BT INVESTMENT MANAGEMENT LIMITED

ABN 28 126 385 822

AND ITS CONTROLLED ENTITIES

INTERIM PROFIT ANNOUNCEMENT

Appendix 4D

FOR THE HALF YEAR ENDED 31 MARCH 2017

The Directors of BT Investment Management Limited (BTIM or the Company) announce the results of the consolidated entity (BTIM Group) for the half year ended 31 March 2017 (prior corresponding period: half year ended 31 March 2016), which have been subject to review by our auditors, PricewaterhouseCoopers.

RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2017

	% Change	31 March 2017
Total revenue and other income	(12.4%)	246,352,620
Net profit after income tax [1]	0.9%	78,978,142
Profit for the period attributable to members	0.9%	78,978,142
Interim 2017 Dividend – cents per security (30% franked [2])		19.0
Record date for determining entitlements to interim dividend		26 May 2017
Payment date for interim dividend		5 July 2017

Explanation of results:

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

   Cash NPAT for the half year ended 31 March 2017 was $88,428,526 (2016: $88,599,384) which is a decrease of 0.2% on the prior half year.
2. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the Income Tax Assessment Act 1997.

DIVIDEND REINVESTMENT PLAN

The Board has determined that the Dividend Reinvestment Plan (DRP) will remain active for the 2017 interim dividend. Shares issued under the DRP will be a zero discount to the allocation price as determined by the DRP Rules.

Shareholders who have not previously registered to participate in the DRP or who wish to alter their participation in the DRP for the 2017 interim dividend, must complete a DRP Instruction Form and return it to BTIM's share registry, Link Market Services, by no later than 5.00pm on 29 May 2017. The DRP Instruction Form can be obtained at www.linkmarketservices.com.au.

OTHER INFORMATION

	31 March 2017	31 March 2016
Net tangible asset backing (cents per ordinary security)	73.3	57.8
Basic EPS (cents)	30.0	30.3
Diluted EPS (cents)	30.0	30.0
Final 2016 dividend paid during the period	$70,568,996	

The final 2016 dividend was paid on 21 December 2016.

Please refer to the attached 31 March 2017 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

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

Interim Financial Report

FOR THE HALF YEAR ENDED 31 MARCH 2017

CONTENTS

The interim financial report was authorised for issue by the Company's Directors on 11 May 2017 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2016 and any public announcements made by BT Investment Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2017

The Directors present their report on the consolidated entity (the BTIM Group) consisting of BT Investment Management Limited (BTIM or the Company) and the entities it controlled at the end of, or during, the half year ended 31 March 2017.

Directors

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

James Evans	(Chairman)
Emilio Gonzalez	(Managing Director)
Meredith Brooks	
Andrew Fay	
Kathryn Matthews	(appointed 1 December 2016)
Deborah Page AM	
Les Vance	

Principal activities

The principal activity of the BTIM Group during the half year was the provision of investment management services. There has been no significant change in the nature of this activity during the half year ended 31 March 2017.

Review of operations

The BTIM Group continued to operate under two operating segments comprising the investment management business in Australia (BTIM Australia) and outside of Australia (BTIM International). The statutory net profit after tax (NPAT)[1] of the BTIM Group for the half year ended 31 March 2017 was $78,978,142 (2016: $78,268,407). The BTIM Group's Cash net profit after tax (Cash NPAT) for the half year was $88,428,526 (2016: $88,599,384). The result has been driven by:

- Higher average funds under management (FUM), up 10.1% to $86.3 billion with net inflows of $4.6 billion;
- Contraction in base management fee margins, down 1 basis point to 49 basis points;
- Lower performance fee revenue, down 62.6% to $28.0 million;
- Lower employee expenses, down 24.5% linked to lower performance fee revenue and the forfeiture of unvested remuneration awards following the resignation of a Group executive; and
- Unfavourable currency movements which saw the average level of the Australian Dollar 24.5% higher relative to the British Pound and 4.6% higher than the value of the USD.

During the half year, the average levels of the S&P/ASX 300 Price Index and the MSCI ACWI Index were both up by 9.6% and 10.0% respectively when compared to the same period last year.

FUM as at 31 March 2017 was $91.2 billion, an increase of 8.6 percent from $84.0 billion at 30 September 2016. The $7.2 billion increase in FUM for the half year ended 31 March 2017 has been driven by net inflows of $4.6 billion, a positive market and investment performance of $3.9 billion which has been offset by a negative currency impact of $1.3 billion.

The $4.6 billion in net inflows for the half year came via JO Hambro Capital Management's (JOHCM's) segregated mandates (+$2.0 billion), OEICS (+$0.9 billion) and US mutual funds (+$1.2 billion), while BTIM (Australia) saw net inflows of $0.5 billion, predominantly through the institutional channel.

Total revenue of $243,397,768 was 12.7% lower than the $278,956,483 in the prior half year, driven by lower performance fee revenue of $27,981,901 which was 62.6% lower when compared to the prior period, offset by an increase of 7.7% in base management fees to $211,567,152 due to higher average FUM in the half year.

