 2015					
Converting notes	13,680	121	—	—	13,801
30 September 2014					
Converting notes	13,740	13,740	—	—	27,480

The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments, each converting note will convert into one BTIM ordinary share over a period of up to five years provided certain conditions are met. The value of the converting notes represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The fair value of the converting notes at balance date has been determined with reference to the BTIM share price at 30 September 2015, which has resulted in no charge being recognised in the Consolidated Statement of Comprehensive Income (2014: \$nil).

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

On 31 October 2014 5,896,401 converting notes converted into 5,896,401 BTIM ordinary shares (refer Note 17).

17. CONTRIBUTED EQUITY

	2015 \$'000	2014 \$'000
Ordinary shares 292,565,311 (2014: 284,384,906) each fully paid	586,076	559,366
Treasury shares 36,400,966 (2014: 35,482,457)	(131,982)	(104,350)
Total contributed equity 256,164,345 (2014: 248,902,449)	454,094	455,016

	2015 Shares ('000)	2015 \$ ('000)	2014 Shares ('000)	2014 \$ ('000)
Movements in ordinary shares during the financial year				
Balance at the beginning of the financial year	284,385	559,366	278,100	528,420
Converting notes converted into ordinary shares	6,314	13,680	1,082	2,511
Dividend reinvestment plan	1,866	13,030	5,203	28,435
Balance at the end of the year	292,565	586,076	284,385	559,366
Movements in treasury shares during the financial year				
Balance at the beginning of the year	(35,482)	(104,350)	(30,575)	(58,672)
Treasury shares acquired	(5,768)	(39,256)	(9,389)	(53,197)
Treasury shares released	4,849	11,624	4,482	7,519
Balance at the end of the year	(36,401)	(131,982)	(35,482)	(104,350)
Total contributed equity	256,164	454,094	248,903	455,016

(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.

(b) Treasury shares

Treasury shares are those shares issued through the Initial Public Offer, and purchased as necessary, in order to meet the obligations of the BTIM Group under its employee share plans. These represent shares either held by the employee benefit trusts for future allocation or shares held by employees within BTIM Group share plans, subject to restrictions. These are recorded at cost and when restrictions on employee shares are lifted, the cost of such shares is appropriately adjusted with the share-based payment reserve. Details of the balance of treasury shares at the end of the financial year were as follows:

	2015 Shares ('000)	2015 \$ ('000)	2014 Shares ('000)	2014 \$ ('000)
Unallocated shares held by trustees	18,065	91,584	15,746	70,973
Shares allocated to employees	18,336	40,398	19,736	33,377
Balance at the end of the financial year	36,401	131,982	35,482	104,350

(c) Capital management

The BTIM Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and maintain an optimal capital structure.

The Board monitors NPAT, cash, tax and other financial factors in order to maintain or adjust the capital structure. The BTIM Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The BTIM Group has two employee benefit trusts, the trustees of which purchase BTIM shares, intended to be used to satisfy the BTIM Group's obligations under the employee share plans. For further information on the employee share trusts and schemes refer Note 29.

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

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

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

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

18. RESERVES

	2015 \$'000	2014 \$'000
Common control reserve		
Balance at the beginning of the financial year	(25,472)	(25,472)
Balance at the end of the financial year	(25,472)	(25,472)
Share-based payment reserve		
Balance at the beginning of the financial year	80,636	51,890
Share-based payment expense	41,336	32,371
Deferred tax	6,594	3,894
Treasury shares released	(11,624)	(7,519)
Balance at the end of the financial year	116,942	80,636
Foreign currency translation reserve		
Balance at the beginning of the financial year	56,070	35,095
Currency translation difference arising during the year	63,558	20,975
Balance at the end of the financial year	119,628	56,070
Available-for-sale-financial assets reserve		
Balance at the beginning of the financial year	4,733	5,500
Revaluation	(3,984)	(1,443)
Exchange differences	59	57
Deferred tax	640	619
Balance at the end of the financial year	1,448	4,733
Total reserves	212,546	115,967

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.

Foreign currency translation reserve

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

Available-for-sale financial assets reserve

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

19. DIVIDENDS

	2015 \$'000	2014 \$'000
Equity dividends on ordinary shares		
(a) Dividends declared and paid during the Financial Year		
Final 35% franked ¹ dividend for the 2014 Financial Year: 19.0 cents per share (2013 Financial Year: 10.0 cents per share 50% franked)	52,891	27,097
Interim 40% franked ¹ dividend for the 2015 Financial Year: 17.0 cents per share (2014 Financial Year: 16.0 cents per share fully franked)	47,159	42,963
	100,050	70,060
(b) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2015 Financial Year 20.0 cents (40% franked ¹) per share (2014 Financial Year: 19.0 cents per share 35% franked)	58,513	54,031

Dividend-linked coupons on converting notes²

(a) Coupons paid during the Financial Year		
Final 35% franked ¹ coupon for the 2014 Financial Year: 19.0 cents per converting note (2013 Financial Year: 10.0 cents per converting note 50% franked)	1,718	1,556
Interim 40% franked ¹ coupon for the 2015 Financial Year: 17.0 cents per converting note (2014 Financial Year: 16.0 cents per converting note fully franked)	1,537	2,462
	3,255	4,018
(b) Coupons proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final coupon for the 2015 Financial Year: 20.0 cents (40% franked ¹) per converting note (2014 Financial Year: 19.0 cents per converting note 35% franked)	1,806	2,919

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 dividends and dividend-linked coupons declared or paid after 30 September 2015 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 2016.

