

Delivering Investment Strategies Globally

Annual Report 2017



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Key dates

Record date for final dividend	8 December 2017
2017 Annual General Meeting	15 December 2017
Payment date for final dividend	20 December 2017
2018 Interim results announcement	10 May 2018
2018 Final results announcement	8 November 2018

Please note the above dates are subject to change

2017 Annual General Meeting

Date:	Friday, 15 December 2017
Time:	10.00am (Sydney time)
Venue:	The Westin Sydney 1 Martin Place Sydney NSW 2000

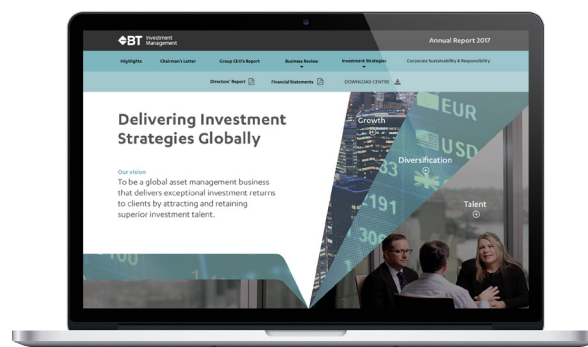
Full details of the meeting are included in the Notice of Meeting

Our vision

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



Go to **annual-report-2017.btim.com.au** to review the Group's online annual review for 2017, including a video address from the Group CEO and the philosophies behind our investment strategies.



The 2017 Corporate Governance Statement can be viewed on the Group's website at **btim.com.au/about/corporate-governance**

2017 Highlights

- Record level of earnings per share
- Strong net flows and growth in base management fees
- Continued expansion of investment capabilities

Strong net investment flows	Closing funds under management (FUM)	Revenue
\$4.7 billion of net new money into funds (2016: \$4.4 billion)	\$95.8 billion ↑14% (2016: \$84.0 billion)	\$491 million ↓1% (2016: \$493.9 million) Base management fees \$447.2 million, ↑12% (2016: \$399.8 million) Performance fees \$37.9 million, ↓51% (2016: \$77.2 million)
Record cash net profit after tax (NPAT)	Record cash earnings per share (EPS)	Record total dividends per share
\$173.1 million ↑11% (2016: \$156.0 million)	55.3 cents ↑9% (2016: 50.8 cents)	45 cents ↑7% (2016: 42 cents)

Chairman's Letter



A milestone year for the Company: marking ten years since our public listing and continuing our track record of delivering results.

The 2017 Financial Year has been another record year for BTIM. We achieved a Cash Net Profit After Tax (NPAT) of \$173.1 million, an increase of 11 percent over the previous year as Cash Earnings Per Share (EPS) increased 9 percent to 55.3 cents per share. Total dividends for the year increased by 7 percent, to 45 cents per share, and represents an 81 percent payout ratio, in accordance with our policy to pay between 80-90 percent of Cash NPAT.

We have again delivered strong growth in our core business from net inflows; funds under management (FUM); and base management fees. This highlights the benefits of our investment-led model, and the increasing scale and diversification of

our business across geographies, clients and products. We attracted strong net inflows of \$4.7 billion, contributing to the increase in FUM, now at a record level of \$95.8 billion.

December this year marks the tenth anniversary of our public listing in 2007. Those shareholders who have been with us since listing have received a total shareholder return (TSR) of 264 percent, compared with 33 percent for the S&P/ASX 200 Accumulation Index. Over that same period, BTIM has increased Cash NPAT by 332 percent, Cash EPS by 121 percent and grown our FUM by 129 percent.

Building out a truly global asset management business

Much has changed over the decade since we listed. At the time, our business had 137 employees, FUM of \$41.9 billion, 30 percent of funds were in Australian equities and we had only Australian clients.

The Company has demonstrated adaptability and resilience to prosper through some of the toughest and most volatile market conditions and geopolitical turmoil in recent history, including the Global Financial Crisis.

In a defining moment for the Company, BTIM acquired J O Hambro Capital Management Limited (JOHCM) in 2011. Strategically, this acquisition was compelling. JOHCM's position as a growing fund manager based in the UK provided the opportunity to enter new global markets with a broader set of investment strategies, delivering on our strategic imperative to de-risk the business through diversification. In addition, JOHCM's investment philosophy and business model ensured it was a highly complementary fit to the BTIM culture. The acquisition has been transformational, resulting in the business advancing from a domestically focused funds management business into a diversified global asset manager. I would like to thank all those involved in this visionary acquisition and all our people, who have since made it a remarkable success.

Compared to 2007, BTIM is now larger by every measure. We have 309 employees, operations across five countries and FUM of \$95.8 billion, over half of which is derived outside of Australia.

Corporate governance

At our Annual General Meeting last year, I mentioned that we had introduced a governance structure to support the growth and manage the risk of our increasingly complex and global business. Effective 1 November 2016, all BTIM Directors were appointed to the J O Hambro Capital Management Holdings Board and its committees. This structure enhances the Directors' insight into our global business, increases direct involvement with our key assets – our people – and streamlines communications between management and the Board.

Since this time, BTIM and JOHCM Board and committee meetings have been conducted in an omnibus arrangement to create one global governing Board. This year, we held Board meetings in each of our key jurisdictions: London, Boston, Singapore and Sydney.

Shareholder base

In May 2017 our largest shareholder, the Westpac Group, reduced its shareholding in BTIM from 29 percent to approximately 10 percent. Westpac Group also announced that it intends, subject to favourable market conditions, to sell its remaining 10 percent shareholding in BTIM in the future, but not prior to the release of BTIM's first half 2018 results in May 2018.

Through an institutional book-build, new shareholders came onto the register and existing institutional shareholders were given the opportunity to increase their holdings.

As a result of the sell-down, the shareholder base has expanded and there has been an increase in the free float and liquidity of BTIM's shares. This has led to BTIM being included in the S&P/ASX 100 Accumulation Index, which will support and broaden the appeal of BTIM.

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 15 December 2017.

Board

I am delighted to welcome Kathryn Matthews to the Board. Kathryn was appointed in December last year as an independent Non-Executive Director and brings a new international perspective to the Board. Kathryn's in-depth understanding of the global asset management industry adds further value to the Board's existing mix of skills and experience.

In June this year Westpac Group's nominee to the BTIM Board, Les Vance, resigned following the Westpac sell-down. The Board of BTIM would like to extend its thanks to Les for his valuable contribution to the Company during his time on the Board.

We will seek over the next 18 months to appoint another Director with the skills and experience to complement the existing Board and support our global growth.

Global Executive Committee

During the year, we continued our progress in building a high calibre Global Executive Committee and appointed leaders to actively support the execution of our strategic objectives.

In October 2016 we welcomed Michael Bargholz as Chief Executive Officer of BTIM Australia and Ken Lambden as Chief Executive Officer of JOHCM. Both Michael and Ken are outstanding investment management executives with deep knowledge of and experience in the industry and we are fortunate to have attracted them to the Company.

As announced in January this year, Gavin Rochussen resigned from the position of Group Executive, International after eight years with JOHCM, including five years with the BTIM Group. Gavin played a key role in the growth of the Company, particularly in international markets. The Board thanks Gavin for his exceptional contribution.

Capital position

We are in a strong capital position with no debt. This provides the Company with the ability to take advantage of growth opportunities including identifying new investment capabilities and expanding our reach in markets where we see further opportunity, particularly the US.

The Dividend Reinvestment Plan (DRP) remained in operation during the year both to raise capital for our ongoing investment in growth and to enable shareholders to increase their investment in the Company without incurring transaction costs.


Outlook

We have a solid platform for future growth as a result of the successful execution of our strategy over successive years; namely, identifying new investment talent and opportunities, expanding our investment capabilities, strengthening our distribution and continuing to diversify our business.

We do, however, recognise that we are operating in an environment of global uncertainty which continues to affect markets.

I would like to take this opportunity to thank my Board colleagues for their hard work and support throughout the year. The Board has, in my view, an excellent balance of the skills and experience required for strong governance. On behalf of the Board, I thank the management team and all our people for their outstanding efforts and contributions this year. Attracting and retaining the best people is critical to BTIM's success. Investing in people to support our future continues to be a priority.

Our business is performing well and we are confident we have an appropriate strategy and the right people to execute that strategy to continue to deliver value for our shareholders.



James Evans, Chairman

Group Chief Executive Officer's Report



The 2017 financial outcome is the fifth consecutive year of earnings per share growth.

Our business continued to go from strength to strength, underpinned by a foundation of strong long term investment performance and supported by a business model that attracts and retains top investment talent. As a firm, our clients and people benefit from the investment independence our fund managers apply and from our disciplined approach to capacity management. The 2017 financial outcome is the fifth consecutive year of earnings per share growth and a result of our proven and resilient business model.

Cash NPAT, our key measure of profitability, was up 11 percent on last year, reflecting a strong increase in base management fees driven by higher average funds under management (FUM), offsetting lower performance fees. Operating expenses were lower by five percent, with employee expenses down nine percent, largely led by lower performance fees. This translated into Cash EPS of 55.3 cents per share, a 9 percent increase, and rewarded shareholders with total dividends of 45 cents per share, an increase of 7 percent.

There were no shortage of headwinds, including a stronger Australian dollar and a lower investment performance fee outcome, but the diversity of our business across investment strategies, distribution channels and client base meant we were able to continue to grow our earnings. During the 2017 Financial Year, the flows to passive investment vehicles continued unabated, the regulatory burden was raised another notch, as many of the regulatory reviews of the past few years are now being implemented, and there continued to be fee pressure across the industry. Investment markets on the other hand were generally favourable, with global markets in local currency terms on average up 13 percent.

My note this year features four key areas: the continued success we have had in generating investment flows; the importance of managing capacity so investment performance is not compromised; an ongoing focus on attracting and developing investment talent; and the global themes that are impacting our business.

Continued growth in net flows

A feature of the 2017 Financial Year has been the continued growth in net flows. During the course of the year our business recorded net inflows of \$4.7 billion following a strong 2016 Financial Year where net flows were \$4.4 billion. Taking into account the \$0.8 billion net outflow from the retail legacy book (which is in run-off), the underlying core business generated net flows of \$5.5 billion. Whilst the overall size of our FUM is now significant (\$95.8 billion), with market movements impacting short term changes in FUM more than our flows, it is the ongoing net flows which drive the long term annuity stream for the business. This year's net flows of \$4.7 billion represent additional annualised fee income of \$31 million and combined with the previous year's net flows, represents increased annualised fee income of \$54 million.

Similar to the previous year, we continue to see strong flows from our institutional channel, with total net flows of \$2.2 billion. Our wholesale flows, being fund flows from financial advisers (mostly through platforms), as well as from high net worth and private clients, was \$3.4 billion, of which the US pooled funds contributed \$2.6 billion. The equity strategies that generated the most in net flows during the year were our Global, European and Emerging Markets strategies. A more detailed review of investment flows is covered in the Global Operating Review section.

The key to the success of our business is to steadily continue to grow our net flows and resulting fee income, and do so in a sustainable way. For this reason, capacity management is important to us because generating net flows and keeping the FUM is a function of our ongoing ability to deliver investment performance over the long term. Managing our investment capacity is in the best interests of both our clients and shareholders, as it optimises our ability to perform by staying nimble enough to move our portfolios when needed. To do this sustainably whilst continuing to grow the business, it also requires ongoing investment in new and existing investment talent.

Our business continues to go from strength to strength, built on strong long term investment performance and supported by a business model that attracts and retains top investment talent.

Talent management

Over the years we have been able to develop investment talent internally to grow our investment capacity into new or extension strategies off our existing strategies. We have also brought new investment talent into the Group that is proven and culturally aligned. This requires a long term view as it involves patience to seek out investment teams, understand their motivations, develop a track record within the Group and then market the track record to clients. Our strong preference when seeking new investment talent is to find individuals that bring a skillset that complements our existing range of investment strategies. Whilst this is harder to achieve as our range of investment strategies broadens, the opportunities remain plentiful. Talent may come from various sources: from the partners we work with in different jurisdictions who keep an eye out for talent that may come onto the market; senior management actively seeking talent; or being approached; or receiving leads from the sales team who may be aware of teams that are looking to move.

Every potential candidate is then put through a rigorous due diligence process in terms of understanding an individual's or team's history of performance, complementarity with existing strategies and importantly, feedback from the sales team (marketability) and portfolio managers (skillset) within the business. We very much value investment independence, so the individuals we consider must have the skills and confidence to act independently within the agreed investment process, but with the full backing of the business

as we promote a performance culture that backs independent actions. This financial year we announced the addition of a multi-asset team based in New York to run a global income strategy. The team will be headed by Giorgio Caputo who will run an investment strategy targeted at investors seeking regular income with capital stability. He joins us from a firm where he successfully ran a similar strategy and has recently completed hiring out his team. At the same time, in Australia we have hired Michael Blayney to head the Australian multi-asset team where he will be looking to expand our existing fund offering to clients. As I stated at the beginning, bringing on new talent and extending our existing capabilities is important to continue to provide growth as some of our strategies reach capacity. It also means we invest in talent for many years before it delivers a return, but we do so with patience and confidence that in the long term, if investment performance is delivered, we can continue to grow our business and reward both our people and shareholders.