Total expenses of $142,075,948 were 21.4% lower than the $180,776,473 in the prior half year, driven by lower employee costs linked to a decrease in performance fees and the forfeiture of unvested remuneration awards following the resignation of a Group executive. Non-staff costs were 9.8% lower largely due to lower third party performance related investment management fees.

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

Reconciliation of statutory NPAT to Cash NPAT	Half year ended 31 March 2017 $'000	Half year ended 31 March 2016 $'000
Statutory NPAT	**78,978**	**78,268**
Add back: amortisation of employee equity grants	19,937	33,116
Deduct: cash cost of ongoing equity grants	(15,235)	(24,330)
Add back: amortisation and impairment of intangibles[2]	2,789	4,029
Add back/(deduct): tax effect	1,960	(2,484)
Cash NPAT	**88,429**	**88,599**

Fund Linked Equity (FLE)

During the half year, BTIM issued 2,519,460 ordinary shares to satisfy an exercise of equity rights by fund managers under the FLE scheme. The shares were issued on 23 January 2017 and are subject to vesting conditions of up to 5 years.

Post the January 2017 conversion, investment strategies that remain in the FLE Scheme represent FUM of $7.0 billion as at 31 March 2017. These investment strategies have been key contributors in the strong growth of the business. Based on the FUM at 31 March 2017, the value of BTT equity that would be granted to remaining participants in the FLE Scheme is approximately $53.4 million. 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 $53.4 million in BTT equity, this would equate to 5.3 million of newly issued shares based on a theoretical BTT share price of $9.80[3] as at 31 March 2017 in accordance with the FLE Scheme rules. The 5.4 million newly issued shares would increase the fully diluted share count by 1.8%.

In addition to the FLE rights which converted in the first half of the year, there are further FLE rights subject to conversion effective 30 April 2017. This represents approximately 1.4 million shares in BTT equity which remains subject to verification procedures. BTT equity is expected to be issued in late May 2017.

Assuming other remaining FLE rights are converted into BTT restricted shares on their final conversion dates, the estimated number of BTT shares to be issued over the coming years using 31 March 2017 FUM levels, allocation price, fee margins and tax rates can be seen in Table 1:

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

Financial years	2H17[4]	18	19	20-22
Estimated number of shares to be issued (millions)	1.4	1.1	2.3	0.5

As a consequence of issuance of newly issued BTT shares under the FLE, the shareholders' portion 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 into the BTIM Group and improve our growth prospects, the program will expand. For every $1 billion in FUM raised in investment strategies operating within the FLE Scheme, this would equate to approximately 1.3 million newly issued shares based on the 31 March 2017 BTT share price, tax rates, and average management fee margins.

Dividends

The Directors have resolved to pay a partly franked interim dividend of 19.0 cents (30% franked[5]) per share (2016: 18.0 cents per share – 40% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 31 March 2017 is $59.5 million (2016: $55.8 million).

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

[3] The BTT share price in the FLE Scheme Rules is the 30 day VWAP on conversion date.

[4] Includes shares to be issued under the conversion effective 30 April 2017.

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

Events subsequent to reporting date

As noted on page 5, effective 30 April 2017, there are participants in the Fund Linked Equity scheme that have rights that are subject to mandatory conversion. It is expected that approximately 1.4 million shares will be issued in late May 2017 to satisfy the conversion.

Subsequent to 31 March 2017, BTIM was advised that as a result of a portfolio review, following changes that have arisen from BT Financial Group's implementation of the MySuper regulation, it will be redeeming $2.7 billion in FUM over the next 12 months and repricing certain MySuper FUM currently being managed by BTIM. The expected impact as a result of these changes is a decrease to the BTIM Group's run-rate base management fee revenue of approximately two per cent.

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

Rounding of amounts

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

Auditor's independence declaration

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

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

James Evans
Chairman
11 May 2017

Emilio Gonzalez
Managing Director
11 May 2017

pwc

Auditor's Independence Declaration

As lead auditor for the review of BT Investment Management Limited for the half-year ended 31 March 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

V. Papageorgiou

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
11 May 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 MARCH 2017