	2015 \$'000	2014 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	9,406	6,632

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

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

The impact on the franking account of the dividends declared or paid by the Directors since year end, but not recognised as a liability at financial year end, will be a reduction in the franking account of \$10,340,463 (2014: \$8,542,549).

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

20. KMP DISCLOSURES

Key Management Personnel are defined as having authority and responsibility for planning, directing and controlling the activities of BTIM, including the Directors, the members of the Senior Management Team and the Chief Executive Officer of JOHCM.

(a) KMP compensation	2015 \$	2014 \$
Short-term employee benefits	5,645,220	4,950,541
Post-employment benefits	231,270	175,752
Long-term benefits	32,493	6,850
Share-based payments	6,991,526	6,290,024
Total KMP compensation	12,900,509	11,423,167

Detailed remuneration disclosures are provided in the remuneration report on pages 46 to 73.

(b) Shareholdings

The following table sets out details of number of BTIM ordinary shares held by key management personnel (including their related parties) during the year ended 30 September:

	2015	2014
Held at the beginning of the year	2,209,244	3,054,790
Granted as remuneration	225,048	426,799
Purchases	33,839	5,000
Sales	(849,422)	(591,210)
Other changes ¹	1,251,803	(686,155)
Held at the end of the year	2,870,492	2,209,224

¹ Other changes relate to Directors and members of the Senior Management Team who cease to be key management personnel during the year.

(c) Other equity instruments

The following table sets out the number of performance share rights and converting notes held by key management personnel (including related parties) for the year ended 30 September:

	2015			2014		
	Performance shares	Performance share rights	Converting notes	Performance shares	Performance share rights	Converting notes
Held at the beginning of the year	2,049,230	1,414,944	2,478,870	–	1,173,580	2,478,870
Granted as remuneration	–	258,027	–	2,049,230	322,449	–
Acquired during the year	–	–	–	–	–	–
Vested during the year	–	(495,417)	(755,071)	–	–	–
Lapsed during the year	–	–	–	–	(49,142)	–
Other changes	–	(100)	–	–	(31,943)	–
Held at the end of the year	2,049,230	1,177,454	1,723,799	2,049,230	1,414,944	2,478,870

(d) Loan notes

The following table sets out the number of loan notes held by key management personnel (including related parties) for the year ended 30 September:

	2015	2014
Held at the beginning of the year	2	2
Granted as remuneration	–	–
Acquired during the year	–	–
Redeemed during the year	–	–
Held at the end of the year	2	2

Loan notes with a face value of \$352,752 (£179,445) were redeemed during the financial year (2014: \$nil). The total value of loan notes held at 30 September 2015 is \$1,688,938 (£779,445) (2014: \$1,781,046 / £958,890).

Loan notes accrue interest at 6% per annum, the amount of interest accrued at 30 September 2015 is \$94,118 (£43,135) (2014: \$99,251 / £53,435).

(e) Loans or transactions with KMP

There were no loans or other transactions to KMP during the financial year (2014: Nil).

21. REMUNERATION OF AUDITORS

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

	2015 \$	2014 \$
(a) Audit and other assurance services – Australia		
PricewaterhouseCoopers		
Audit and review of Financial Reports	418,738	409,520
Other assurance services	–	39,460
Audit of Australian Financial Service Licences	16,480	16,480
Total remuneration for assurance services – Australia	438,218	465,460
(b) Audit and other assurance services – outside of Australia		
PricewaterhouseCoopers		
Audit and review of Financial Reports	209,751	159,733
Other assurance services	10,834	5,572
Audit of Financial Conduct Authority Licence	42,254	44,577
Total remuneration for assurance services – outside of Australia	262,839	209,882

(c) Non-audit services

It is the BTIM Group's policy to engage PwC on assignments additional to their statutory audit duties where PwC's expertise and experience is important to the BTIM Group.

(d) Other services to non-consolidated trusts

The external auditor, PwC, provides audit and non-audit services to non-consolidated trusts for which BTIM FS and BTIMI is trustee, manager or responsible entity. The fees in respect of their services were approximately \$1,272,121 for the financial year (2014: \$1,158,815).

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

22. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The BTIM Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 30 September 2015 as they are not able to be estimated or measured reliably and may change significantly. All fees are exposed to significant risk associated with the funds' performance, including market risks (such as price risk, interest rate risk and foreign exchange risk) and liquidity risk.