Capacity management

Although our FUM has grown substantially over the years and we have progressively soft-closed funds along the way, the growth in our investment capacity has kept pace. We currently have investment capacity of £34 billion in funds with a track record of three years or more, and investment capacity of £21 billion in strategies with a track record less than three years (more recently established). We do not expect all these strategies to be fulfilled and the timing of when strategies come in and out of favour is unpredictable, but as you can see our growth profile remains strong. To support the ongoing growth of bringing in new teams and scaling up new investment strategies, the Board has approved additional shareholder capital to be used as seed capital. Seed capital is used to either fund new investment strategies to establish a track record in its infancy or to scale up a fund to make it marketable for clients. Importantly, the funding of the seed capital is out of existing resources given our very strong balance sheet that carries no debt.

Group Chief Executive Officer's Report continued

Our strategy has been resolute around the benefits of active management.

Global themes

As I mentioned earlier, the key challenges facing the industry globally at the moment include: pressures on revenue margins, higher regulatory costs and the trend to passive. I do not think any of these are up for debate but most importantly it is how you respond to them. A number of firms have looked to consolidate to try and achieve economies of scale to deal with either lack of growth or rising costs of doing business. In response to the passive debate some firms are seeking cheaper ways of accessing alpha through technology in an attempt to be able to lower fees and keep margin. Our strategy has been resolute around the benefits of active management and we believe that, as more and more people struggle to define their value proposition, our own value proposition becomes clearer. Arguably, in a world where most experts are forecasting continued low returns, the ability to generate alpha can be meaningful in adding to total return (after fees).

Critical to this is our ability to provide exceptional investment performance over the long term and this is very much reliant on the quality and skill of our investment people and a business model that supports a performance culture built on investment independence. Markets are not efficient and mispricing occurs daily. There is a credible argument that with so much more

trading now linked to programs, computer models and passive money blindly following trends, there has never been a better opportunity to be active. What is required is patience, skill and a strong investment process applied in a disciplined manner that has consistently delivered over time. For this reason we strongly support the notion of independent viewpoints with a diversity of insights and approaches. It is this independent performance focus that has continued to build clients' trust and belief in our approach to investing.

The rising cost of doing business due to an ever-increasing regulatory burden is real. The cost comes through the need for more resources to be able to meet the demands of regulators who are seeking more information about what we do and increased disclosure, and ongoing market surveillance and risk monitoring. This has been particularly the case in the UK and Europe in meeting the demands of MiFID II (Markets in Financial Instruments Directive framework for the European Union (EU)). MiFID II was created on the core principles of providing a fairer, safer and more efficient market across the EU and is arguably one of the more broad pieces of regulatory legislation. The industry is still trying to come to grips with some of the key aspects around best execution, transaction reporting, the separation of payment of external research and cost of executing trades. To ensure clarity and transparency, we announced in August that JOHCM will be absorbing the costs of all external research as part of the regulatory change.

As a global business, we need to meet and embrace the higher regulatory standards that the regulators set for us, which in turn supports the confidence and trust

of our clients. This will require additional costs in terms of resourcing and enhanced reporting. It also provides opportunities as higher costs associated with an increasing regulatory obligation makes it more difficult for teams to go out on their own. This in turn makes our own business proposition more appealing as we can support individual teams by providing them with investment independence with the knowledge they are backed by an investment-led business that can meet all the regulatory requirements with the distribution and support needed to be successful.

The trend to passive has been nothing short of extraordinary, particularly in the US where the active mutual fund industry has been in net outflow since 2007. In calendar 2016, US passive inflows totalled USD 505 billion, whereas outflows from actively managed funds totalled USD 340 billion. This has been particularly prevalent in large-cap US equities where passive has taken over as the dominant supplier of capital. Yet despite this tidal wave of passive money dominating flows in the US, one of our biggest growth engines for the business has been the US. Over the past five years our net flows from the US has been USD 7.8 billion. This is a result of exceptional investment performance from our International Select fund marketed in the US, a focussed sales effort as well as broadening our offering to other strategies such as Emerging Markets, Europe and Asia strategies. The difference is that our strategies have a high active share, have delivered on performance and the passive money has not dominated because of the benefits that active management has demonstrated in these types of strategies.

The US market remains an important growth story for our business and our immediate

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

task is to continue to broaden out our investment offering. In a world where fee margins are under pressure, our own overall revenue margins for the Group have been steadily increasing, from 39 basis points in FY12 to 50 basis points in FY17. This margin expansion has helped drive our revenue growth, but has come mainly as a result of a change in asset and channel mix. Our equity portfolios, which have a higher margin than other investments such as cash and fixed interest, now represent 72 percent of the total book, a 19 percentage point increase from five years ago. Furthermore, within the equity portfolio, the strong growth in the US has also helped increase base margins due to the higher revenue margins we earn (albeit without performance fees) in the US. The channel mix has also helped where growth from our wholesale channel has outpaced that of the lower margin institutional book.

Like most of our competitors we see ongoing pressure on revenue margins as clients become more price sensitive alongside the growth in passive. Our response has been firm to date in terms of pricing our services based on value and not cost. I anticipate ongoing fee discussions to remain a constant of the industry, but expect our revenue margin will be more influenced by our asset mix and the source of those assets across channel and region.

The 2017 Financial Year represents another milestone for the company and another stand-out year for the business. Whilst performance fees were considerably lower this year and when combined with the currency headwinds, I am particularly pleased that through the hard work of our people and the support of our clients we continued to grow our cash profits. Importantly, we have continued to invest

in new investment strategies, launched new investment vehicles and added further support to our distribution network. Our strategy to build a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent remains core to what we do. Our business strength is demonstrated by the diversification we offer across investment strategies, distribution channels and client base.

Last year I reported on the establishment of the Global Executive Committee. With the appointment last year of Ken Lambden as Chief Executive Officer, JOHCM Group and Michael Bargholz as Chief Executive Officer for BTIM (Australia), the structure provides for continued focus on executing on the growth strategy with strong local leadership. Both Michael and Ken have made strong contributions to the business in their first 12 months and we are fortunate to have such a talented team which includes Cameron Williamson, Group CFO who has been with the business for almost 10 years. I very much look forward to continuing to work with my executive colleagues and all our people across the Group in furthering our success. Once again, I take the opportunity to thank our teams across Australia, UK, Europe, Asia and the US for their hard work and dedication. Without their efforts the success of the business and the outcomes being delivered for shareholders would not be possible.



Emilio Gonzalez, CFA
Group Chief Executive Officer

Strategic Report

Our strategy of building and growing a diversified global asset management business that provides exceptional investment returns to clients has delivered strong returns to shareholders.

Our strategy remains focussed on expanding our investment expertise and offering that expertise globally. The Group has experienced significant growth in funds under management, investment offerings, capability and global presence, particularly over the past six years with the strong growth in the wholly-owned subsidiary JOHCM.

Our growth agenda remains unchanged however, it is becoming increasingly important to ensure we retain existing FUM and provide quality service to our clients, through building strong relationships and delivering ongoing investment out-performance.

Over the past five years, BTIM has produced a total shareholder return of 622 percent, compared to a 62 percent increase in the S&P/ASX 200 Accumulation Index, which is testament to the successful execution of our strategy.

The Board and senior management review annually the strategic priorities of the business over a three to five year timeframe. The strategy discussion focusses on our investment capabilities, developing and enhancing our distribution channels, identifying opportunities for growth and setting the key priorities for management. This provides clear direction on resource allocation and focus on the areas that strategically matter the most.

Our ability to continue to deliver value for our clients and shareholders is underpinned by the talented people we employ across the Group. Talent management and development has continued to be a key focus over the 2017 Financial Year and we regularly review our retention and succession plans to promote the sustainability and growth of the business.

During the 2017 Financial Year, as part of our strategic plan, we have continued expanding our investment capabilities, strengthening our distribution networks and launching new investment vehicles.

The table on the right details our strategic imperatives, our achievements during the 2017 Financial Year and our focus for the year ahead.



Grow in new and existing markets

Continue investment in the US for growth



Build effective distribution channels

Develop and enhance distribution channels to drive sales



Expand investment capabilities

Identify new investment capabilities to diversify and provide for future growth

Purpose	FY17 Achievements	FY18 Focus
<ul style="list-style-type: none"> • BTIM has significant presence in the Australian and UK/European markets. These markets together represent approximately 30 percent of the global asset management industry • BTIM is expanding its business in the US. The North American markets represent approximately half the global asset management industry • The Asian market is a fast growing and sizeable market which presents opportunities for BTIM's participation in the future 	<ul style="list-style-type: none"> • Total net inflows generated by the Group of \$4.7 billion • US pooled funds attracted net inflows of USD 1.9 billion, with FUM now USD 9.0 billion • Added sales and compliance resources in the US Boston office • Established a Multi Asset Investments team in New York 	<ul style="list-style-type: none"> • Continue ongoing discussions with investment talent that will add complementary investment strategies for the Group • Broaden product offering by leveraging strength of existing relationships or 'step out' strategies from existing teams • Seek to grow FUM in the 'younger' mutual funds as investment track record grows • Promote new Global Income Fund
Purpose	FY17 Achievements	FY18 Focus
<ul style="list-style-type: none"> • Sales and distribution is critical to driving demand for our products and attracting inflows • We build effective distribution channels by: <ul style="list-style-type: none"> - increasing awareness of our investment teams and products - strengthening client relationships - developing new and existing distributor relationships - tailoring our service and products for markets and clients, and - adding sales resources to broaden our distribution 	<ul style="list-style-type: none"> • Added sales support resources for Europe and UK • Additional institutional client service resource for the US • Additional resources provided to US mutual sales team • Continued focus on High Net Worth and private client market including tailoring SMAs • Invested in technology to engage more meaningfully with advisers 	<ul style="list-style-type: none"> • Broaden client servicing in Europe • Drive to sell 'younger' funds in the UK and Europe • Target SMAs and the High Net Worth segment in Australia • Gain market share in the ESG segment
Purpose	FY17 Achievements	FY18 Focus
<ul style="list-style-type: none"> • We maintain a diverse and attractive product range for existing and new clients • We develop future growth opportunities by expanding our investment capabilities • Further diversifies our investment risk across investment strategies 	<ul style="list-style-type: none"> • Hired new Multi Asset team in New York • Added analyst resources to Continental Europe and Emerging Markets strategies • Hired new Head of Multi Assets in Australia • Hired Head of Responsible Investments in Australia • Added emerging market debt and asset/liability skill-set to fixed interest team 	<ul style="list-style-type: none"> • Identify new investment strategies and teams to build FUM capacity • Build on existing investment capability by identifying extension strategies • Build CPI-plus investment capability

Global Operating Review

Funds Under Management

In the 2017 Financial Year, the Group's FUM increased by \$11.8 billion, or 14 percent, resulting in closing FUM increasing to \$95.8 billion. Growth was delivered through net inflows of \$4.7 billion, investment outperformance and positive market movements of \$7.2 billion, offset by an unfavourable foreign currency movement of \$0.1 billion on foreign denominated FUM.



BTIM Global Executive Team

Ken Lambden, Emilio Gonzalez,
Michael Bargholz and
Cameron Williamson

FUM \$BILLION	30 SEPT 2016	NET FLOWS	MARKET/OTHER	FX	30 SEPT 2017
Institutional	31.2	2.2	2.5	(0.1)	35.8
Wholesale					
- Australia	6.3	0.1	-	-	6.4
- OEICs	20.5	0.7	2.5	0.2	23.9
- US Pooled	8.0	2.6	1.1	(0.2)	11.5
Westpac - Legacy	7.8	(0.8)	0.6	-	7.6
Westpac - Other	10.2	(0.1)	0.5	-	10.6
TOTAL FUM	84.0	4.7	7.2	(0.1)	95.8

Positive market performance over the year saw the S&P/ASX 300 Index climb 4 percent while the MSCI All Countries World Index (ACWI) was 16 percent higher in local currency over the same period. The average levels of the S&P/ASX 300 and the MSCI ACWI, in local currency, were higher by 9 percent and 13 percent respectively. The Australian dollar also strengthened during the year and, on average, was 17 percent higher against the British Pound and 3 percent higher against the USD, compared to the prior financial year.

Total net inflows for the year were \$4.7 billion with positive inflows of \$6.0 billion into the JOHCM funds, largely through the institutional channel and US pooled funds, while BTIM (Australia) saw net outflows of \$1.3 billion driven by the ongoing run-off of the legacy book and redemptions associated with the MySuper

portfolio changes at Westpac. The strong net flow performance was a pleasing outcome given the increased trend toward low cost, passive investments.

For the Group, the institutional channel generated net flows of \$2.2 billion over the period, in large part due to the funding of a substantial mandate into the Global Opportunities strategy. The wholesale market also saw strong flows of \$3.4 billion during the year. This was largely driven by the US pooled funds, which attracted net flows of \$2.6 billion as our presence in that market continues to build. Additionally, the (open ended investment company) OEICs took in \$0.7 billion on the back of improved investor sentiment in the UK and Europe compared to the prior year.