	Notes	31 March 2017 $'000	31 March 2016 $'000
Revenue from continuing operations			
Investment management fees		211,567	196,520
Performance fees		27,982	74,895
Transaction fees		3,849	7,541
Total revenue from continuing operations	3	**243,398**	**278,956**
Other income	3	**2,955**	**2,242**
Expenses			
Employee expenses			
Salaries and related expenses		87,984	109,791
Amortisation of employee equity grants		19,937	33,116
Depreciation, amortisation and impairment		3,588	4,818
Fund administration		7,014	6,285
Investment management		957	5,360
Business development and promotion		5,635	5,453
General office and administration		3,050	4,278
Information and technology		7,409	4,800
Professional services		2,987	3,444
Occupancy		2,822	2,300
Finance costs		117	372
Distribution		576	760
Total expenses		**142,076**	**180,777**
Profit before income tax		**104,277**	**100,421**
Income tax expense	4	25,299	22,153
Profit attributable to owners of BTIM		**78,978**	**78,268**
Other comprehensive income for the financial period *Items that may be reclassified to profit or loss*			
Exchange differences on translation of foreign operations	12	(18,046)	(59,207)
Net unrealised gain on available-for-sale assets	12	9,385	4,087
Loss on derivative hedging instruments	12	(89)	–
Income tax relating to components of other comprehensive income	4, 12	(1,796)	(832)
Other comprehensive income, net of tax		**(10,546)**	**(55,952)**
Total comprehensive income for the financial period attributable to owners of BTIM		**68,432**	**22,316**
Earnings per share for profit attributable to ordinary equity holders of BTIM		**Cents**	**Cents**
Basic earnings per share	13	30.0	30.3
Diluted earnings per share	13	30.0	30.0

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

Consolidated Statement of Financial Position

FOR THE HALF YEAR ENDED 31 MARCH 2017

	Notes	31 March 2017 $'000	30 September 2016 $'000
Current assets			
Cash and cash equivalents	6	126,099	174,231
Trade and other receivables		62,246	58,867
Prepayments		4,567	4,825
Total current assets		**192,912**	**237,923**
Non-current assets			
Property, plant and equipment		3,364	3,382
Available-for-sale financial assets		92,463	90,059
Deferred tax assets		27,165	39,341
Intangible assets	8	526,458	541,503
Total non-current assets		**649,450**	**674,285**
Total assets		**842,362**	**912,208**
Current liabilities			
Trade and other payables		28,688	31,136
Employee benefits		59,966	87,282
Derivatives	7	401	–
Borrowings	7, 9	–	–
Converting notes	7	–	121
Lease incentive		79	83
Current tax liabilities		4,832	19,081
Total current liabilities		**93,966**	**137,703**
Non-current liabilities			
Employee benefits		5,255	11,923
Lease incentive		921	833
Deferred tax liabilities		17,413	17,910
Total non-current liabilities		**23,589**	**30,666**
Total liabilities		**117,555**	**168,369**
Net assets		**724,807**	**743,839**
Equity			
Contributed equity	10	423,130	441,059
Reserves	12	167,723	176,439
Retained earnings		133,954	126,341
Total equity		**724,807**	**743,839**

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

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 MARCH 2017

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 October 2016		**441,059**	**176,439**	**126,341**	**743,839**
Profit for the financial period		–	–	78,978	78,978
Other comprehensive income for the financial period		–	(10,546)	–	(10,546)
Total comprehensive income for the financial period		**–**	**(10,546)**	**78,978**	**68,432**
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		121	–	–	121
Treasury shares acquired		(41,046)	–	–	(41,046)
Treasury shares released	10, 12	20,217	(20,217)	–	–
Share-based payments		–	22,047	–	22,047
Dividend reinvestment plan		2,779	–	–	2,779
Dividends paid	5	–	–	(71,365)	(71,365)
Balance at 31 March 2017		**423,130**	**167,723**	**133,954**	**724,807**
Balance at 1 October 2015		**454,094**	**212,546**	**95,233**	**761,873**
Profit for the financial period		–	–	78,268	78,268
Other comprehensive income for the financial period		–	(55,952)	–	(55,952)
Total comprehensive income for the financial period		**–**	**(55,952)**	**78,268**	**22,316**
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares		13,680	–	–	13,680
Treasury shares acquired		(45,751)	–	–	(45,751)
Treasury shares released	10, 12	14,330	(14,330)	–	–
Share-based payments		–	34,596	–	34,596
Dividend reinvestment plan		2,209	–	–	2,209
Dividends and dividend-linked coupons paid	5	–	–	(57,833)	(57,833)
Balance at 31 March 2016		**438,562**	**176,860**	**115,668**	**731,090**

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

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 MARCH 2017

	Notes	31 March 2017 $'000	31 March 2016 $'000
Cash flows from operating activities			
Fees and other income received		249,186	285,761
Interest received		44	209
Distributions from unit trusts		1,078	1,189
Expenses paid		(163,831)	(200,750)
Income tax paid		(40,876)	(27,697)
Net cash inflows from operating activities		**45,601**	**58,712**
Cash flows from investing activities			
Payments for property, plant and equipment		(452)	(2,082)
Payments for derivative hedging instruments		312	–
Payments for IT development		(457)	(519)
Proceeds from sales of available-for-sale financial assets		2,740	9,229
Net cash inflows from investing activities		**2,143**	**6,628**
Cash flows from financing activities			
Payments for purchase of treasury shares		(41,046)	(45,751)
Proceeds from external borrowings		–	57,973
Repayment of borrowings		–	(48,166)
Interest and other financing costs		(117)	(370)
Dividends and dividend-linked coupons paid		(68,587)	(55,624)
Net cash outflows from financing activities		**(109,750)**	**(91,938)**
Net decrease in cash and cash equivalents		**(62,006)**	**(26,598)**
Cash and cash equivalents at the beginning of the financial period		174,231	166,752
Effects of exchange rate changes on cash and cash equivalents		13,874	6,819
Cash and cash equivalents at the end of the financial period	6	**126,099**	**146,973**