UK tax liability

During the financial year the BTIM Group resolved the treatment of certain prior period tax deductions with the UK tax authorities, resulting in the payment by JOHCM of additional tax and interest of approximately £3.2 million (\$6.2 million). The BTIM Group was indemnified by the previous shareholders of JOHCM for the full amount paid under the terms of the Share Purchase Agreement (SPA), and there has been no effect on the financial statements of the BTIM Group.

Guarantee on bank loans

BTIM has entered into a guarantee with The Westpac Group in relation to the debts of its subsidiary BTIM UK Limited. For further information about guarantees given by entities within the BTIM Group, including the parent entity, refer Note 30.

Capital guarantee

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

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 30 September 2015, none of those contingent obligations are anticipated to result in any material loss.

23. COMMITMENTS

Lease commitments

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,174	4,020
Later than one year but not later than five years	7,596	2,337
Later than five years	5,186	–
Total commitments	14,956	6,357

During the year a seven year lease agreement was signed by BTIM for its Sydney office. The new lease for the Sydney office will commence on 14 March 2016.

24. UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

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

The BTIM Group considers all its fund investments to be structured entities. The BTIM Group invests in its own managed funds for the purpose of seeding the funds to develop a performance track record prior to external investment being received. The BTIM Group also receives management and performance fees for its role as investment manager.

The funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The funds invest in a number of different financial instruments including equities and debt instruments. The funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The BTIM Group holds redeemable units in its managed funds.

The nature and extent of the BTIM Group's interests in funds is summarised by asset class below:

30 September 2015	Australian equities \$'000	Australian diversified and property \$'000	Australian cash and fixed income \$'000	International equities \$'000	Other \$'000	Total \$'000
Assets						
Cash and cash equivalents	—	—	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
30 September 2014						
Assets						
Cash and cash equivalents	—	—	100,501	—	—	100,501
Trade and other receivables	3,643	814	3,391	18,369	—	26,217
Available-for-sale financial assets	—	—	—	87,244	—	87,244
Total Assets	3,643	814	103,892	105,613	1,166	213,962
Maximum exposure to loss	3,643	814	103,892	105,613	1,166	213,962
Net asset value of funds	3,480,071	1,463,195	2,472,859	21,554,359	20,047	28,990,531

Unless specified otherwise, the company's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off balance sheet arrangements which would expose the company to potential loss. During the year the company earned both management and performance fee income from structured entities. Refer to Note 4 for further information.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

25. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the BTIM Group is BTIM. During the financial year Westpac ceased being the ultimate parent entity of the BTIM Group and has a 31% holding in BTIM as at 30 September 2015.

(b) Subsidiaries and controlled entities

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

Name	Country of incorporation /formation	Class of shares	EQUITY HOLDING	
			2015 %	2014 %
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	—	—

(c) KMP

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

(d) Transactions with The Westpac Group of companies

	2015 \$	2014 \$
The following transactions occurred with related parties:		
<i>Rendering of services</i>		
Management, fund and trustee fees	70,770,894	64,697,575
Service fees from related parties	1,507,516	1,523,745
<i>Purchase of goods and services</i>		
Service fees to related parties	6,754,848	6,420,848
Insurance premiums to related parties	141,909	135,277
<i>Interest income</i>		
Interest received on cash balances held	—	—
<i>Financing costs</i>		
Bank guarantee fee paid for premises lease	16,103	16,094
Interest paid on borrowings	776,915	817,705
<i>Other transactions</i>		
Dividends paid to WFSGL	62,208,000	44,928,000

(e) Outstanding balances with The Westpac Group of companies arising from sales/purchases of goods and services

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

	2015 \$	2014 \$
<i>Current receivables (rendering of services)</i>		
Other related entities	5,973,262	5,878,562
<i>Current payables (purchase of services)</i>		
Other related entities	5,066,988	4,665,727

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

(f) Outstanding balances with The Westpac Group of companies relating to outstanding debt

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

	2015 \$	2014 \$
<i>Borrowings - other related entities</i>	11,072,371	24,202,780

(g) Cash and cash equivalents

\$5,262,4224 (2014: \$2,930,915) was in bank accounts held with The Westpac Group at 30 September 2015.

(h) Bank guarantees

As part of the lease agreement for its premises, the Company has a bank guarantee with The Westpac Group of \$1,619,393.

(i) Terms and conditions

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

Outstanding balances are unsecured.

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

Agreement	Term	Description
Name Licensing Agreement	Initial five year term extended by mutual agreement.	Non-exclusive licence for the BTIM Group to use the 'BT' brand in Australia in connection with providing investment management services, and the distribution and marketing of investment management funds.
Master Relationship Agreement	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 BTIM FS'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: <ul style="list-style-type: none"> • Advance Cash Multi-Blend; • Advance Defensive Yield Multi-Blend; • Advance Australian Shares Multi-Blend; and • WSP Australian Equity Trust.
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.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

25. RELATED PARTY TRANSACTIONS CONTINUED

(i) Terms and conditions (continued)

Agreement	Term	Description
Services Agreements	Ongoing, unless terminated in accordance with the provisions of the agreement.	The Westpac Group's provision of registry, customer relations, technology, finance, compliance, payroll and other miscellaneous services to the BTIM Group. In addition, the BTIM Group will provide services (including performance measurement and client services) to The Westpac Group.
Investment Accounting Agreement	Ongoing, until terminated by either party.	Provision of investment accounting services by The Westpac Group to the BTIM Group.
Revolving Facility Agreement	Initial three year term expires 30 September 2016.	The BTIM Group has a revolving loan facility with The Westpac Group which is denominated in GBP.