Investment strategies garnering the highest inflows over the course of the year included

global/international equities (+\$4.2 billion), European equities (+\$1.4 billion) and cash strategies (+\$0.8 billion). The global/international equity strategies included the Global Opportunities strategy and the International Select strategy which saw regular inflows through the year. The European flows were led by funding into the European Select Values Strategy and its extension European Concentrated Value strategy. Outflows were experienced in both Australian equities (-\$0.9 billion) and UK equities (-\$0.4 billion). UK equities were impacted by net outflows in the UK Opportunities OEIC following the retirement announcement of a long-standing fund manager. Subsequent to year-end, a large UK institutional client terminated its \$1.2 billion mandate from the UK Opportunities strategy, which is not captured in the table above.

HIGHLIGHTS	FY17	FY16	CHANGE
Cash NPAT	\$173.1m	\$156.0m	+11%
Statutory NPAT	\$147.5m	\$142.0m	+4%
Operating revenue	\$491.0m	\$493.9m	-1%
Operating expenses	\$281.9m	\$297.0m	-5%
Operating profit margin	43%	40%	+7%
Cash earnings per share (cents)	55.3	50.8	+9%
Dividends (cents per share)	45	42	+7%
Franking	27%	37%	-27%
Average FUM	\$90.4b	\$80.2b	+13%
Closing FUM	\$95.8b	\$84.0b	+14%

Across the Group long term investment performance remains strong. As at 30 September 2017, 82 percent of FUM with a sufficient track record outperformed respective benchmarks over three years and 95 percent outperformed over five years.

Investment Performance

Fund performance over one year was mixed with a number of investment strategies under-performing benchmarks in what was a more difficult period for active managers.

However, a number of funds performed strongly through the year and outperformed their benchmarks over the 12 month period to 30 September 2017. These included:

- JOHCM UK Dynamic Fund (+9.7%)
- JOHCM UK Equity Income Fund (+9.5%)
- BT Wholesale Focus Australian Share Fund (+8.1%)
- BT Wholesale MicroCap Opportunities Fund (+7.2%)
- BT Wholesale Ethical Share Fund (+5.6%)
- BT Wholesale Australian Long Short Fund (+5.2%)
- JOHCM Japan Fund (+4.9%)
- BT Wholesale Core Australian Share Fund (+4.7%)

A number of JOHCM and BTIM (Australia) funds earn performance fees for the achievement of above benchmark returns. JOHCM earns performance fees on a calendar year basis and BTIM (Australia) earns fees on a 30 June year basis. The 2017 Financial Year saw performance fees earned from seven JOHCM investment strategies and four BTIM (Australia) investment strategies. Notable performance fees were generated from the following funds:

- JOHCM European Select Values Fund
- JOHCM UK Dynamic Fund
- JOHCM UK Equity Income Fund
- BT Wholesale Focus Australian Share Fund
- BT Wholesale Microcap Opportunities Fund
- BT Wholesale Australian Long Short Fund

Profitability

Cash NPAT for the year was \$173.1 million, an increase of 11 percent on the previous year (2016: \$156.0 million), while statutory NPAT increased 4 percent to \$147.5 million (2016: \$142.0 million). The result was achieved by higher average FUM driven by strong inflows and higher average market levels.

Cash EPS increased 9 percent to 55.3 cents (2016: 50.8 cents).

Revenue

Total fee revenue was \$491.0 million, which was marginally below the previous year (2016: \$493.9 million) on the back of lower performance fees.

Base management fees rose 12 percent to \$447.2 million (2016: \$399.8 million) driven by higher average FUM, which was 13 percent higher than the previous year. Average fee margins remained flat at 50 basis points. The growth in average FUM benefited from a more buoyant market environment which saw the average levels of the S&P/ASX 300 and the MSCI ACWI in local currency nine percent and 13 percent higher respectively, compared to the 2016 Financial Year.

Performance fees for the year totalled \$37.9 million, 51 percent lower than the previous year (2016: \$77.2 million). The performance fees were predominantly earned in JOHCM funds which earned \$28.0 million, while BTIM (Australia) funds delivered \$9.9 million in performance fees for the year.

ASSET CLASS	FUM 30 SEPT 2017 A\$ BILLION	% FUM OUTPERFORMED RESPECTIVE BENCHMARK AT 30 SEPT 2017 ¹	
		3 YEAR	5 YEAR
Equities			
Australian	14.8	84%	90%
Global/International	24.9	68%	97%
UK	11.8	94%	100%
European	10.4	100%	100%
Emerging Markets	4.0	100%	100%
Asian	3.5	56%	48%
Property	1.8	74%	74%
Cash	8.5	100%	100%
Fixed Income	7.5	53%	85%
Multi Asset	7.2	74%	100%
Other	1.4	100%	100%
TOTAL FUM	95.8	82%	95%

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

Transaction fee revenue earned in the year totalled \$4.2 million, which was down on the \$15.0 million earned in the prior year. The transaction fees represent fees earned on products which do not earn an annuity style fee and include a number of BTIM products developed for the Significant Investor Visa (SIV) market in Australia. The decrease in transaction fee revenue was not unexpected given the change in product set developed for the SIV market following a change in regulation, where fee revenue on new products is now earned over the life of the product and reported as management fees.

Expenses

Total operating expenses decreased by 5 percent to \$281.9 million, (2016: \$297.0 million) driven predominantly by lower variable employee expenses.

Total employee costs were \$208.1 million and 9 percent lower than last year (2016: \$227.6 million), with fixed employee costs of \$67.9 million and variable employee costs of \$140.2 million. Fixed employee costs were 4 percent higher, driven by an additional 15 full time equivalent staff across the group, which stood at 309 at 30 September 2017. This included nine additional FTE which were added into the investment teams through the year.

Variable employee costs were 14 percent lower than last year, driven by lower performance fees and the forfeiture of unvested equity awards following the departure of a Group executive during the year.

Non-staff operating costs were \$73.8 million, which is six percent higher than the prior year (2016: \$69.4 million). Fixed non-staff costs were \$53.3 million and 20 percent higher, attributable to increased IT and data related expenses, legal and regulatory costs, and increased travel costs associated with expanded operations. Non-staff variable costs were \$20.5 million, 18 percent lower as a result of lower third party performance related investment management fees during the year.

Financing costs for the year were \$0.2 million, down from last year (FY16: \$0.7 million).

The overall operating cost to income ratio was 57 percent which compared to 60 percent in the 2016 Financial Year, while the compensation ratio of 42 percent declined from 46 percent the prior year.

Earnings per share

Fully diluted Cash EPS was 55.3 cents per share, a 9 percent increase versus the prior financial year (2016: 50.8 cents per share). During the year ordinary shares on issue increased from 307,430,721 to 314,998,763, due to the final conversion of converting notes issued at the time of the JOHCM transaction, the issuance of new shares as part of the Fund Linked Equity (FLE) program and shares issued as part of the Dividend Reinvestment Plan (DRP) which remained active throughout the year.

Dividends

The Directors declared a final dividend of 26.0 cents per share, bringing total dividends for the year to 45.0 cents per share, a 7 percent increase on last year's dividend of 42.0 cents per share. The total dividend represents a payout ratio of 81 percent, which is within the Group's payout ratio target of 80-90 percent of Cash NPAT.

The franking level for the 2017 Financial Year dividends was 27 percent with a 30 percent franked interim dividend and 25 percent franked final dividend, reflecting the significant contribution of offshore earnings to the Group's profit. Since BTIM does not retain excess franking credits, franking levels in future years will continue to be determined by the relative profits of BTIM (Australia) and the JOHCM businesses.

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

Global Operating Review continued

Financial position

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

In November 2016 BTIM entered into a new AUD\$25 million multi-currency revolving loan facility with the Westpac Group. The financial covenants attached to the facility include maintaining a minimum of \$35 billion in FUM, interest coverage ratio of at least 10 times and a borrowing to earnings before interest depreciation and amortisation (EBITDA) ratio of no more than 2.5 times.

During the 2017 Financial Year the facility was not drawn upon.

Included on the Group's Balance Sheet as at 30 September 2017 were intangible assets of \$535 million consisting of goodwill and management rights associated with the acquisition of JOHCM and goodwill relating to the original purchase of BT Financial Group and Rothschild Australia Asset Management by Westpac in 2002. There was no impairment to the carrying value of goodwill during the year. The management rights associated with the acquisition of JOHCM continue to be amortised over time.

In the 2015 Financial Year, BTIM announced the first issuance of equity as part of the Fund Linked Equity (FLE) program, a remuneration scheme for certain JOHCM fund managers. Since that time, BTIM has periodically issued shares to satisfy the equity rights by fund managers under the FLE scheme. During the 2017 Financial Year, BTIM issued 3,950,793 ordinary shares as part of the FLE scheme, with additional equity requiring to be issued in November 2017.

While the exact number of shares to be issued cannot be determined at this time, the share issuance would equate to a total of 1.25 million shares, based on a valuation as at 30 September 2017. The number of shares to be issued remains subject to a number of variables until this time, including market movements, fund flows, foreign exchange and the BTIM share price.

The FLE program is designed to be broadly Cash EPS neutral due to a reduction in revenue share the fund managers subsequently receive, which has a positive contribution to BTIM earnings provided FUM is maintained post share issuance. Full details of the FLE scheme and the share issuance are set out on pages 41 and 71 in the remuneration section of this report.

Exchange rate

BTIM earns revenue and incurs expenses in a number of different currencies with its primary currencies being the British pound (GBP), US dollar (USD) and Australian dollar (AUD). JOHCM's operating results are denominated in British pounds and for consolidation purposes, these results are converted to Australian dollars at the prevailing exchange rate each month throughout the Financial Year.

Over the course of the year the average AUD/GBP exchange rate was 0.6002, 17 percent higher compared to prior year (2016: 0.5131). The AUD/GBP rate fluctuated between 0.5676 and 0.6317 throughout the year and the spot rate as at 30 September 2017 was 0.5845.

The average level of the AUD/USD exchange rate through the 2017 Financial Year was 0.7624 and was 3 percent higher than the previous year (2016: 0.7368). The spot AUD/USD rate as at 30 September 2017 was 0.7839.

Reconciliation of Cash and Statutory NPAT

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

RECONCILIATION OF STATUTORY NPAT TO CASH NPAT	FY17	FY16
Statutory NPAT	147.5	142.0
Add back: amortisation of employee equity grants	53.7	58.1
Add back: amortisation and impairment of intangibles	7.8	9.9
Deduct: cash costs of employee equity grants payable during the year	(38.8)	(49.3)
Add/(deduct): tax effect	2.9	(4.7)
Cash NPAT	173.1	156.0

Regulation

BTIM continuously monitors regulatory changes impacting its Australian and off-shore businesses.

Heading the regulatory challenges currently facing BTIM's UK/European based operations, along with all European-based investment companies, are the reforms to the EU's Markets in Financial Instruments Directive (known as MiFID II), which will come into effect on 3 January 2018.

Among the many far-reaching operational aspects of the new MiFID II regulations is increased transparency around the cost of external research, which has historically been bundled with execution costs by the broker. In August 2017 the Group announced that JOHCM will pay for external research via its own profit and loss account, once MiFID II comes into effect. The funding of JOHCM's external research is expected to be approximately £5 million (\$8.5 million) per annum.

Beyond MiFID II, which also incorporates other areas such as dealing commissions, client reporting, human resources and product governance, the complexities around Brexit and its product distribution and staffing implications will also require close attention.

Key regulation changes impacting BTIM in Australia in 2017 are:

- the implementation of over the counter (OTC) derivatives reform,
- the requirement of enhanced fee disclosure under ASIC Regulatory Guide (RG) 97,
- the development of the Asia Region Funds Passport for investment management products, and
- ASIC's introduction of industry funding.

BTIM is an active participant in many of the global OTC derivative markets. Since 2008 governments and regulators have worked in concert to address some of the systematic risks that were inherent in these markets and were deemed to have contributed to the last global financial crisis. The resulting reforms have changed the landscape for trading and operating in those markets. Over the past 12 months BTIM has implemented several measures that have allowed us to keep pace with those reforms. Those measures comprised solutions for mandatory exchange of collateral with counterparties on a daily basis and central clearing for many OTC derivative contracts.

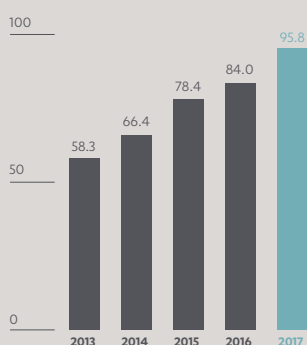
RG97 came into effect in 2017, requiring additional disclosure in BTIM's Product Disclosure Statements (PDSs) and periodic

statements to investors in relation to fees, particularly indirect fees and costs. These changes were designed to enhance transparency and comparability across investment funds. Our PDSs were reissued in September 2017 in compliance with the RG97 requirements.

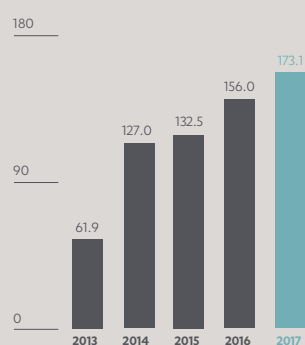
The Asia Region Funds Passport (ARFP) is a common framework of coordinated regulator oversight to facilitate the cross-border issuing of managed investment funds. It enables a fund registered in its home jurisdiction to be 'passported' to other participating countries, which include Australia, Japan, Korea, Thailand and New Zealand. We are actively involved in the ARFP proposal through industry working groups.