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

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2017

1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED 31 MARCH 2017

This interim financial report for the half year ended 31 March 2017 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2016 and any public announcements made by BTIM during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Significant changes in the current reporting period

The BTIM Group operates internationally and is exposed to foreign exchange movements arising from various currency exposures. Historically, due to the timing of cash repatriation of foreign earnings including to meet annual dividend requirements within the BTIM Group, foreign exchange volatility was recognised in the profit or loss.

During the current reporting period, the BTIM Group has amended its cash repatriation process and implemented a hedging program to mitigate the Group's exposure to foreign exchange gains and losses in the profit or loss. In doing so the BTIM Group has adopted hedge accounting of its net investments in foreign operations under AASB 139.

Under AASB 139 any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss within other income or other expenses. Gains or losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

Other than the change outlined above, all other accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Comparative revisions

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

New accounting standards and interpretations

The BTIM Group has adopted 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. There is one new and revised Standard and Interpretations that is relevant to the BTIM Group's current reporting period being:

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

There is no impact on the BTIM Group's disclosures as a result of applying the amendment.

New and revised standards not mandatory and not adopted

Certain new and revised accounting standards have been published that are not mandatory for the 31 March 2017 reporting period. They are available for early adoption but have not been applied in preparing this Financial Report and are not anticipated to be adopted prior to their effective date. The BTIM Group's assessment of the impact of these new standards is set out below:

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

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single model that has three classification categories: amortised cost, fair value through profit or loss (FVTPL), and fair value through other comprehensive income (FVTOCI) and introduces new rules for impairment and hedge accounting.

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

1. BASIS OF PREPARATION OF THE REPORT FOR THE HALF YEAR ENDED 31 MARCH 2017 (CONTINUED)

New and revised standards not mandatory and not adopted (continued)

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

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

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

AASB 16 Leases (effective from 1 January 2019)

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

2. SEGMENT INFORMATION

Description of segments

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

The CODM assesses the performance of the operating segments based on a combined measure of Cash net profit after tax (Cash NPAT) and Operating Profit Before Tax which excludes non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax.

Cash NPAT excludes the amortisation of equity-settled share-based payments, and includes the after-tax cash costs of equity grants made in respect of the current period. Cash NPAT also excludes the after-tax amortisation and impairment of intangibles relating to fund and investment management contracts and fair value adjustment on converting notes recognised as a result of the acquisition of JOHCM.

CODM from 1 May 2016 **BTIM's Global Executive Committee**	**CODM from 1 October 2015 – 30 April 2016** **BTIM's Senior Management Team**
Group Chief Executive Officer	Chief Executive Officer
Group Executive, International[1]	Chief Executive Officer, JOHCM Group
Chief Executive Officer, JOHCM Group[2]	Chief Financial Officer
Chief Executive Officer, BTIM Australia[3]	Head of Human Resources
Group Chief Financial Officer	Head of Sales & Marketing
Group Chief Risk Officer [4]	Chief Risk Officer
	Chief Operating Officer

[1] Gavin Rochussen was Chief Executive Officer, JOHCM Group until 3 October 2016 when he was appointed BTIM Group Executive, International. He resigned on 17 January 2017.

[2] Ken Lambden commenced on 3 October 2016 as Chief Executive Officer, JOHCM Group.

[3] Michael Bargholz commenced on 26 October 2016 as Chief Executive Officer, BTIM Australia.

[4] Role is currently being recruited.

Segment information provided to the chief operating decision-maker:

	BTIM AUSTRALIA		BTIM INTERNATIONAL		TOTAL GROUP	
	31 March 2017 $'000	**31 March 2016 $'000**	**31 March 2017 $'000**	**31 March 2016 $'000**	**31 March 2017 $'000**	**31 March 2016 $'000**
Revenue	79,630	76,556	163,768	202,400	243,398	278,956
Inter-segment revenue	2,601	267	1,344	1,393	3,945	1,660
Total segment revenue	**82,231**	**76,823**	**165,112**	**203,793**	**247,343**	**280,616**
Inter-segment expense	(1,344)	(1,393)	(2,601)	(267)	(3,945)	(1,660)
Depreciation and amortisation	(437)	(544)	(363)	(245)	(800)	(789)
Other operating expenses	(56,079)	(53,732)	(77,589)	(113,069)	(133,668)	(166,801)
Total segment expenses	**(57,860)**	**(55,669)**	**(80,553)**	**(113,581)**	**(138,413)**	**(169,250)**
Operating profit before income tax	**24,371**	**21,154**	**84,559**	**90,212**	**108,930**	**111,366**
Non-operating items	3,636	4,873	(798)	(3,003)	2,838	1,871
Income tax expense	(8,285)	(8,120)	(15,054)	(16,517)	(23,339)	(24,637)
Cash NPAT	**19,722**	**17,907**	**68,707**	**70,692**	**88,429**	**88,599**
Deduct: amortisation of employee equity grants	(11,031)	(12,942)	(8,906)	(20,174)	(19,937)	(33,116)
Add back: cash cost of ongoing equity grants	8,067	8,002	7,168	16,328	15,235	24,330
Deduct: amortisation and impairment of intangibles	–	–	(2,789)	(4,029)	(2,789)	(4,029)
Add back/(deduct): tax effect	509	1,325	(2,469)	1,159	(1,960)	2,484
Statutory NPAT	**17,267**	**14,292**	**61,711**	**63,976**	**78,978**	**78,268**
Segment assets	346,250	380,034	496,112	508,123	842,362	888,157
Segment liabilities	(22,937)	(52,232)	(94,618)	(104,835)	(117,555)	(157,067)
Net assets	**323,313**	**327,802**	**401,494**	**403,288**	**724,807**	**731,090**

3. REVENUE AND OTHER INCOME

	31 March 2017 $'000	31 March 2016 $'000
Management, fund and trustee fees	210,427	195,382
Performance fees	27,982	74,895
Transaction fees	3,849	7,541
Service fees from related parties	758	764
Expense recoveries	348	291
Other revenue	34	83
Total revenue from continuing operations	**243,398**	**278,956**
Distributions from unit trusts	935	1,158
Interest income	44	209
Net foreign exchange gain	1,976	875
Total other income	**2,955**	**2,242**
Total revenue and other income	**246,353**	**281,198**

4. TAXATION

(a) Income tax expense

	31 March 2017 $'000	31 March 2016 $'000
Current tax	13,282	16,328
Deferred tax	11,887	4,821
Adjustments for current tax of prior periods	130	1,004
Total income tax expense	**25,299**	**22,153**
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease in deferred tax assets	13,502	6,699
Decrease in deferred tax liabilities	(1,615)	(1,878)

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

	31 March 2017 $'000	31 March 2016 $'000
Available-for-sale financial assets	1,796	832
Total	**1,796**	**832**

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% (2016: 30%) on Australian taxable income, 20.0% (2016: 20.0%) on UK taxable income, 35% (2016: 35%) on US taxable income and 17% (2016:17%) on Singapore taxable income.

5. DIVIDENDS

(a) Equity dividends on ordinary shares	31 March 2017 $'000	31 March 2016 $'000
Dividends declared and paid during the Half Year	71,365	57,206
Dividends proposed to be paid subsequent to the end of the Half Year and not recognised as a liability	59,525	55,229
(b) Dividend-linked coupons on converting notes		
Coupons paid during the Half Year	–	627
Coupons proposed to be paid subsequent to the end of the Half Year and not recognised as a liability	–	563

6. CASH AND CASH EQUIVALENTS

	31 March 2017 $'000	30 September 2016 $'000
Cash at bank and in hand	56,230	16,794
Restricted cash in escrow	15,951	19,394
Deposits at call	53,918	138,043
Total cash and cash equivalents	**126,099**	**174,231**

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

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

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

7. FAIR VALUE ESTIMATION

The BTIM Group's financial assets are made up of available-for-sale financial assets which are non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets through profit or loss or loans and receivables. 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 derivatives, borrowings and converting notes:

- Derivatives are made up of foreign exchange forward contracts that are designated as hedging instruments and are initially recognised and measured at fair value, with changes in fair value on the effective portion of the hedge being recognised in the foreign currency translation reserve and any hedge ineffectiveness being recognised directly in profit or loss;
- Borrowing and converting notes 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. Borrowings and converting notes 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:

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 March 2017				
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]	–	–	190	190
Units held in pooled funds [2]	–	89,198	–	89,198
Escrow units held in pooled funds [3]	–	2,975	–	2,975
Total financial assets	**–**	**92,173**	**290**	**92,463**
Financial liabilities				
Derivatives	–	401	–	401
Borrowings	–	–	–	–
Converting notes	–	–	–	–
Total financial liabilities	**–**	**401**	**–**	**401**
30 September 2016				
Financial assets				
Available-for-sale assets:				
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	–	–	100	100
Shares in James Hambro & Partners LLP [1]	–	–	197	197
Units held in pooled funds [2]	–	83,104	–	83,104
Escrow units held in pooled funds [3]		6,658	-	6,658
Total financial assets	**–**	**89,762**	**297**	**90,059**
Financial liabilities				
Borrowings	–	–	–	–
Converting notes	–	121	–	121
Total financial liabilities	**–**	**121**	**–**	**121**