(j) Other related parties

J D Hambro is Chairman of JOHCM Capital Management Holdings Limited. J D Hambro is also a member and has a significant holding directly and indirectly in James Hambro LLP (JH&P) and is a director and substantial holder of Runnall Limited, a designated member of JH&P in which entity JOHCM has a 6.51% (2014: 6.64%) investment. In addition, the Chief Executive of JOHCM GM Rochussen has a 3.24% (2014: 2.99%) investment in 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 \$108,342/£50,000 (2014: \$92,870/£50,000) and may be renewed thereafter.

Close members of the family of J D Hambro have an interest in a subsidiary fund of the James Hambro Umbrella Fund, managed by JH&P and of which JOHCM was Authorised Corporate Director until 30 April 2015 where JOHCM received a fee of 10 basis points.

JOHCM provides dealing and IT services to JH&P under an agreement for at a fee of \$108,342/£50,000 (2014: \$92,870/£50,000).

26. SUBSEQUENT EVENTS

On 2 October 2015, BTIM announced a future issuance of ordinary shares under the Fund Linked Equity (FLE) program. Based on valuations as at 30 September 2015 this equates to approximately 8.8 million new ordinary shares on issue. The exact number of ordinary shares will not be known until after the 31 December 2015 effective date and will be subject to a number of variables. Further details on the FLE program are outlined on pages 46 to 73 of the Remuneration Report. The new ordinary shares are scheduled for issuance in January 2016.

On 16 October 2015, BTIM announced the renewal of the Master Relationship Agreement (MRA) with the Westpac-owned BT Financial Group (BTFG) relating to assets managed by BTIM for BTFG funds. Funds under management relating to the MRA totalled approximately \$17 billion as at 30 September 2015, and under the revised terms the effective management fee for the FUM declines from 32 basis points to 29 basis points, translating to a decrease in investment management fee revenue of approximately \$5.1 million. The new pricing became effective 1 October 2015.

On 26 October 2015, UK legislation to change the rate of UK corporate tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 has been substantively enacted for accounting purposes. Had the changes been enacted at balance date, the impact on the financial statements of the BTIM Group, would have been to reduce the balance of the deferred tax assets by approximately \$1.3m and to reduce the balance of the deferred tax liabilities by approximately \$1.8m.

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

27. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 \$'000	2014 \$'000
Profit after tax for the financial year	126,418	121,504
<i>Adjustments for non-cash expense items:</i>		
Depreciation	1,556	1,506
Amortisation and impairment of intangibles	8,383	9,910
Amortisation of employee equity grants	41,336	32,371
Interest and finance costs	1,262	1,583
Net gain on sale of available-for-sale financial assets	(4,488)	(4,684)
Net exchange differences	5,497	30
<i>Change in operating assets and liabilities, net of effects from the purchase of JOHCM:</i>		
(Increase)/decrease in trade and other receivables	(12,796)	(5,173)
Increase in prepayments	(436)	(750)
Increase in deferred tax assets	(7,138)	(2,192)
Increase/(decrease) in trade and other payables	11,932	(609)
Increase in employee benefits	17,603	41,779
Decrease in lease liabilities	(666)	(538)
(Decrease)/increase in current tax liabilities	(948)	10,753
Decrease in deferred tax liabilities	(1,716)	(3,735)
Net cash inflow from operating activities	185,799	201,755

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

28. EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of BTIM	49.8	49.1
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of BTIM	48.1	46.4

(c) Reconciliation of earnings used in calculating earnings per share

	2015 \$'000	2014 \$'000
<i>Basic earnings per share</i>		
Profit attributable to owners of BTIM used in calculating basic earnings per share	126,418	121,504
<i>Diluted earnings per share</i>		
Profit attributable to owners of BTIM used in calculating diluted earnings per share	126,418	121,504

(d) Weighted average number of shares used as the denominator

	2015 Number of shares '000	2014 Number of shares '000
Weighted average number of ordinary shares on issue	291,541	282,281
Weighted average number of treasury shares	(37,576)	(34,792)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	253,965	247,489
<i>Adjustment for calculation of diluted earnings per share</i>		
Weighted average converting notes ¹	8,846	14,381
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	262,811	261,870

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 9,294,904 and performance share rights totalling 3,436,890 issued to staff of the BTIM Group have not been included in the calculation of diluted EPS for the year ended 30 September 2015. This is because ordinary shares will be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

29. SHARE-BASED PAYMENTS

The BTIM Group has two employee benefit trusts to administer the BTIM Group's employee share schemes. The BT Investment Management Limited Employee Equity Plan Trust (ESP) is used by BTIM to administer the employee share plan for its Australian employees and the BTIM Employee Benefit Trust (EBT) for the employee share plan for its UK employees. Share purchases are undertaken by the specially established trusts that are funded on an ongoing basis by the BTIM Group and controlled by BTIM.