Under legislation passed in June 2017 an industry funding model has been introduced for ASIC. Under the new arrangements, those who create the need for, and benefit from, regulation bear the costs. This introduces an economic incentive to drive the desired regulatory outcomes for the financial system. In common with other industry participants, BTIM has established new reporting systems to provide ASIC with additional data, as well as systems to ensure that we meet our funding obligations to ASIC.

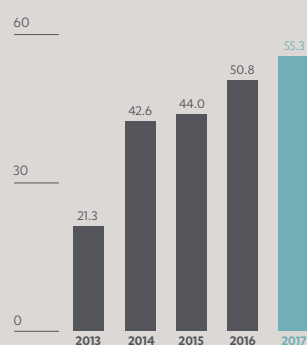
Closing funds under management (FUM) – \$billion



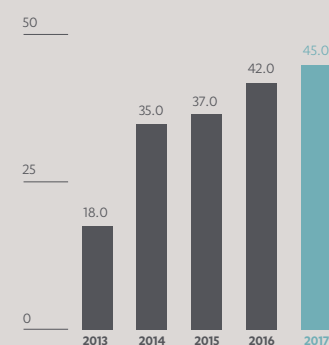
Cash net profit after tax (NPAT) – \$million



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



Dividend per share – cents per share



Global Operating Review continued

Risk Management

Risk Management Framework

The Group has an established Risk Management Framework (Framework) in place to ensure risk management principles are met. The Framework is subject to regular review and stress testing to confirm its effectiveness.

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

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

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

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

Roles and responsibilities

Overall accountability for risk management lies with the Board. The Audit & Risk Management Committee assists the Board in its oversight of risk management, financial and assurance matters. The Board delegates responsibility for the implementation of risk management to the Group CEO and the Global Executive Committee. The Global Executive Committee has accountability and responsibility to manage the BTIM Group in a sustainable way, to enhance and maintain the Group's reputation, to ensure compliance with legal and regulatory obligations and industry standards, to strive to achieve its objectives and to take all necessary steps to promote ongoing long term investment performance for clients.

Risk management principles

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

The Board has identified the following key business risks for the 2017 Financial Year:

KEY RISK	RISK DESCRIPTION	RISK MANAGEMENT
Strategic Execution	The risk associated with the failure to effectively execute the Group's strategy. The risk that the strategy does not produce the expected results.	<ul style="list-style-type: none"> Annual strategy and budgeting process Employee objectives aligned to strategic objectives Ongoing monitoring and review of strategy
People and Talent Management	The risk of loss of key personnel which may lead to an adverse effect on business growth and/or the retention of existing business.	<ul style="list-style-type: none"> Long term retention plans Competitive remuneration structures Succession planning Maintenance of a strong reputation and culture which promotes an attractive workplace
Investment Performance	The risk of loss of revenue due to ineffective investment strategies resulting in sustained underperformance relative to benchmarks and peers.	<ul style="list-style-type: none"> Talent hiring and succession planning Clearly defined investment strategies and investment process Ongoing review of investment strategies and performance
Product and Revenue Concentration	The risk of uneven distribution of exposure to particular sectors, geographic regions, clients and/or products.	<ul style="list-style-type: none"> Clear strategy targeted at diversity across investment strategies, style and geographies Expanded distribution network broadening the client base across channel Ongoing pursuit of new investment talent to broaden investment capability Monitoring and reporting to assess areas of concentration which identify elevated thresholds
Complexity and Pace of Change in Regulation	The risk that the Group will not be able to effectively respond to a change in multi-jurisdictional laws and regulation which could materially affect the Group.	<ul style="list-style-type: none"> Clearly defined compliance framework including compliance obligations Established policies and procedures supporting the risk and compliance framework Participation on industry bodies who actively and constructively engage with regulators Ongoing monitoring of new and proposed legislation that may impact the Group Appropriate level of resources to manage obligations, change and complexity

KEY RISK	RISK DESCRIPTION	RISK MANAGEMENT
Compliance	The risk of the Group not complying with multi-jurisdictional laws, regulations, contracts, industry codes, internal standards and policies applicable to the Group's operations.	<ul style="list-style-type: none"> Clearly defined compliance framework including compliance obligations Established policies and procedures supporting the compliance framework Experienced legal, risk and compliance teams Ongoing monitoring, reporting and review of compliance obligations
Outsourced Service Providers	The risk of loss from failing to manage the Group's key outsourced service providers whereby services provided by external parties are not conducted in line with the respective service level agreement.	<ul style="list-style-type: none"> Robust due diligence process Clearly defined framework, policies and procedures Regular monitoring and review of service level agreements and standards
Operational	The risk arising from inadequate or failed internal processes, people or systems or from external events.	<ul style="list-style-type: none"> Independent annual audit of the design and effectiveness of internal controls Established policies and procedures Annual Business Continuity Planning and regular testing of critical systems
Behaviour	The risk of inappropriate behaviour which is not in line with the Group's core values, including actions that may compromise the Group's clients and the integrity of the market place.	<ul style="list-style-type: none"> Clearly defined Code of Conduct which outlines the expected behaviour of all individuals Independent whistleblowing provider Embedded Risk Management Framework, including ongoing risk and compliance training
Information Security	The risk that investors or the Group may suffer service disruptions, or that investors or the Group may incur losses arising from system defects such as failures, faults or incompleteness in computer operations, or illegal or unauthorised use of computer systems, including cyber crime.	<ul style="list-style-type: none"> Business Continuity and Crisis Management Plans Annual testing of Disaster Recovery Plans Independent review of the design and effectiveness of internal controls Cyber Security Incident Response Plans Ongoing consultation with cyber security specialists
Market	The risk of an adverse impact on earnings resulting from changes in market conditions, such as foreign exchange rates, interest rates or equity markets.	<ul style="list-style-type: none"> Diversification across asset classes, styles and geographies Diversification of investment styles and strategies Strong investment performance
Financial	The risk of financial loss arising from the Group's activities in the financial and investment markets.	<ul style="list-style-type: none"> Budgeting and financial forecast management Ongoing monitoring and review of strategy Maintaining of seed capital investments
Currency Risk	The risk associated with sustaining losses by having earnings, assets and liabilities denominated in currencies other than the Australian dollar.	<ul style="list-style-type: none"> Annual earnings hedged into Australian Dollars Ongoing monitoring and review as part of the Capital Management Plan
Acquisitions	Risk that an acquisition is a strategic failure and adversely impacts other parts of the Group.	<ul style="list-style-type: none"> Robust due diligence engaging subject matter experts Annual strategy and budgeting process Clearly articulated objectives and governance structure Regular monitoring and strong reporting mechanisms

Investment Strategies

Regional Equity Strategies



Australian Equities Portfolio Managers

Crispin Murray, Peter Davidson, Julia Forrest, John Foundas, Paul Hannan, Darron Mitchell, Brenton Saunders, Rajinder Singh, Jim Taylor, Andrew Waddington and Noel Webster



Australian Equities

Investment Review

The 2017 Financial Year was a very successful year for our Australian equities portfolios, managed by one of the largest and most experienced Australian equities teams in the market.

What were the key influences in 2017?

During the 2017 Financial Year the team delivered strong outperformance across the board, with almost every strategy beating its respective benchmark over the 12 months to the end of September (before fees).

This strong result saw 80 percent of our flagship strategies achieve returns in the top quartile of their respective peer groups over the year, with the BT Wholesale Focus Australian Share Fund, our concentrated strategy, finishing over 8 percent ahead of its benchmark (before fees).

There were several drivers of this strong performance. A number of key overweight positions delivered strong gains and made notable contributions, including some of our non-consensus holdings such as Qantas, Metcash, and Nine Entertainment. These stocks illustrate the stock-level factors, which can be exploited when the market gives up on a sector that is facing disruptive challenges. Our positions within resources have also worked well over the year.

In addition, we have benefited from avoiding many high growth names, particularly in the health care, technology, and telecommunications sectors. These have been among the market's more popular stocks in an environment of falling bond yields and many of them reached valuations which we believed were unsupported by fundamentals which left them vulnerable to a de-rating. This proved to be the case for several of these stocks, which saw sharp falls on generally quite mild earnings disappointments.

How are the portfolios positioned?

Our portfolios are positioned to take advantage of our insight at the company level. The declining influence of some recent thematic market drivers, coupled with an unprecedented level of disruption from new technologies, competition, policy and regulation, is driving significant divergence in performance between stocks and sectors, despite a relatively muted performance from the market overall.

Our portfolios are designed through leveraging our diverse range of investment expertise, ideas and positions. We continue to see opportunities in resources, supported by reasonable commodity prices and greater discipline in capital expenditure and costs. We believe that the market's periodic shifts in sentiment towards major industries (including retail and banks) continue to throw up opportunities in specific stocks. We also like several companies that are relatively protected from disruptive forces due to business models that are hard to replicate, as well as companies that are providing disruption in their own right.

We remain underweight bond-sensitive stocks (both defensive and growth) but less so than in the past, given our view that bond yields are unlikely to rise as fast as many expect.

What is the outlook for 2018?

We believe Australian equities will remain in a low return environment for the year ahead, notwithstanding the recent emergence of some positive economic tailwinds. The market's valuation is above its historical average, but can remain supported by low interest rates and the spread between dividend and bond yields. Liquidity remains reasonably supportive, but could present a risk if we see significant tightening from central banks.

A small pick-up in corporate capital expenditure and a strengthening pipeline of infrastructure projects provides some broad economic tailwinds. However earnings growth outside of resource stocks remains relatively muted which underpins our view that we are moving into a low return environment.

It does, however, remain a good market for active management. Waning thematic drivers and the significant degree of disruption increases the importance of a company's management and strategy in navigating a challenging environment and in driving ultimate stock performance. We believe our strategy of employing a large team to maximise coverage and gain deep insight at a company level is well positioned to drive returns for our investors.



UK Equities Portfolio Managers

UK Equity Income:

Clive Beagles and
James Lowen

UK Dynamic: Alex Savvides
and Tom Matthews

UK Opportunities:

Rachel Reutter,
Michael Urich and Todd King

UK Growth: Mark Costar
and Vishal Bhatia



UK Equities

Investment Review

How has the political landscape affected the UK equity market over the last year?

It has been a turbulent year for UK politics, in large part due to the widely unexpected outcome to June's general election, which saw the Conservative Government lose its parliamentary majority. The inconclusive result created further political and economic uncertainty in the UK and has exacerbated the negative effect on investors' perceptions of and demand for UK-exposed assets.

Brexit negotiations finally began in earnest after the triggering of Article 50 of the Treaty on European Union towards the end of March. This marked the most significant step yet in the changing economic and political relationship between the UK and the rest of Europe. The road is unsurprisingly proving to be long and winding and shrouded in uncertainty. However, sterling's weakness has led to a rapid and substantial improvement in the UK's terms of trade, acting as an important safety valve for the UK economy and helping to give a significant boost to the manufacturing sector. However, business and consumer confidence remains fragile and economic growth has slowed.

Political volatility has not hampered returns from the UK stock market over the past 12 months. Substantial double-digit returns were achieved in the basic materials, financials, oil & gas and industrials sectors, with utilities, telecoms and healthcare being the only sectors generating negative returns. Large-cap, overseas-earning constituents of the FTSE 100 Index were early major beneficiaries of sterling's marked devaluation in the wake of 2016's Brexit vote, but the mid and small-cap areas of the market outperformed large caps over the year.

Where are the opportunities for UK equity portfolios?

Our four UK equities strategies are each managed by a different team, we apply distinct approaches to investing.

The UK Dynamic strategy seeks opportunities in mispriced or undervalued companies that are making positive changes to transform their businesses, usually either in the form of new management teams, new business strategies, or both. Recent examples of new additions to the portfolio include global industrial supplies company Xaar, financial information company Euromoney and property business St Modwen Properties. All three companies now have new management teams, which are implementing new, exciting strategies.

Our UK Equity Income strategy continues to find value in companies with UK domestic economy exposure, particularly in the construction/house building sector, which currently accounts for roughly 10 percent of the overall portfolio. It is well-flagged that not enough homes are being built in Britain while the recent Grenfell Tower tragedy has placed the quality of Britain's social housing in the spotlight. Elsewhere, the strategy is also currently overweight in the financial, industrial and commodity-related sectors. We also see plenty of value in small-cap stocks, with the portfolio currently having one of its highest ever allocations to small caps.

Our UK Growth strategy has a clear portfolio theme of backing innovative companies investing in disruptive technologies. A good example of where changes are rapidly happening is in the area of digital advertising. To harness its undoubted potential, the industry needs greater accountability and credibility, which is an area exploited by one of our portfolio holdings, Ebiquity, as the world's largest media auditing company. Another clear structural growth opportunity is presented by cyber security, which has led to our large technology overweight position in NCC Group, a world leader in this field.

The fourth UK equity strategy, UK Opportunities, has long been concerned by the artificial inflation of asset prices by central bank policies, including quantitative easing and emergency-level interest rates, which have been in place since the early months of the Global Financial Crisis. A focus on absolute rather than relative valuations has led us to hold a large cash balance in recent years, rather than risk our clients' capital by investing in overvalued stocks at or near what we believe may prove to be the top of the current market cycle.

Investment Strategies continued

Regional Equity Strategies



**European Equities
Portfolio Managers**
**Select Values / European
Concentrated Value:**
Robrecht Wouters and Luis Fañanas
Continental European:
Paul Wild and Gael Colcombet

European Equities Investment Review

What have been the main challenges facing European equity markets?