1. *James Hambro & Partners LLP is an independent private asset management partnership business.*
2. *These securities represent shares held in offshore unlisted pooled funds managed by the BTIM Group and are measured at fair value. The fair value is measured with reference to the underlying net asset values of the pooled funds.*
3. *Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.*

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

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

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

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

Specific valuation techniques used to value financial instruments include:

Pooled funds

JOHCM has two open-ended investment companies (OEICs), domiciled in the United Kingdom and Ireland, an open-end registered investment company responsible for the JOHCM mutual fund range and Delaware Statutory Trusts, both domiciled in the United States of America. Each investment vehicle is an umbrella scheme with various sub-funds, each with their own investment strategy. Each sub fund has a single price directly linked to the fair value of its underlying investments.

Derivatives

The fair value of derivative foreign exchange forward contracts that are designated as hedging instruments was determined using forward exchange rates as at 31 March 2017.

Converting notes

The converting notes were issued to JOHCM employees in October 2011 and converted into BTIM ordinary shares over a period of up to five years provided certain conditions were met. The value of the converting notes represented the fair value of the conversion right that the note holder would have received irrespective of whether they continued in employment. Fair value was determined by using option pricing models which incorporated the BTIM share price, time to conversion, dividend yield and volatility in the BTIM share price and was measured with reference to the fair value of BTIM ordinary shares at grant date.

As at 31 March 2017, there were no converting notes outstanding.

Shares

The shares in Regnan and in James Hambro & Partners LLP are considered level 3 as the inputs to the asset valuation are not based on observable market prices and are measured at cost, which approximates the fair value of the shares held based on the net assets of the company at balance date. The finance department of the BTIM Group performs the valuations for level 3 fair values for financial reporting purposes. The valuations are carried out half-yearly in line with the BTIM Group's reporting dates.

(iii) Unobservable inputs

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

31 March 2017	Shares in Regnan $'000	Shares in James Hambro & Partners LLP $'000	Total fair value – level 3 $'000	Carrying amount $'000
Balance at the beginning of the financial period	100	197	297	297
Effects of foreign exchange movements	–	(8)	(8)	(8)
Balance at the end of the financial period	**100**	**189**	**289**	**289**

(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.

8. INTANGIBLE ASSETS

31 March 2017	Goodwill $'000	Fund and investment management contracts $'000	Other intangibles $'000	Total $'000
Net book value as at 1 October 2016	462,049	77,620	1,834	541,503
Additions	–	–	457	457
Foreign exchange loss	(9,260)	(3,123)	–	(12,383)
Amortisation expense	–	(2,789)	(330)	(3,119)
Impairment loss[1]	–	–	–	–
Net book value as at 31 March 2017	**452,789**	**71,708**	**1,961**	**526,458**
Represented by:				
Cost	*452,789*	*121,613*	*3,944*	*578,346*
Accumulated amortisation and impairment	–	*(49,905)*	*(1,983)*	*(51,888)*
30 September 2016				
Net book value as at 1 April 2016	485,284	91,639	1,790	578,713
Additions	–	–	267	267
Foreign exchange loss	(23,235)	(8,158)	–	(31,393)
Amortisation expense	–	(3,598)	(223)	(3,821)
Impairment loss[1]	–	(2,263)	–	(2,263)
Net book value as at 30 September 2016	**462,049**	**77,620**	**1,834**	**541,503**
Represented by:				
Cost	*462,049*	*126,744*	*3,487*	*592,280*
Accumulated amortisation and impairment	–	*(49,124)*	*(1,653)*	*(50,777)*

[1] Impairment losses are due to the remeasurement of fund and investment management contracts to the lower of their carrying value or their recoverable amount and 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:

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

	31 March 2017 $'000	30 September 2016 $'000
Fund management contracts – OEICs	62,603	67,497
Investment management contracts – Segregated mandates	9,106	10,123
Total	**71,708**	**77,620**

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 is 12% (2016:12%), based on the cost of capital.

Goodwill:

Goodwill has been derived from the following business combinations:

	31 March 2017 $'000	30 September 2016 $'000
Purchase of the investment management business from Westpac effective 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	219,489	228,749
Total	**452,789**	**462,049**

Goodwill is allocated to cash-generating units (CGUs) according to operating segments. Goodwill attributable to BTIM Australia and BTIM International is $233.3m and $219.5m respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost to sell' methodology that utilises cash flow projections (post tax) based on management's best estimates over a 5 year period and then applying a terminal value in perpetuity of 3%. The discount rate used to discount the cash flow projections for BTIM Australia and BTIM International are 11% and 12% (2016: 11.5% and 13%) respectively based on the cost of capital (post tax) for each of these CGU's.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 31 March 2017.

There has been no impairment of goodwill during the period ended 31 March 2017. The amount of goodwill relating to the JOHCM acquisition has been translated from the British pound to Australian dollar using the spot rate at 31 March 2017.