(a) BTIM employee equity grants

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

New and Existing Employee Equity Grants

BTIM satisfies any grants to new employees, current employees where equity is provided for retention for employees filling new or existing positions by either issuing treasury shares from forfeited shares in the ESP or from shares purchased on market (refer Note 17).

	2015	2014
Number of shares issued under the New and Existing Employee Equity Grants to participating employees under the ESP	–	121,248

There were no shares issued during the year under the New and Existing Employee Equity Grants. Each participant in 2014 was issued shares with a weighted average market price of between \$6.50 and \$6.82.

Ongoing Equity Grants

Boutique Variable Reward Scheme

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

Corporate Variable Reward Scheme

Management employees of BTIM are paid a combination of fixed remuneration and variable reward made up of cash and/or shares (Ongoing Equity Grants).

Annual CEO Award

To recognise outstanding individual achievement, the winner of the Annual CEO Award is eligible to receive \$5,000 of Company shares.

Number of shares issued under the Ongoing Equity Grants	2015	2014
Grants to participating employees of the ESP	2,071,538	2,925,952
Grants to participating employees of the EBT	854,749	849,401
Total grants to participating employees of the BTIM Group	2,926,287	3,775,353

ESP participants were issued shares with a weighted average market price of \$5.25 (2014: \$3.26). EBT participants were issued shares with a weighted average market price of \$5.98 (2014: \$2.93).

Shares granted in Ongoing Equity Grants have time-based vesting conditions and may contain performance hurdles.

(b) JOHCM employee equity grants

As part of the acquisition of JOHCM, BTIM has provided JOHCM employees short, medium and long term equity incentives in the form of BTIM shares or other BTIM securities. These are equity-settled share-based payment transactions, where JOHCM receives consideration for the equity instruments granted. The fair value of the services received cannot be estimated reliably and therefore the Company has measured their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The following share-based payment compensation schemes were in operation during the 2015 Financial Year for JOHCM employees:

Rollover Equity and Fund Equity – Converting Notes

On the date of the acquisition of JOHCM by BTIM, a total number of 14,009,668 BTIM converting notes were issued to JOHCM employees in exchange for their JOHCM Group shares or other equity entitlements. Each converting note will convert into one BTIM ordinary share over a period of up to five years provided that the note holder continues in employment. If the employment conditions are not met the number of converting notes that will convert may be reduced.

The employees are entitled to receive dividend-linked coupons during the vesting period.

The fair value of the converting notes are based on the BTIM share price at the grant date of \$1.98 and allocated between purchase consideration and remuneration. The fair value of the converting notes treated as purchase consideration and classified as a financial liability (refer Note 16), represents the fair value of the conversion right that the note holder will receive irrespective of whether they continue in employment. The remuneration component is accounted for as equity-settled share-based payment with a vesting period of up to five years.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

29. SHARE-BASED PAYMENTS CONTINUED

Rollover Equity and Fund Equity – Converting Notes (continued)

The assessed fair value of the remuneration component is in the range of \$0.26 to \$0.28 per converting note. It was independently determined using Monte-Carlo simulation valuation techniques that take into account the following inputs:

- the term of the converting note
- the impact of dilution
- the share price at grant date of \$1.98
- expected volatility of the underlying share of 30%
- the expected dividend yield of 6%
- the risk free rate of return for the term of the converting note of 3.81%.

On 31 October 2014, 5,896,401 converting notes converted into 5,896,401 BTIM ordinary shares. The number of converting notes outstanding and convertible into BTIM ordinary shares at 30 September 2015 is 5,948,664 (2014: 11,845,065).

Staff Equity Plan – Converting Notes

Equity was granted in the form of BTIM converting notes to JOHCM senior and general staff with performance hurdles attached. The total number of converting notes issued was 4,047,220. The fair value of the converting notes was determined to be the BTIM share price on grant date of \$1.98. The converting notes will vest and convert into unrestricted ordinary shares in BTIM in two tranches after three and five years, subject to operating earnings growth targets and the employee remaining in employment. The number of shares to which the note holder shall be entitled upon conversion will be equal to the number of notes.

The employees are entitled to receive dividend-linked coupons during the vesting period. During the year a total number of 417,976 (2014:nil) converting notes converted into 417,976 (2014:nil) BTIM ordinary shares. A total number of 7,735 (2014: 210,470) converting notes were forfeited during the year. The total number of converting notes outstanding at 30 September 2015 is 3,082,864 (2014: 3,508,575).

Fund Linked Equity

The fund linked equity scheme is for investment managers that convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM ordinary shares based on a pre-determined formula.