Political risk was at the forefront of investors' minds after the shock Brexit vote in June 2016 and President Trump's widely unexpected victory in November. However, the reality proved to be more benign, with the stock market's preferred political candidates carrying the day in a raft of closely-watched elections and political challenges being mostly overcome, assuaging worries over the possible break up of Europe.

In March, Dutch Prime Minister Mark Rutte's Liberal party succeeded in the country's general election, heading off the challenge from Geert Wilders' anti-EU, anti-immigration Freedom party. Later, in France, Emmanuel Macron became the new president, defeating anti-EU Marine Le Pen by a larger margin than expected, while his newly-formed party, En Marche!, subsequently obtained an absolute majority in the French parliamentary elections.

Attention then switched to the German general election in late September 2017. This passed off as expected, with Chancellor Merkel returned to power after the CDU/CSU secured the largest share of the vote. However, at 33 percent it was their lowest showing since 1953 and necessitates the formation of the so-called Jamaica coalition with the Green Party and FDP. The anti-immigration, anti-EU AfD party came third with 13 percent of the vote. At the margin, this is seen as taming Chancellor Merkel's well-articulated pro-European stance given greater divergences at home.

The sole political setback was the Italian referendum on constitutional reform in December. However, as previously seen in 2016, the negative result was taken surprisingly well by the markets.

Adding to the positive mood in Europe over the 12-month period was clear evidence of the continent's improving economic performance, reflected in solid growth numbers, a buoyant consumer and an improving employment picture.

Given increased economic momentum, the question now arises as to how the European Central Bank (ECB) will ease back on the monetary throttle. Some indications came in September when President Draghi essentially confirmed the likelihood of an October decision to implement further tapering in the ECB's quantitative easing programme.

How did the European equity strategies perform over the year?

In strong-performing European equity markets, our Continental European (CEU) and sister strategies of European Select Values (ESV) and European Concentrated Value (a more recently-launched large cap, concentrated version of ESV) finished behind their respective benchmarks.

Good stock picking in ESV, particularly within healthcare, was cancelled out by the strategy's structural lack of exposure to the top-performing financials sector, as well as holding defensive put options. In markets that are again hovering around all-time highs, we believe it is more important than ever to be valuation-

disciplined, especially since improving economic conditions and ultra-loose monetary policies will not co-exist forever. Meanwhile, our existing investments within the ESV strategy offer significant aggregate upside potential, which helps us to be patient and opportunistic.

CEU was also hindered by an underweight financials stance earlier in the period plus holding a small amount of cash. Stock picking was also a minor headwind, with constructive selection in financials and industrials undone by weakness in our consumer discretionary and materials names.

Over the past few months, we have increased European domestic exposure within the CEU strategy, in particular European banks, whilst being underweight healthcare and consumer staples. We believe there is far more valuation and earnings support for the more reflationary sectors given the macro backdrop.

Europe continues to normalise in terms of politics, growth and profit-cycle recovery. Our European equity strategies are well placed to capitalise upon the expected continuation of these positive trends.



**Asian Equities
Portfolio Managers**

Asia ex-Japan:
Samir Mehta and Cho Yu Kooi

Japan:
Scott McGlashan and Ruth Nash



Asian Equities Investment Review

What is the Japanese team's view on 'Abenomics' and the upcoming Japanese general election?

We have always maintained our faith in 'Abenomics' despite its many critics, so it was gratifying to see an upbeat verdict from the International Monetary Fund (IMF) in June this year. In contrast with last year's verdict, the IMF declared Prime Minister Abe's inflationary measures a 'success' after Japan enjoyed its longest sustained run of growth in more than a decade.

Mr Abe returned from a recent trip to the US to announce a snap general election. Given that the present government could have continued until December 2018 before having to go to the polls, he clearly sees an opportunity to consolidate his grip on power. The Governor of Tokyo, Ms Koike, immediately announced that she was forming the Party of Hope. Although the new party initially gathered momentum rapidly, its chances may be damaged by the charismatic Koike's decision not to run, leaving her party without a candidate for prime minister. Meanwhile, her arrival dealt the final blow to the opposition Democratic Party, which disbanded. The upshot is that the ruling LDP seems most likely to be returned to power, albeit with a somewhat reduced majority.

The third longest serving prime minister in post-war Japan has a number of critics among the ranks of foreign investors, but we are happy to bang the drum for Abenomics and would welcome another Abe administration. A review of the Abenomics scorecard explains our positive disposition. Since coming to power in late December 2012, his much-needed expansionary policies and reforms have led to tangible achievements across the financial and real economy, with highlights including a 91 percent gain in the Topix Index, a 123 percent surge in corporate earnings, a 78 percent rise in dividends per share, a 34 percent fall in the unemployment rate, a 9 percent jump in housing starts and a 29 percent fall in the value of the yen against the US dollar in an economy full of world-leading exporting companies.

Recent statistics portray the Japanese economy in robust health with a tightening labour market and inflation growing modestly. Although the second-quarter GDP number was revised down slightly, this is actually a recovery being driven by domestic demand. The Bank of Japan's quarterly Tankan survey suggested companies are in an optimistic frame of mind and planning to increase capital expenditure. Despite this abundance of good news, Japanese equity valuations are close to historic lows, with foreigners continuing to be underweight. As investors, we think it is difficult to conceive of a more positive backdrop.

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

It was an excellent year for Asian equities and a relatively tough one for our two Asia ex-Japan strategies (Asia ex-Japan and Asia ex-Japan Small and Mid Cap). On 8 November 2016, the US election result drove the US dollar higher and all Asian currencies fell with a large macro move in interest rates. On the same day, Indian Prime Minister Modi's abrupt decision to demonetise large denomination bank notes caused widescale disruption for both Indian citizens and businesses. Both of our Asian ex-Japan strategies had a significant and longstanding overweight in India and our Indian holdings were badly affected, although trading rebounded swiftly. Our overweight stances in Indonesia also dragged on returns as concerns rose over a religious feud surrounding Jakarta's Governor which culminated in him losing his bid for re-election and being served with a two-year prison sentence. Investors were also disappointed by the sluggish economic recovery and the slow pace of government infrastructure spending. However, we remain patient and continue to stay the course.

Our core holdings, which have quality, sustainable, long term growth hallmarks, remain largely the same and we retain our conviction in their long term prospects. The long-term track records of our Asia ex-Japan strategies remain excellent, with both OEIC sub-funds ranked first quartile in their peer group since their launch.

Investment Strategies continued

Regional Equity Strategies



**US Equities
Portfolio Managers**
Arun Daniel, Thorsten Becker
and Vince Rivers

US Equities

Investment Review

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

Where are the opportunities for US equities?

We have identified some key beneficiaries of Trump's policies at the sector level, particularly within defence and infrastructure. These stocks were among the prime beneficiaries of Donald Trump's election, as many expected the administration to increase spending on the country's decaying roads, bridges and related projects. The 2017 Infrastructure Report Card, released by the American Society of Civil Engineers, awarded the country a grade of D+, clearly indicating room for further improvement.

Although the so-called 'Trump trade' subsided early on in 2017, the topic has remained on President Trump's agenda. Among our related holdings in this segment are Terex, a Connecticut-based manufacturer of construction and transportation equipment, Jacobs Engineering, a Texas-based provider of construction services, and Martin Marietta Materials, a North Carolina supplier of construction materials, including granite, gravel and cement.

President Trump has also been a vocal advocate of greater defence spending, with additional support from the House and Senate Armed Services committees. More recently, concerns have centred on North Korea, which conducted several missile tests in July and August 2017, sparking widespread international condemnation. Rhetoric has been heating up in the region, with countries like the US, Russia and China contributing to the conversation.

In addition to worries about conventional warfare, scrutiny has been mounting on the recent proliferation of cyberattacks. For instance, computers from Ukraine to the US were hit by ransomware attacks in late June, while another ransomware attack targeted governments, hospitals and companies in Europe in May. In that vein, the portfolio holds Booz Allen Hamilton, a Virginia-based government cybersecurity consultant. Although it is technically not in the industrials sector, we view this information technology name as a compelling play on defence.

How did the US SMID strategy perform in the 2017 Financial Year?

Strong stock selection across a number of sectors led the strategy to outperform meaningfully over the period. Leading the way were the portfolio's industrials holdings, with the above-mentioned Terex being the clear stock winner. The construction equipment manufacturer has a solid backlog and a promising turnaround plan that is currently under way. Staying with the sector, Old Dominion Freight and HD Supply also made notable positive contributions. The consumer staples and telecommunications sectors were also happy hunting grounds, with Cogent Communications' share price buoyed by results in the September quarter as the company delivered a solid quarterly earnings report and Moody's lifted its ratings outlook to positive. Elsewhere, the

share price of health care provider Centene benefited after plans were announced to offer coverage in areas without other Affordable Care Act options.

The only material performance headwind originated in the information technology sector, where stock selection impeded performance. Here, travel technology company Sabre was the standout individual laggard. Its share price sold off after it reported mixed fourth quarter results and a disappointing full year forecast that reset expectations.

What is your current investment outlook?

Despite some setbacks on health care reform, we still expect US policies on taxation, regulation and infrastructure spending to change. However, we may not see the resulting positive impact on corporate earnings estimates or stock prices until 2018, regardless of what Congress is able to enact in the remainder of 2017. Yet, US consumer sentiment remains high and the market has proved to be remarkably resilient.

Financial conditions are still constructive, and credit is not yet a major concern. Bank results are highly sensitive to potentially faster US growth (through potential tax reform and infrastructure spending), normalising interest rates and valuations that remain low relative to history and earnings potential.

Global and International Equities



JOHCM Global and International Equities Portfolio Managers

Global Opportunities:

Jasmeet Munday, Ben Leyland
and Robert Lancaster

Global/International Select/Global Sharia:

Christopher Lees and Nudgem Richyal

International Small Cap:

Robert Cresci and Justin MacGregor

JOHCM Global and International Equities Investment Review

Our Global Opportunities team believes that investors need to follow strategies that have the avoidance of capital destruction at their heart.

What individual opportunities are there in global stock markets?

Our Singapore-based JOHCM Global Select team recently established new positions in two interesting idiosyncratic Japanese stocks. The first, Renesas Electronics, is a leading global semiconductor company that experienced difficulties after the global financial crisis but is now growing again after successfully restructuring under the Japanese-style Chapter 11 provisions. The second is a company called PeptiDream, a unique patented drug discovery platform that combines man-made and natural amino acids, creating trillions of potential peptide combinations for potential new drugs. The company earns milestones and royalties from every product that emerges from its platform, which is now licensed to most leading pharmaceutical companies. For example, Kyorin in Japan and Merck in the USA have identified peptides that meet their respective targeted applications, with the promise of many more milestone payments to come, not to mention massive royalties on the drugs if they eventually reach the market.

Our London-based JOHCM Global Opportunities team are actively looking to diversify the portfolio away from fully valued growth companies into shorter duration assets with less growth potential, but solid cash flows and good yields. Uniti

and Rio Tinto are both recent purchases and good examples of this. Elsewhere, the offline retail sector looks increasingly interesting as the market is unwilling or unable to look beyond the threat of online competition, which is undoubtedly real but will affect some more than others. Those companies with high barriers to entry and a service-based proposition, with the ability to evolve with the times, are likely to survive and thrive.

What is your current outlook for worldwide markets?

Our Global Select team sees the market rotating between three main scenarios and has sought to position the portfolio accordingly. Scenario one is a continuation of trends seen so far in 2017 of a narrow, technology-led bull market. Scenario two is a change in market leadership to more economically sensitive stocks such as commodities. Finally, scenario three is a bull market correction at best, or a bear market at worst. As a result, the team has been letting cash levels drift up to around 10 percent to provide more ammunition to buy any dips if and when any market sell-off occurs.

With stock markets hitting record highs in recent weeks, our Global Opportunities team believes investors should be wary of complacency, as valuations across many areas of global stock markets currently

afford little room for error. Unlike in previous market highs, like the dotcom bubble, the problem for equity investors now is not the distortion of stock market indices by a single, extremely overvalued and consequently oversized sector. The current problem is that valuations are elevated across the board, in 'quality' and 'value' segments of the market as well as 'growth'. Unlike in 1999, there is currently no obvious area of the market offering genuine value.

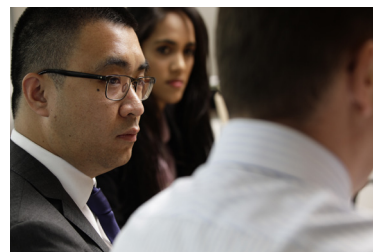
Our Global Opportunities team believes that investors need to follow strategies which have the avoidance of capital destruction at their heart, while maintaining the flexibility to judiciously back the best investments where the risk and reward balance is clearly positive. To that end, it is worthwhile recalling Warren Buffett's top two rules of investing: 'number one, never lose money; number two, repeat number one'.

Investment Strategies continued

Global and International Equities



**BTIM Global Equities
Portfolio Managers**
Ashley Pittard, Sue Scott
and Paul Gyenge



BTIM Global Equities

Investment Review

The team manages the BT Concentrated Global Share Fund, launched in August 2016. Our focus is on identifying industry leading companies that we believe are undervalued in the near term and offer long term capital growth.

How is the portfolio positioned?