9. BORROWINGS

Revolving loan facility

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

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

10. CONTRIBUTED EQUITY

	31 March 2017 $'000	30 September 2016 $'000
Ordinary shares 313,289,257 (2016: 307,430,721) each fully paid	607,492	604,592
Treasury shares 42,844,231 (2016: 43,303,737)	(184,362)	(163,533)
Total contributed equity 270,445,026 (2016: 264,126,984)	**423,130**	**441,059**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of BTIM shareholders. All ordinary shares issued have no par value.

Movements in ordinary shares during the period:

	31 March 2017 Shares '000	31 March 2017 $'000	30 September 2016 Shares '000	30 September 2016 $'000
Balance at the beginning of the financial period	307,430	604,592	306,830	601,965
Converting notes converted into ordinary shares[1]	3,087	121	–	–
FLE share issuance [2]	2,520	–	330	–
Dividend reinvestment plan	252	2,779	270	2,627
Balance at the end of the period	**313,289**	**607,492**	**307,430**	**604,592**

[1] The converting notes were issued to JOHCM employees in October 2011. Subject to certain adjustments, each converting note converted into one BTIM ordinary share over a period of up to five years provided certain conditions were met.
[2] The shares were issued following an exercise of rights by fund managers who operate under the FLE program.

(b) Treasury shares

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

	31 March 2017 Shares '000	31 March 2017 $'000	30 September 2016 Shares '000	30 September 2016 $'000
Balance at the beginning of the period	(43,304)	(163,533)	(42,993)	(163,403)
Treasury shares acquired	(4,369)	(41,046)	(95)	(895)
FLE share issuance [2]	(2,520)	–	(330)	–
Treasury shares released	7,349	20,217	114	765
Balance at the end of the period	**(42,844)**	**(184,362)**	**(43,304)**	**(163,533)**

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

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

	31 March 2017 Shares '000	31 March 2017 $'000	30 September 2016 Shares '000	30 September 2016 $'000
Unallocated shares held by trustees	18,140	123,951	17,342	109,778
Shares allocated to employees	24,704	60,411	25,962	53,755
Balance at the end of the period	**42,844**	**184,362**	**43,304**	**163,533**

11. CAPITAL MANAGEMENT

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

The BTIM Group's current dividend policy is to pay out 80% - 90% of Cash NPAT each year. Capital retained in the business to grow the BTIM Group is largely used to provide seed capital for new funds and investments strategies. The seed capital portfolio is expected to grow as investments are made in new investment strategies and further capital support is provided to scale up funds as they achieve an established investment performance track record.

The Board regularly reviews BTIM Group's free cash flow generation, cash and cash equivalents, borrowings, seed investments, tax and other financial factors in order to maintain an optimal capital structure. Debt may be used at times to provide capital to the Group. In order to maintain an optimal capital structure, the Board may:

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- increase or decrease borrowings;
- contribute to or redeem seed investments; or
- issue new shares.

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

- In Australia, BT Investment Management (Fund Services) Limited (BTIMFS) acts as a responsible entity of the BTIM registered and unregistered trusts, and BT Investment Management (Institutional) Limited (BTIMI) provides investment management services to institutional clients and all BTIM's registered and unregistered trusts. Both BTIMFS and BTIMI are required to maintain minimum capital requirements as part of the Australian Securities and Investments Commission's Australian financial services licensing conditions. The level of regulatory capital required as at 31 March 2017 is $7.5 million.
- In the UK, J O Hambro Capital Management Limited (JOHCML) provides investment management services to JOHCM's UK and Irish Open Ended Investment Companies (OEIC's), US Mutual Funds, institutional clients and other JOHCM entities. JOHCML has established an Internal Capital Adequacy Assessment Process (ICAAP) that is used to determine the amount of regulatory capital required to meet its licencing requirements with the Financial Conduct Authority (FCA). The level of regulatory capital required as at 31 March 2017 is $51.0 million (£31.3 million) as supported by JOHCM's ICAAP. During 2016, JOHCM was awarded an investment firm waiver by the FCA. The waiver expires on 30 September 2021 with the impact eliminating the need to hold additional capital as a result of intangibles generated via BTIM's acquisition of JOHCM in 2011.
- In Singapore, JOHCM (Singapore) Pte Limited provides investment management services to other JOHCM entities and a JOHCM Cayman fund. It is required to maintain minimum capital requirements as part of its licencing requirements with the Monetary Authority of Singapore. The level of regulatory capital required as at 31 March 2017 is $0.3 million (S$ 0.3 million).
- In the USA, JOHCM (USA) Inc. provides investment management services to a number of JOHCM's Delaware Statutory Trusts and other JOHCM entities. It is registered as an investment adviser with the Securities and Exchange Commission. It does not have any minimum capital requirements as part of its licence.

All entities complied with regulatory capital requirements at all times throughout the period.