JOHCM investment managers who held fund linked equity awards under a similar equity scheme prior to the BTIM Group's acquisition have been awarded new equity grants under substantially the same terms.

The fair value of the fund linked equity at the time of grant was independently determined based on a market based valuation of their investment strategies at the time of launch.

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

The fund linked equity will convert into BTIM ordinary shares over a period of up to eight years through to the year ending 30 September 2017. At the time of conversion, the number of BTIM ordinary shares exchanged for fund linked equity is based on a pre-determined formula which applies a market based measure to the after-tax profits generated by their investment strategy. The BTIM ordinary shares exchanged subsequently have a vesting profile over a period of five years.

During the year a number of the JOHCM fund managers of the newer established strategies were awarded equity grants in the FLE scheme which will convert into BTIM ordinary shares over a period of up to seven years through to the year ending 30 September 2022. The fair value of the equity grants of the new investment strategies participating in the FLE at grant date have been independently valued at \$25.0 million.

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.

On 30 September 2015, an election was made to convert the FLE awards into BTIM ordinary shares. Based on valuations as at 30 September 2015 this equates to approximately 8.8 million ordinary shares on issue. The exact number of ordinary shares will not be known until after the 31 December 2015 effective date and will be subject to a number of variables.

Further details on the FLE program are outlined on pages 46 to 73 of the Remuneration Report.

Long Term Retention Equity

Two tranches of BTIM equity in the form of BTIM nil cost options were awarded to existing JOHCM fund managers as part of the acquisition. A total number of 5,844,665 nil cost options were issued during 2012 which will vest and be exercised into BTIM ordinary shares over a period of up to ten years. The number of shares to which the option-holder is entitled upon exercise will be equal to the number of options.

The employee is not entitled to receive dividends during the vesting period.

Long Term Retention Equity (continued)

The fair value of the options was determined using the binomial method based on the BTIM share price at grant date of \$1.98 and dividend yield of 6%. The assessed fair value of the nil cost options issued based on these inputs was between \$1.09 and \$1.38 depending on their vesting date.

No nil cost options were exercised during the year (2014: nil). The total number of nil cost options at 30 September 2015 is 5,844,665 (2014: 5,844,665).

Following the acquisition fund managers who are awarded BTIM shares in the Fund Manager Remuneration schemes are awarded additional equity in BTIM in the form of other nil cost options. The number of other nil cost options is determined with reference to individual performance each year through the performance period ending 30 September.

The other nil cost options cannot be exercised until 2019. Dividends accrue over the period until they are exercised with additional nil cost options being awarded in lieu of dividends which can also be exercised in 2019.

There were 1,632,982 (2014: 1,858,570) other nil cost options issued to eligible employees during the year. A total number of 26,762 (2014: nil) other nil cost options were exercised during the year and 14,551 (2014: nil) other nil cost options were forfeited during the year. The total number of other nil cost options at 30 September 2015 is 3,450,239 (2014: 1,858,570).

Ongoing Equity Grants**Fund Manager Variable Reward Scheme**

The ongoing remuneration structure for fund managers has two components : fixed and variable reward. Eligible fund managers will receive a variable reward based on a share of the funds revenue calculated under the Fund Manager Remuneration Scheme for the year ended 30 September 2013 and in subsequent years deferred and paid in BTIM ordinary shares.

The shares will vest over a period of up to five years.

During the year 613,216 (2014:743,422) shares were granted to eligible participants. The fair value at grant date was based on the BTIM share price of \$6.78 (2014:\$4.86).

Corporate Variable Reward Scheme

Management employees of JOHCM employees are paid a combination of fixed remuneration and variable reward made up of cash and/or BTIM ordinary shares in respect of ongoing equity grants. During the year 241,533 (2014:105,979) shares were granted to eligible participants. The fair value at grant date was based on the BTIM share price of \$6.78 (2014:\$4.86).

The shares will vest over a period of up to five years.

(c) Long-term incentive plans (LTIP)

The BTIM Group has the following long-incentive plans which are aimed at driving performance by delivering value only when specific performance hurdles are met or exceeded.

BTIM Performance Reward Scheme

The BTIM Performance Reward Scheme (PRS) is a long-term incentive plan for BTIM employees where selected BTIM employees will be granted performance share rights which vest into BTIM ordinary shares at the end of a the three year period subject to meeting employment and performance conditions. The performance conditions are either based on total shareholder return (TSR) and, Cash earnings per share (Cash EPS) growth or revenue-linked targets.

Performance share rights do not qualify for any dividends throughout the performance period. However, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.

The scheme has been in place for eligible employees since the 2012 Financial Year.

During the 2015 Financial year a total of 502,512 (2014: 667,533) performance share rights were granted. The performance share rights granted that are linked to TSR hurdles over three years have been independently valued using a Monte Carlo simulation model. The performance share rights that are linked to Cash EPS performance hurdles or revenue targets over three years are valued with reference to the BTIM share price at grant date. The fair value at grant date was \$3.68 and \$6.05 (2014: \$2.66 and \$4.28) for the TSR and Cash EPS performance share rights respectively and \$nil (2014: \$nil) for the revenue-linked performance share rights.