Our active investment approach is founded upon fundamental bottom-up company research and analysis. We seek to invest in outstanding companies that we assess to be the global leaders in their industry. While we recognise that at any time a large majority of these companies will be fairly priced, we believe there are always opportunities to take advantage of pricing anomalies. We therefore focus our research effort on identifying those anomalies.

Our concentrated portfolio of 35 to 55 companies is constructed from our chosen investment universe, based on the principles of high conviction and diversification of economic risk. As such the make-up of the portfolio is likely to be markedly different from the benchmark. During the 2017 Financial Year, the team has undertaken research into a diverse range of industries, including technology, healthcare, asset management, media, stock exchanges and aerospace. The research led us to identifying a number of strong investment opportunities for our clients.

What were the key influences in 2017?

Pleasingly, the first year's track record has been strong, with our portfolio, outperforming its benchmark, the MSCI World ex Australian Total Return Index, by 3.5 percent (before fees).

Contributions to performance came from a diverse range of industry sectors, which in our view validates the importance of active stock selection. Our shareholdings in CSX Transportation, Boeing and Caixa Bank, are examples of companies that performed strongly during the year.

Over the past few years investors with broad stock market exposure have enjoyed strong investment performance. This performance has been sustained by persistently low interest rates and quantitative easing, resulting in broad market valuations that are above long term averages.

Going forward, we believe the tailwinds for equity markets of low interest rates and quantitative easing will be reversed. In such an environment, indiscriminate broad market exposure is unlikely to yield the same returns. Therefore, we believe this environment calls for an investment philosophy where stocks are carefully selected through intensive research and active assessment of a company's long term strategy and management's ability to implement it.

What is the outlook for 2018?

We see a normalisation of rates as inevitable, however we do not anticipate global interest rates increasing rapidly. This is likely to see swathes of the market unable to sustain their current lofty valuations.

Nonetheless, valuations in some parts of the market look attractive. The companies we hold in the portfolio are ones we consider to be industry leaders, have strong management teams, a sustainable, long term business strategy and whose shares were bought below what we calculate as their replacement value. Sometimes these businesses will take time to revert to their intrinsic value, however our view is that the industry leaders we are investing in are building sustainable businesses that will ultimately reward shareholders for their patience.

We particularly seek opportunities to invest when the tide of news flow and sentiment is unreasonably against a company, this requires us to be disciplined in selecting when to buy and sell.

The year ahead will see us building out our presence in the market, through progressively broadening our distribution.



JOHCM Global Emerging Markets Portfolio Managers

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

Global Emerging Markets Opportunities:
Ada Chan, James Syme
and Paul Wimborne



JOHCM Emerging Markets Equities

Investment Review

Our Global Emerging Markets Opportunities portfolios make investments in emerging markets based on views at the country level.

What are the different investment approaches of the JOHCM emerging markets portfolios?

We have three emerging market equity strategies, with two of these having distinctly contrasting investment approaches. Our London-based Global Emerging Markets Opportunities (GEMO) team believes investment in emerging markets goes right or wrong at the country level. Accordingly, the team follows a predominantly top-down approach, meaning country selection forms the basis of portfolio construction.

In contrast, our Prague-based Global Emerging Markets (GEM) team favours a bottom-up stock picking approach centred on earnings momentum, typically generating outperformance through stock views rather than country or sector selection. The team analyses individual companies, focusing on growth and on businesses that have the potential to develop world-class products or become industry leaders in local markets.

In 2014, the GEM team launched a small cap version of the all-cap strategy. This has enjoyed marked investment success, powered by highly positive stock picking. The 2017 Financial Year saw the strategy's encouraging start continue with robust security selection in China contributing to significant outperformance, compared to its benchmark over the 12 month period.

Where are the investment opportunities in emerging markets?

The GEMO team is particularly positive on India. Central bank policies have brought down inflation and the government is expected to provide financial support for the economy ahead of the 2019 election. In addition, the team considers Prime Minister Modi's administration to be the most pro-reform government in any emerging market right now, and view some of the policies (e.g. tax reform, infrastructure investment and improvement) as providing a direct and visible uplift to economic growth.

Elsewhere, the team also likes the attractively-valued South Korean market, seeking exposure to a cyclical uplift to economic growth in the country, with non-commodity exports being a key driver. High household indebtedness remains a drag on domestic demand growth, but adding to the bull case is the fact that the Korean Government has substantial policy options, both fiscal and monetary. The Korean won seems likely to continue to depreciate against the currencies of key trading partners, as easier monetary policy reduces interest rates at a time when Japan, in particular, is struggling with currency strength. The team is also positive on the prospects for change in the corporate governance environment.

In contrast, the GEMO team is more bearish on China, having long felt that the credit stimulus applied to the Chinese economy in mid-2015 would have negative side effects and would ultimately prove to be unsustainable. The very rapid increase in private-sector credit/GDP poses substantial risks to equity holders in the financial system. The team expects Chinese economic growth to slow as stimulus is withdrawn and view the crackdown on shadow banking as creating further growth risks to the downside. From an investment perspective, apart from banks, Chinese equities are not particularly attractively valued, and the team prefers to be positioned elsewhere, most notably in India, South Korea and Taiwan.

For the GEM strategy, opportunities within the technology sector have been plentiful. In the portfolio, top performers include Sunny Optical, a Hong Kong-listed lens-maker which supplies smartphone manufacturers with camera lenses. As competition increases amongst high-end smartphone manufacturers and developments into dual-lens cameras take place, Sunny Optical has enjoyed significant demand increases and the share price has reflected this.

Investment Strategies continued



Income & Fixed Interest Portfolio Managers
Vimal Gor, George Bishay, Justin Davey, Steve Campbell, Peter Farac, Tim Hext, Robin Lu and Amy Xie Patrick

Income & Fixed Interest

Investment Review

The Income & Fixed Interest portfolios include a range of investment strategies covering Australian and international bonds, unconstrained absolute return, as well as income-orientated solutions and cash funds.

What are the distinctive features of the Income & Fixed Interest portfolios?

One of the most significant differentiators of our team's flagship strategies is its defensive positioning, founded on our solid fundamental research approach. Our investment style is true-to-label defensive fixed interest, with bond funds that are designed to complement the performance of riskier assets, such as equities. This means they are poised to perform well during periods of market stress and high volatility, acting as an insurance component of a broader investment portfolio.

Our experienced team has a rigorous investment process, supported by in-depth macroeconomic and quantitative research.

To support our ongoing growth momentum, over time we have steadily expanded the team. Early in 2017 we hired two senior portfolio managers, Tim Hext and Amy Xie Patrick, to extend and complement the team's skills and experience. Since joining the team, Tim and Amy have made valuable contributions to the development of our process, trade ideas and portfolio implementation.

What were the highlights in 2017?

During the financial year, the continuing growth of our flagship strategies was underpinned by strong client endorsement, supported by outperformance across our income, credit and cash strategies.

Flagship strategies continued to attract new fund inflows, highlighting that our differentiated approach is resonating with clients.

Our BT Wholesale Fixed Interest Fund has steadily grown to over \$850 million and our flagship income solution, the BT Wholesale Monthly Income Plus Fund, has grown to almost \$700 million, including a new mandate on one of Australia's largest platforms.

The last 12-18 months has seen markets accepting more risk despite growing geopolitical concerns and increasing leverage in companies and households. This means that a defensive position is warranted more than ever.

Our clients understand how important our approach is for their portfolios, which is why we continue to be shortlisted for inclusion in new investment portfolios.

What is the outlook for 2018?

We believe the market environment is transitioning in line with the end of accommodative central bank policies. As a result, we are seeing market volatility increase and this should progressively result in more accurate pricing of risks. This will negatively impact risk assets that we believe are priced to perfection, including high yield credit, parts of emerging market debt and certain parts of equity markets.

We will soon be launching a new dedicated long volatility strategy for clients looking for a liquid alternatives strategy that can provide risk protection whilst still delivering a positive return in normal market conditions. This is an extension of the process we currently utilise in our alpha strategies, although this product's structure will feature a systemic and multi asset approach. We are seeing strong client interest and we believe this will continue to help our boutique differentiate itself in this competitive market.

We believe our investment process and philosophy will continue delivering and meeting client expectations in this increasingly volatile environment.



**Multi Asset Investments
Portfolio Managers**
Michael Blayney, Stuart Eliot
and Alan Polley

BTIM Multi Asset Investments

Investment Review

BTIM's Multi Asset Investments team deliver whole-of-portfolio strategies and solutions, bringing together the multi asset investment capabilities from across the Group, combined with strategies provided by our close external partners.

How do you construct portfolios?

The team's investment philosophy is to provide clients with truly diversified portfolio solutions with optimal asset allocation, enhanced returns and reduced risk.

In constructing a diversified portfolio, we combine assets that maximise the probability of meeting client investment objectives, applying our investment insights to reduce portfolio volatility and improve the consistency of investment outcomes.

We strongly believe in the importance of diversification in all aspects of the modern diversified fund, across time horizons, asset classes and factors, and in enhancing returns through harnessing active management.

In addition to delivering best-in-class investment strategies from across the BTIM Group, our key value add to clients is continual research to improve the risk-adjusted returns of our strategies.

The BTIM Multi Asset team is highly experienced and well-resourced to deliver a range of investment solutions to suit different market segments.

The strength of the BTIM Multi Asset team lies within our disciplined approach to asset allocation, our ability to gain insights from our experienced investors and our strategic partners across all asset classes, both locally and globally. This has led to superior risk-adjusted returns for our clients.

What were the highlights in 2017?

The active performance of our funds was strong during the past year, with solid results over three and five year periods. This highlights the strength and consistency of our process, with all of our key drivers contributing to active returns.

Importantly, we delivered these returns with modest downside risk, providing a much needed buffer when the markets were experiencing negative returns.

The contribution from active management to total return was significant and continues to reflect our view that, as we head into a world of lower returns from traditional assets classes, the percentage that active management can contribute to the total pie is getting larger.

The flows to our new Wholesale Plus series continued to gain momentum with net inflows of over \$165 million during the year. We hope to continue this strong momentum into 2018 and beyond.

The team expanded with the addition of two very experienced multi asset investment professionals.

Michael Blayney was appointed as Head of Multi Asset Investments in August 2017, bringing over 21 years' industry experience. The team is benefiting from his extensive experience in asset allocation and, in particular, managing real return strategies.

In February 2017, Alan Polley joined the team. With over 16 years' experience, his skills are being utilised in portfolio construction and in enhancing our alternatives strategies to further improve their risk-adjusted returns.

What is the outlook for 2018?

Heading into 2018, the team will be focussed on delivering enhancements to existing alternatives strategies and launching new investment solutions.

We believe that these strategies will become essential for investors looking to diversify their return sources, whilst still seeking high returns.

We continue to have a strong belief that market returns will be lower over the next ten years than they have been in the previous ten years.

In this environment, we believe it is important to focus on increasing the active return drivers within the strategies in traditional markets via active management, as well as from non-traditional markets via alternative risk premia and other enhancements.

Corporate Sustainability & Responsibility

The Group has a strong commitment to ensuring our business practices have a positive effect on our people, stakeholders and community.

1 Introduction

For the Group, Environmental, Social and Governance (ESG) issues arise in the following contexts:

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

As an investment manager, we understand ESG factors can influence the value placed on a company and its ability to drive shareholder returns on a sustainable basis. We recognise our responsibility extends beyond delivering sustainable returns to our clients and shareholders – our actions also impact upon the environment, the community and other stakeholders. BTIM (Australia) has developed ESG capabilities and offers clients a diverse range of ethical and sustainable products that incorporate ESG best practice. These products include both 'Best of Sector' and ethical screening in the investment decision-making process. In the past year, we have continued to grow our responsible investment funds under management and enhance our product offerings to best align with the needs of our clients. As at 30 September 2017 these ethical and sustainable portfolios had \$2.4 billion of funds under management.

1.1 Growing climate change resilience across our portfolios

One of the important themes we are facing as a society is how climate change, and the associated transition to a low carbon

economy, reconfigures the investment landscape. The impacts are relevant for weather-sensitive physical assets as well as financial assets exposed to transition risks and opportunities associated with the shift to a low carbon economy. The December 2015 Paris Climate Agreement and the subsequent Financial Stability Board's private-sector, industry-led Task Force on Climate-related Financial Disclosures (TCFD) framework, released in June this year, are two clear signals that change is underway in the financial community, especially in the management and reporting of the risks and opportunities associated with climate and energy transition.

The Group's approach to climate change is evolving as the global community's understanding matures and the regulatory framework adapts. As a signatory to the 2017 G20 and G7 Nations Initiative on Climate Change, BTIM is an early supporter of a collective global investor initiative, together representing over USD 22 trillion in assets as at 3 July 2017. The initiative urges the governments of G7 and G20 nations to maintain the momentum on climate change action, including through creating policy and financial frameworks to improve the quality of climate-related information and to support the utilisation of tools, and metrics, that effectively incorporate the risks and opportunities into financial assessments.

We acknowledge that climate change is an ongoing and complex issue. We are continuing to work with our stakeholders to help them navigate the transition to a low-carbon economy, while also delivering responsible, performance driven strategies that meet our clients' long term investment objectives.