12. RESERVES

Common control reserve

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

Share-based payment reserve

The share-based payment reserve relates to the amortised portion of the fair value of equity instruments granted to employees for no consideration, recognised as an expense. Deferred tax in relation to amounts not recognised in the Statement of Comprehensive Income is also recognised in the share-based payment reserve. The balance of the share-based payment reserve is reduced by the payment of certain dividends not paid from retained earnings, where the requirements of the Corporations Act are met.

Foreign currency translation reserve

Exchange differences arising on the translation of foreign controlled entities in addition to gains and losses on derivatives that are designated and qualify as net investment hedges 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 partially disposed of or sold.

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.

	Common control reserve $'000	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Available-for-sale-financial asset reserve $'000	Total reserves $'000
Balance at 1 October 2016	(25,472)	163,880	23,438	14,593	176,439
Share-based payment expense	–	19,937	–	–	19,937
Deferred tax	–	2,110	–	(1,796)	314
Treasury share released	–	(20,217)	–	–	(20,217)
Currency translation difference	–	–	(18,046)	–	(18,046)
Revaluation	–	–	–	9,385	9,385
Net investment hedge	–	–	(89)	–	(89)
Balance at 31 March 2017	**(25,472)**	**165,710**	**5,303**	**22,182**	**167,723**
Balance at 1 April 2016	(25,472)	137,208	60,421	4,703	176,860
Share-based payment expense	–	25,082	–	–	25,082
Deferred tax	–	1,628	–	(2,383)	(755)
Treasury share released	–	38	–	–	38
Currency translation difference	–	–	(36,983)	–	(36,983)
Revaluation	–	–	–	12,273	12,273
Balance at 30 September 2016	**(25,472)**	**163,880**	**23,438**	**14,593**	**176,439**

13. EARNINGS PER SHARE

Basic earnings per share

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

	31 March 2017	31 March 2016
Profit attributable to ordinary equity holders of BTIM ($'000)	**78,978**	**78,268**
Weighted average number of ordinary shares on issue ('000)	311,022	300,352
Weighted average number of treasury shares ('000)	(47,758)	(42,395)
Weighted average number of ordinary shares ('000)	**263,264**	**257,957**
Basic earnings per share (cents per share)	**30.0**	**30.3**

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares, plus converting notes issued which were 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.

	31 March 2017	31 March 2016
Profit attributable to ordinary equity holders of BTIM ($'000)	**78,978**	**78,268**
Weighted average number of ordinary shares on issue ('000)	311,022	300,352
Weighted average number of treasury shares ('000)	(47,758)	(42,395)
Weighted average converting notes [1]	–	3,064
Weighted average number of ordinary shares and potential ordinary shares ('000)	**263,264**	**261,021**
Diluted earnings per share (cents per share)	**30.0**	**30.0**

[1] Converting notes were considered potential ordinary shares and had been included in the determination of diluted earnings per share from their issue date.

Options totalling 12,390,829 and performance share rights totalling 2,163,925 issued to staff of the BTIM Group have not been included in the calculation of diluted EPS for the half year ended 31 March 2017. This is because ordinary shares have historically been and are anticipated to be acquired on-market over time to settle the exercise of the options and the conversion of the performance share rights.

14. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The BTIM Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 31 March 2017 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.

Capital guarantee

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

Regulatory authority

A group company has been in dialogue with a regulatory authority arising from an industry thematic review since 2016. This dialogue is ongoing, the likely outcome remains uncertain and the determination of any potential consequence is unable to be estimated at this time.

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 31 March 2017, none of those contingent obligations are anticipated to result in any material loss.

15. SUBSEQUENT EVENTS

Effective 30 April 2017, there are participants in the Fund Linked Equity scheme that have rights that are subject to mandatory conversion. It is expected that approximately 1.4 million shares will be issued in late May 2017 to satisfy the conversion.

Subsequent to 31 March 2017, BTIM was advised that as a result of a portfolio review, following changes that have arisen from BT Financial Group's implementation of the MySuper regulation, it will be redeeming $2.7 billion in FUM over the next 12 months and repricing certain MySuper FUM currently being managed by BTIM. The expected impact as a result of these changes is a decrease to the BTIM Group's run-rate base management fee revenue of approximately two per cent.

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

Directors' Declaration

FOR THE HALF YEAR ENDED 31 MARCH 2017

In the Directors' opinion:

a) the financial statements and notes set out on pages 8 to 24 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 31 March 2017 and of its performance for the half year ended on that date; and
b) there are reasonable grounds to believe that BT Investment Management Limited will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board.

James Evans
Chairman

Emilio Gonzalez
Managing Director

Sydney, 11 May 2017

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of BT Investment Management Limited (the company), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for BT Investment Management Limited and its controlled entities (the Group). The Group comprises the company and the entities it controlled during the half-year.

Directors' responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BT Investment Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

(a) giving a true and fair view of the Group's financial position as at 31 March 2017 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

V Papageorgiou

Voula Papageorgiou
Partner

Sydney
11 May 2017