Key inputs in the valuation model performance share rights include a risk free interest rate of 2.71%, 2.84%, 3.62% and 2.39% for the 2015, 2014, 2013 and 2012 Financial Years respectively, volatility of 30% and dividend yield of zero for all years.

A total number of 495,417 performance share rights vested during the year, and 23,038 (2014: 124,169) performance share rights were forfeited during the year. The total number of performance share rights outstanding at 30 September 2015 is 2,514,449 (2014 2,530,392).

JOHCM Performance Reward Scheme

Under the JOHCM PRS scheme selected employees will be granted performance share rights which will vest into BTIM ordinary shares at the end of the three year period subject to meeting employment and performance conditions. The performance conditions are either based on total shareholder return (TSR) and, Cash earnings per share (Cash EPS) growth or the growth in JOHCM Cash Operating Profit over a three year period.

Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2015

29. SHARE-BASED PAYMENTS CONTINUED

JOHCM Performance Reward Scheme (continued)

Performance share rights do not qualify for any dividends throughout the performance period. However, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.

During the 2015 Financial year a total of 391,282 (2014: 487,979) performance share rights were granted. The performance share rights granted during 2015 are linked to the same TSR hurdles and Cash EPS hurdles as the BTIM performance rights issued during the 2015 Financial year as detailed above. For the performance rights issued during the 2015 Financial year, a total number of 23,646 (2014:13,874) performance share rights were forfeited during the year. The total number of performance share rights outstanding at 30 September 2015 is 841,741 (2014:474,105).

A total of 93,189 performance share rights were granted during the 2013 Financial Year. The performance conditions for the performance rights issued during the 2013 Financial year are based on the growth in JOHCM Cash Operating Profit over a three year period. For the performance rights issued during the 2013 Financial year, a total number of 2,559 (2014:9,930) performance share rights were forfeited during the year. The total number of performance share rights issued during the 2013 Financial year outstanding at 30 September 2015 is 80,700 (2014:83,259).

JOHCM CEO Performance Reward Scheme

During the year the BTIM Board Remuneration & Nomination Committee approved a long term incentive plan for the JOHCM CEO. The JOHCM CEO was granted BTIM ordinary shares which will vest over a five year period in three tranches at the end of years 3, 4 and 5 subject to meeting employment and performance conditions. The performance conditions are based on Cash earnings per share (Cash EPS) growth hurdles and net FUM flow targets into products managed by JOHCM.

Dividends payable on the BTIM shares between the grant date and the vesting period will be escrowed and paid only upon vesting. The shares cannot be voted until the shares have vested.

No shares were issued during the year. A total of 2,049,230 shares were issued in the prior year with fair valued based on the BTIM share price at grant date of \$6.13.

(d) Expenses arising from share-based payment transactions

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

	2015 \$000's	2014 \$000's
BTIM employee equity grants	15,738	14,412
JOHCM employee equity grants	18,673	12,564
BTIM Group long-term incentive plans	6,925	5,395
Total amortisation of employee equity grants	41,336	32,371

30. PARENT ENTITY FINANCIAL INFORMATION

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

	2015 \$'000	2014 \$'000
(a) Summary financial information		
Profit for the financial year	139,225	127,180
Total comprehensive income for the financial year	139,225	127,180
Current assets	143,774	119,699
Total assets	718,227	669,083
Current liabilities	63,159	61,786
Total liabilities	64,295	76,777
Shareholders' equity:		
Contributed equity	454,094	455,016
Reserves		
Common control reserve	(25,472)	(25,472)
Share-based payment reserve	103,939	74,337
Retained earnings	121,371	88,425
Total equity	653,932	592,306

(b) Guarantees entered into by the parent entity

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

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

(c) Contingent liabilities of the parent entity

The parent entity has contingent liabilities as outlined in Note 22.

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

As at 30 September 2015, the parent entity had no contractual commitment for the acquisition of property, plant and equipment (2014: \$nil).

Directors' Declaration

In the Directors' opinion:

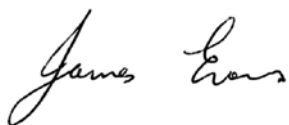
- (a) the financial statements and notes set out on pages 76 to 119 are in accordance with the Corporations Act, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
 - (ii) giving a true and fair view of the BTIM Group's financial position as at 30 September 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that BT Investment Management Limited will be able to pay its debts as and when they become due and payable.

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

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


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

For and on behalf of the Board.



James Evans

Chairman



Emilio Gonzalez

Director

Sydney, 29 October 2015

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of BT Investment Management Limited (the company), which comprises the consolidated statement of financial position as at 30 September 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for BT Investment Management Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report continued



Auditor's opinion

In our opinion:

- (a) the financial report of BT Investment Management Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 46 to 73 of the directors' report for the year ended 30 September 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of BT Investment Management Limited for the year ended 30 September 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
29 October 2015

Shareholder Information

The shareholder information set out below is current as at 15 October 2015.