BTIM (Australia) has been managing 'low- carbon' investment strategies since

2014 and has been measuring and reporting on carbon intensity across our portfolios. Furthermore, in 2017 we implemented a thermal coal exclusion framework across all of the Group's Sustainable Series Funds, which are:

- BT Sustainable Australian Share Fund
- BT Sustainable Australian Fixed Income Fund
- BT Sustainable International Share Fund
- BT Sustainable International Fixed Income Fund
- BT Sustainable Balanced Fund
- BT Sustainable Conservative Fund.

Climate-related impacts vary across industry sectors, geographies and asset classes. BTIM acknowledges that effective management of systemic issues, such as climate change, requires holistic board oversight combined with robust measurement and reporting. We continue to engage with companies regarding material climate-related risks and opportunities, share our perspective on climate change with our investors, shareholders and other stakeholders and also support industry collaborations for more robust and relevant climate-related disclosures.

1.2 Role of ESG in the overall investment process

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

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

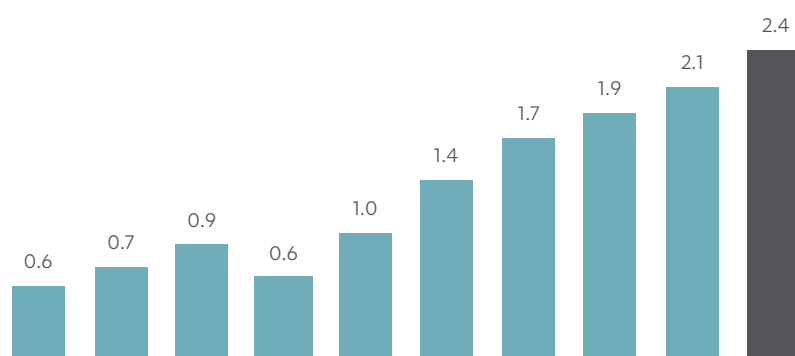
1.3 Regnan

Regnan - Governance Research & Engagement Pty Limited (Regnan) was established in 2007, and is now jointly owned by BTIM and another institutional investor. BTIM is represented on Regnan's Board of Directors.

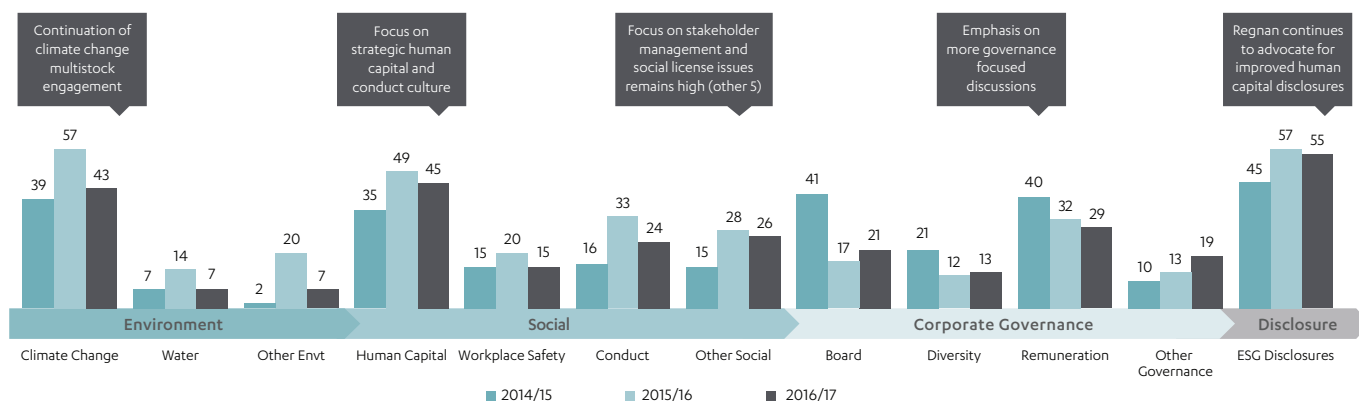
Regnan undertakes research in ESG matters to identify material risks and opportunities, and engages with leading ASX-listed companies to seek improved consideration of ESG in business decisions.

During the 2017 Financial Year Regnan, on behalf of clients, engaged with 92 companies in the S&P/ASX 200 Index, with

BTIM sustainable & ethical funds under management – \$ billion



Engagement by topic – 2016/17 and prior two years



over 75 percent of active engagements demonstrating progress and ten engagements were closed after change objectives had been achieved. Regnan noted that the most significant areas of change occurred with respect to climate change, executive remuneration, board-related matters (including composition and issue of independence) as well as improvements to public disclosure allowing investors to better take ESG performance into consideration.

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

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

During the year, Regnan appointed Pauline Vamos as CEO. Prior to joining Regnan, Pauline was CEO of the Association of Superannuation Funds of Australia and brings with her extensive experience in the financial services industry and a deep understanding of the increasing accountability companies face by the community and regulators.

1.4 Responsible Investment Association Australasia

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

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

All of BTIM's Responsible Investment funds have been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program.

1.5 Principles for Responsible Investment (PRI)

JOHCM and BTIM (Australia) are both signatories to the United Nations-supported PRI.

The Group reports on progress via the Principles for Responsible Investment Reporting and Assessment Survey. This allows us to regularly review and monitor our performance, benchmark ourselves against our peers and identify opportunities, strengths and areas for improvement.

The Group's active approach to investing sees us working together with other investors to continually improve ESG practices.

1.6 Investor Group on Climate Change

As a founding member of the Investor Group on Climate Change (IGCC) we collaborate with other members to encourage government policies and investment practices that address the risks and opportunities of climate change, in an economically efficient manner. The Group has a representative that sits as a member on the IGCC's management committee.

The IGCC aims to:

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

1.7 Proxy voting

The Group regards the exercise of proxy voting authority as an important aspect of investment decision-making. We do not involve ourselves in the day-to-day management of the companies in which we invest, however we recognise that we can influence company policy on matters of corporate governance by virtue of the shareholdings that we manage on behalf of our clients. In accordance with industry practice we use that influence for the benefit of our clients. BTIM places great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are managed in the best interests of their long term investors.

We exercise our voting discretion on a case-by-case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the portfolio or fund. We publish Australian proxy voting records on the BTIM website.

Information on the proxy voting pattern for BTIM (Australia) during the 12 months to 30 June 2017 is set out below. Specific details on how each proxy has been voted are available on the BTIM website.

JOHCM engages ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate voting and engagement activities. Fund managers review all annual general meeting and extraordinary general meeting 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.

PROXY VOTING FOR 2016/17	TOTAL RESOLUTIONS	FOR	AGAINST	ABSTAIN	OTHER ¹
Number of resolutions	2,194	1,952	130	25	87
Percentage of total	–	89.0%	5.9%	1.1%	4.0%

¹ Other: Resolutions where BTIM Australia did not vote on a resolution due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date and where BTIM Group was excluded from voting (such as when participating in a capital raising on behalf of clients which is the subject of a resolution and where voting would be deemed to be a conflict of interest). NB: The definition of Other was previously named "Did not vote" in prior Annual Reports of the BTIM Group.

Corporate Sustainability & Responsibility continued

2 Environment

During the 2017 Financial Year BTIM completed the CDP (formerly the Carbon Disclosure Project) for a second consecutive year.

Given the nature of the Group's operations and the size of our workforce 309 Full Time Equivalent employees), we have a relatively small environmental footprint. Notwithstanding this, BTIM monitors the environmental impact of its business and takes steps to minimise that impact, where possible. If material environmental risks are identified in line with BTIM's Risk Management Framework, BTIM will address these risks with appropriate management strategies.

3 Human capital management

The success of businesses across the Group depends on attracting, engaging and retaining the highest calibre of people.

We aim to cultivate the organisation's values, culture, leadership behaviours, policies and practices which drive employee engagement and innovation and contribute to the fulfilment of the Group's strategic objectives.

3.1 Succession planning

The Group views annual succession planning as key in managing people retention risk as well as being a significant input to workforce planning.

This year, succession planning was mapped for investment and executive level roles across a five year time horizon.

Further information about the material succession planning risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the BTIM 2017 Corporate Governance Statement, located on the BTIM website.

3.2 Employee turnover

Turnover across the Group continues to be low and predominantly occurred in operations and corporate support areas while the investment teams remained stable. As at 30 September 2017 the Group's 12-month rolling attrition rate was 10.74 percent.

3.3 Employee engagement

A high level of employee engagement is critical for the delivery of strong business results. We are focused on driving engagement even higher as the organisation grows. To this end, the results and insights of engagement surveys are used to determine areas of focus and enhance our People Strategy.

In the most recent survey of employee engagement in the 2015 Financial Year, BTIM (Australia) exceeded the Australian Financial Services benchmark and advanced our standing within the top quartile of Aon Hewitt's Best Employer range. Engagement increased by five percent on the previous engagement score which was measured in the 2013 Financial Year.

Further information about the material Employee Engagement risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the BTIM 2017 Corporate Governance Statement.

3.4 Professional development

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

- leadership development programs to enhance the leadership capability of current and future leaders
- support of industry specific professional accreditations and memberships
- financial assistance and leave for employees pursuing study relevant to our business, which includes professional qualifications such as the Chartered Financial Analyst (CFA) qualifications, and
- onsite and external training programs that enhance individual technical skills and behavioural competencies and build team cohesiveness and communication.

3.5 Contributing to our communities

The Group actively contributes to the community by supporting charitable organisations and initiatives that improve the social wellbeing of the communities in which the Group operates.

BTIM (Australia) and JOHCM have dedicated Community Committees which comprise employees from across each organisation. The Committee's purpose is to coordinate and champion fundraising initiatives, volunteering and events for local charities.

This Financial Year, the BTIM (Australia) Committee primarily focused its efforts on supporting the Running for Premature Babies (RFPB) Foundation and became a Strategic Charity Partner. The RFPB Foundation raises money to fund lifesaving equipment and research for babies born prematurely.

The Committee's support for RFPB included coordination of a trivia night and providing funding for the Sydney Morning Herald Half Marathon team, the Kids Fun Run and the Gala Ball, with employee participation at each event.

Other community initiatives included a Christmas gift collection in support of the Wayside Chapel Christmas Party and corporate participation in the JP Morgan Corporate Challenge.

In the 2017 Financial Year JOHCM contributed to the community via a number of activities including:

- coordination of a quiz night with proceeds going to the Whizzkids charity
- participation in the annual JP Morgan Challenge, in aid of Cancer Research UK
- participation in the annual Bloomberg Square Mile Relay in support of local charities and not-for-profit organisations, and

- establishment of a personal charity donation initiative called 'Give As You Earn', enabling employees to make personal donations to approved charities.

The Group continues to support employees in their charitable endeavours through the provision of leave and via corporate matching of funds raised for various registered charities.

3.5.1 Community work experience

The annual JOHCM Work Experience Program was completed in June 2017 with school students meeting employees from across the business to develop their understanding of the asset management industry and the career paths within it.

During the 2017 Financial Year JOHCM also facilitated work experience placements in specialist teams for high school and university students.

3.6 Diversity & Inclusion

The Group aims to attract, engage and retain a diverse workforce and is committed to supporting individual differences in view, personal/work experiences, lifestyle, ethnicity, culture, age, gender, disability, marital status, religion, sexual orientation and education.

Aside from being the right thing to do, the Group recognises the competitive advantage of diversity and inclusion.

Encouraging and embracing divergent views strengthens business innovation, decision-making and risk management and contributes to the achievement of superior client outcomes and returns to shareholders.

The Group's commitment to Diversity & Inclusion (D&I) is reflected in its D&I policies.

Following the implementation of the Group structure in the 2017 Financial Year, the Board took the opportunity to evaluate the Group D&I Strategy, ensuring its applicability across the broader business. Taking into consideration the global nature of the business, it was determined that the Group will continue to focus on the following strategic priorities:

- encourage broad diversity across all levels and areas of the business, particularly at the Board and Executive level
- mitigate leader/key decision maker bias which impacts on recruitment, promotion and development business decisions
- embed organisational culture, values and leadership behaviours that support a diverse and inclusive work environment
- develop women in senior leadership
- increase female representation across the investment platform, and
- ensure flexible work practices are operational across all organisational levels.

3.6.1 Diversity & Inclusion targets

In the 2015 Financial Year, the Board approved the following targets for female representation at Board and BTIM (Australia) Executive Team level to be achieved by 2020:

- a minimum of 30 percent female representation on the BTIM Board, and
- a minimum of 30 percent female representation at CEO-1 level (Executive).

The Board target was far exceeded during the 2017 Financial Year, with female representation increasing from 33 to 50 percent.

The composition of the Executive Team was expanded this year to include the CEO-2 level employees. This expansion more accurately reflects the new BTIM Group structure encompassing the executive teams of the BTIM Group, BTIM Australia (some of whom were previously Key Management Personnel (KMP)) and JOHCM.

Taking in to account this new composition, female representation at the Executive Team level is 29 percent, which is consistent with the Executive Team gender balance achieved in the 2016 Financial Year.

The chart above shows gender diversity at Board and Executive Team level across time against the targets set for each group.

Female representation across the Group as a whole remains at 37 percent.

In line with the Board's review of the Group D&I Strategy, the Board and Executive Team gender targets that underpin and drive the strategy were revisited this financial year.