Number of shareholders and shares on issue

The Company has issued 292,565,311 fully paid ordinary shares and these are held by 25,807 shareholders.

Top twenty shareholders

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

NAME	NUMBER OF SHARES	%
1 Westpac Financial Services Group Limited	90,814,493	31.04
2 J P Morgan Nominees Australia Limited	34,026,171	11.63
3 HSBC Custody Nominees (Australia) Limited	17,113,224	5.85
4 National Nominees Limited	16,380,981	5.60
5 Citicorp Nominees Pty Limited	8,798,045	3.01
6 RBC Investor Services Australia Nominees Pty Limited	5,291,782	1.81
7 EFJ Investments Pty Limited	4,348,113	1.49
8 Equiniti Trust (Jersey) Limited	4,115,907	1.41
9 BNP Paribas Nominees Pty Limited	3,915,039	1.34
10 Equiniti Trust (Jersey) Limited	3,464,790	1.18
11 Pacific Custodians Pty Limited	2,530,083	0.86
12 Equiniti Trust (Jersey) Limited	2,504,856	0.86
13 Pacific Custodians Pty Limited	2,432,842	0.83
14 Emilio Gonzalez	2,358,835	0.81
15 Equiniti Trust (Jersey) Limited	2,049,230	0.70
16 Andrew Martin Waddington	1,536,297	0.53
17 James Francis Taylor	1,530,267	0.52
18 Noel Adrian Webster	1,419,479	0.49
19 Citicorp Nominees Pty Limited	1,401,822	0.48
20 Australian United Investment Company Limited	1,300,000	0.44
	207,332,256	70.88
Grand TOTAL	292,565,311	100.00

Distribution of shareholders

HOLDING	NUMBER OF SHARES	%	NUMBER OF SHAREHOLDERS
100,001 and Over	232,233,191	79.38	59
10,001 to 100,000	18,358,227	6.28	835
5,001 to 10,000	9,382,600	3.21	1,307
1,001 to 5,000	30,024,187	10.26	18,883
1 to 1,000	2,567,106	0.88	4,723
Total	292,565,311	100.00	25,807

Unmarketable parcels of shares

There are 258 shareholders holding less than a marketable parcel of ordinary shares.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as disclosed in substantial holding notices given to the Company, is set out below:

NAME	NUMBER OF SHARES	%
Westpac Financial Services Group Limited and associated entities	206,307,324	43.2
Hyperion Asset Management Limited	15,918,922	5.4

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

The following unquoted securities are on issue:

Converting notes: 9,031,528

Nil cost options: 9,294,904

Voting rights

The voting rights attached to ordinary shares are that on a show of hands, every member present, in person or proxy has one vote and upon a poll, each share shall have one vote.

No voting rights are attached to converting notes or nil cost options.

Glossary

\$

Australian dollars, unless indicated otherwise

£ or GBP

Pounds sterling

2015 Financial Year or FY15

The financial year ended 30 September 2015

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

BTFG

BT Financial Group, the wealth management division of Westpac

BTIM or Company

BT Investment Management Limited (ABN 28 126 385 822)

BTIM ESP

The BT Investment Management Limited Employee Equity Plan

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

BTIM, BTIM FS, BTIMI, BTIM UK Limited, JOHCM Holdings, J O Hambro Capital Management Limited 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. This is BTIM's Senior Management Team

COO

Chief Operating Officer

Corporations Act

Corporations Act 2001

cps

Australian cents per share

CRO

Chief Risk Officer

Directors

Directors of BTIM

DRP

Dividend reinvestment plan

EBITDA

Earnings before interest and tax after depreciation and amortisation

FUM

Funds under management

IASB

International Accounting Standards Board

JOHCM

J O Hambro Capital Management Limited

Key management personnel or KMP

Those persons having authority and responsibility for planning, directing and controlling the activities of BTIM, namely the Directors and the Senior Executives

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 2015

Senior Executives

The CEO and other Senior Executives listed on page 46 of the Remuneration Report

Senior Management Team

Senior Management Team of BTIM. During the 2015 Financial Year, the Senior Management Team was the CEO, CFO, Chief Executive of JOHCM, COO, CRO, the Head of Sales & Marketing, the Head of Investment Products, the Head of Corporate Development and the Head of Human Resources

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

WFSGL

Westpac Financial Services Group Limited

Corporate Directory

Directors

James Evans (Chairman)
Emilio Gonzalez (CEO)
Meredith Brooks
Brad Cooper
Andrew Fay
Deborah Page, AM

Company Secretary

Chris Millard

Registered Office

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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

2015 Corporate Governance Statement

BTIM's 2015 Corporate Governance Statement can be viewed at:
www.btim.com.au/about/corporate-governance/

Auditors

PricewaterhouseCoopers
Darling Park Tower 2
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Sydney NSW 2000

Share Registry

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