To establish an aspirational stretch for the Group to achieve its D&I strategic objectives by the 2023 Financial Year, the Board approved an increase to the Board and Executive Team gender targets. Effective from the 2018 Financial Year, the new targets are:

- a minimum of 40 percent female representation on the BTIM Board, and
- a minimum of 40 percent female representation across the Executive teams.

3.6.2 Diversity initiatives

In support of the Group's D&I Strategy, BTIM (Australia) delivered on the following initiatives in the 2017 Financial Year:

3.6.2.1 Participation in the Career Returners Program

As a founding member and as part of our commitment to increase female representation across the investment teams, participation in the Career Returners Program continued for a second successive year. The intent of the program is to replenish the industry's pool of qualified and experienced senior women by providing meaningful work arrangements and enabling them to return to corporate work after a significant break from the workforce.

Participation in the program has already resulted in a senior female being permanently hired in a key investment area of the business.

Board & Executive Team Female Representation



Chart 1 – Gender diversity at Board and Executive Team level across time

3.6.2.2 Increasing female investor representation

In pursuit of increasing female representation across the investment platform and encouraging the participation of women in the funds management industry, the Investment Intern Program ran once again this year. Female penultimate year university students were selected to undertake Analyst placements in each investment team.

The success of the initiative has resulted in one student being permanently hired as an Investment analyst within BTIM (Australia).

3.6.2.3 Women's development initiatives

To support the D&I commitment to develop women in senior leadership, coaching and leadership training was provided to high-potential female senior managers, team leaders and emerging leaders over the last 12 months.

3.6.2.4 Minimising unconscious bias

Following the successful rollout of the Conscious Decision Making Program to the BTIM (Australia) Executive Team in early 2016, the business remained committed to minimising unconscious bias in key operational processes. This included the introduction of new recruitment protocols, such as the requirement for at least one male and one female interviewer to be part of the interview process for every role.

3.6.2.5 New Domestic Violence Support Policy

To reinforce our D&I strategic commitment to flexible work practices, and as a symbol of our duty of care to employees, BTIM (Australia) introduced a new Domestic Violence Support Policy this year. Under the policy, employees impacted by domestic violence have access to counselling, flexible work arrangements and paid leave.

3.6.2.6 Workforce Gender Equality Agency Report

BTIM (Australia) submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May 2017. The report provides a breakdown of gender composition and average pay across all organisational levels and outlines work practices and policies which support gender diversity. The report can be accessed in the shareholder centre of the BTIM (Australia) website.

3.6.3 D&I industry memberships

BTIM (Australia) continued its memberships with the Women in Banking & Finance Group, the Diversity Council of Australia and the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA). These memberships ensure the Group keeps abreast of leading edge D&I research, insights and thought leadership, and provide access to industry networks, specialists and online resources.

3.7 Flexible work arrangements

This financial year the Group continued to offer policies and practices designed to support flexible work arrangements, promote D&I and foster work-life balance, whatever the employee's stage of life. This included:

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

Corporate Sustainability & Responsibility continued

3.8 Employee benefits

The Group continued to provide a number of benefits that not only promote D&I, but contribute to the engagement, wellbeing and health of our employees. These benefits include:

- paid contribution leave at BTIM (Australia) which provides eligible employees with an additional week's leave per annum
- salary continuance insurance premiums paid by BTIM (Australia)
- employee excellence recognition awards
- service recognition awards
- financial study assistance
- study leave
- professional membership fee reimbursement support
- Employee Assistance Program, and
- health assessments and regular wellbeing initiatives.

Further information about the material D&I risks facing the business and the strategies and controls that the Group has in place to manage them, including flexible work arrangements and employee benefits, is summarised in Table 4 of the BTIM Group 2017 Corporate Governance Statement.

4 Culture and ethics

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

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

4.1 Code of Conduct

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

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

4.2 Other policies relevant to culture and conduct

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

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

4.3 Anti-money laundering and counter terrorism financing

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

4.4 Work Health & Safety (WHS)

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

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

4.4.1 WHS Strategy

The overarching objectives of the WHS Strategy are to:

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

4.4.2 WHS initiatives

In line with the Group's 2017 Financial Year WHS Management Plan, the following initiatives were pursued:

- All recommendations generated from the 2016 Financial Year 'Desk Top Review' of the WHSMS were implemented
- To ensure managers' understanding of the enhanced WHSMS and their specific WHS responsibilities, new face-to-face WHS manager training was developed and delivered. Existing online employee WHS modules were also enhanced and rolled out
- A Driver Safety Audit was conducted for all BTIM (Australia) sales employees who regularly drive as part of their role. This audit occurs every two years to ensure vehicle roadworthiness and that employees are appropriately licensed to drive and are aware of driver safety principles and obligations.
- Regular updates continued to be provided to the Board and the BTIM (Australia) Executive Team regarding key WHS performance metrics and information, enabling BTIM Officers to meet their WHS due diligence obligations.

Quarterly wellbeing events continued to take place in the 2017 Financial Year across the Group. Employees had the opportunity to participate in on-site yoga classes, flu vaccinations, massages and skin checks.

Postural assessments were also offered to BTIM (Australia) employees for the first time.

In recognition that wellbeing is not a single dimension, BTIM (Australia) ran comprehensive health checks this year that were expanded to assess psychological as well as physical and physiological wellbeing. The results and recommendations generated from these checks will be used to guide the WHS wellbeing events offered to employees during the 2018 Financial Year.

Further information about the material WHS risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the Group's 2017 Corporate Governance Statement.

4.5 Human capital management risks

Information relating to the Group's human capital management and people risks are set out in Table 4 on page 18 of the Group's 2017 Corporate Governance Statement.

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

The Directors present their report and the annual financial report for the BTIM Group for the 2017 Financial Year.

The Directors of the Company during the 2017 Financial Year and up to the date of this report are:

DIRECTOR	DATE OF APPOINTMENT	PERIOD
James Evans	Appointed to the Board on 2 June 2010. Appointed Chairman on 6 December 2013	Full year
Emilio Gonzalez	Appointed Managing Director & Chief Executive Officer on 22 January 2010	Full year
Meredith Brooks	1 April 2013	Full year
Andrew Fay	1 October 2011	Full year
Kathryn Matthews	1 December 2016	Part year. Appointed on 1 December 2016
Deborah Page AM	7 April 2014	Full year
Les Vance	1 March 2016	Part year. Retired on 16 June 2017

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



James Evans
BEc CA F Fin FAICD

Independent Non-executive Chairman

Board Committees: Nil

James Evans has over 40 years of corporate experience. His most recent executive role, which he held from 2003 to 2008, was as the Chief Risk Officer, Wealth Management at the Commonwealth Bank of Australia. As part of this role, James held various 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 in property investment and joint venture companies. Prior to that, James held senior executive positions at GEC Australia and Grace Bros.

James is currently the Chairman of J O Hambro Capital Management Holdings Limited and Suncorp Portfolio Services Limited, and a non-executive director of Investa Wholesale Funds Management Limited and ICPF Holdings Limited. James previously served as a non-executive director of Australian Infrastructure Fund Limited (2010-2013) and Hastings Funds Management Limited (2009 - May 2016).

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



Emilio Gonzalez
BCom (Ec) CFA

Group CEO & Managing Director

Board Committees: Nil

Emilio Gonzalez is the Group's Managing Director & Chief Executive Officer. He was appointed a member of the BTIM Group's Global Executive Committee on its establishment on 1 May 2016.

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

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

Emilio is a director and chairman of BTIMFS and BTIMI and a director of BTIM UK Limited, J O Hambro Capital Management Holdings Limited and JOHCM (USA) Inc. Emilio is also a Director of The Banking and Finance Oath Limited.

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



Meredith Brooks
BA FIAA

Independent Non-executive Director

Board Committees: Chair of the Remuneration & Nominations Committee

Meredith Brooks has over 30 years' experience in the financial services industry, including extensive experience in funds management both in Australia and overseas.

Meredith held the position of Managing Director, US Institutional Investment Services at Russell Investment Management, based in New York between 2000 and 2004. Prior to that, she held a number of other senior positions at Russell Investment Management, including Managing Director, Australasia (1996-2000) and Director, European Funds (1991-1996), in London.

Meredith is currently a non-executive director of J O Hambro Capital Management Holdings Limited, General Reinsurance Australia Limited and General Reinsurance Life Australia Limited, the Chair of Critical Path Inc and a council member of Glaucoma Australia.

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

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



Andrew Fay
BAgEc (Hons) A Fin

Independent Non-executive Director

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

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

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

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

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



Kathryn Matthews
BSc BEc

Independent Non-executive Director

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

Kathryn Matthews, who is based in the United Kingdom, has 35 years' experience in the financial services industry. She has held executive positions in global asset management businesses in the UK and Hong Kong, including Chief Investment Officer, Asia Pacific ex Japan at Fidelity International based in Hong Kong and Head of Portfolio Strategies Group & Global Equities Team at Fidelity Investments in the UK. She commenced her career at Baring Asset Management, holding a broad range of roles over sixteen years, including as the Head of Institutional Business, Europe and UK.

Kathryn is currently a non-executive Director of J O Hambro Capital Management Holdings Limited as well as the following UK based companies: Rathbone Brothers, JP Morgan Chinese Investment Trust and APERAM Plc. Kathryn is also a member of the Council and Chairman of Pension Trustees for the Duchy of Lancaster, the private estate of the British sovereign, and a member of the Board of Trustees for The Nuffield Trust.

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



Deborah Page AM
BEc FCA FAICD

Independent Non-executive Director

Board Committees: Chair of the Audit & Risk Management Committee

Deborah Page is an experienced company director and Chartered Accountant. Deborah has worked exclusively as a non-executive director since 2001 across a range of industries including insurance, financial services, property, manufacturing and energy.

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

Deborah is currently a non-executive director of J O Hambro Capital Management Holdings Limited, Brickworks Limited, Service Stream Limited and GBST Holdings Limited.

Her previous listed roles include Chairman of Investa Office Fund from 2011 to 2016, non-executive director of Australian Renewable Fuels Limited from 2012 to 2015 and non-executive director of Investa Property Group from 2001 to 2007.

Directorships of other listed entities over the past three years:

Australian Renewable Fuels Limited (2012 - 2015)

Chairman, Investa Office Fund (2011 – 2016)

Group Company Secretary & Head of Corporate Governance

Joanne Hawkins
BCom LLB Grad Dip CSP FGIA GAICD

Joanne Hawkins joined BTIM in March 2017 and is responsible for Company Secretarial and Corporate Governance functions for all entities across the BTIM Group.

Joanne has extensive experience in corporate governance within the funds management industry. Joanne started her career as a solicitor at a major law firm and then held in-house and legal roles in New Zealand and Solomon Islands. Most recently Joanne held the role of Company Secretary at Perpetual Limited, which included responsibility for the Legal, Compliance and Company Secretariat functions across the Perpetual group of companies.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2017 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	A	B
James Evans	8	8	1	1	-	-
Emilio Gonzalez	8	8	-	-	-	-
Meredith Brooks	8	8	-	-	6	6
Andrew Fay	8	8	5	5	4	4
Kathryn Matthews	6	6	1	1	4	4
Deborah Page	8	8	5	5	2	2
Leslie Vance	5	5	3	3	2	2

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

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

Global Executive Committee

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

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

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



Emilio Gonzalez

BCom (Ec) CFA

Group Chief Executive Officer and Acting Group Chief Risk Officer

Refer to Directors' biographies.

Emilio is acting in the role of Group Chief Risk Officer until such time as the recruitment for the Group Chief Risk Officer is completed.



Michael Bargholz

BEC (Hons) CFA

Chief Executive Officer, BTIM Australia

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

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

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



Ken Lambden

BCom

Chief Executive Officer, JOHCM Group

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

Ken has over 30 years' investment experience across a number of asset management businesses in Australia and the UK. Ken spent over 15 years at Schroders, the latter 9 of which were as Global Head of Equities. Prior to that he was Chief Executive of Schroders Investment Management Australia. Before joining J O Hambro Capital Management, Ken was Chief Investment Officer of Baring Asset Management.



Cameron Williamson

BAcc CA

Group Chief Financial Officer

Cameron Williamson was appointed BTIM's Chief Financial Officer in February 2010, having joined BTIM in 2008. He was appointed Group Chief Financial Officer and a member of the Global Executive Committee on its establishment, on 1 May 2016.

With more than 20 years' experience in financial markets, Cameron is responsible for the BTIM Group's overall financial operations and reporting, business planning, taxation and investor relations.

Cameron is also a director of BTIMFS, BTIMI and BTIM UK Limited.

Prior to joining BTIM, Cameron held Chief Financial Officer and Company Secretary responsibilities at Clairvest Group, a mid-market private equity group in Toronto.

His previous positions also included senior finance roles with Franklin Templeton and CIBC World Markets in Toronto, UBS in the UK and KPMG in Australia.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Principal activities

The principal activity of the BTIM Group during the 2017 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 2017.

Operating and Financial Review

The Operating and Financial Review ("OFR") containing the information on the operations and financial position of the BTIM Group is set out in the Chairman's Letter, Group CEO's Report and Operating Review on pages 2 to 17 of this annual report. These pages also deal with the BTIM Group's business strategies and prospects for future financial years.

Since acquiring J O Hambro Capital Management Limited ("JOHCM") in 2011, the BTIM Group operates 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 2017 Financial Year was \$147,455,203 (2016: \$142,025,538).

The BTIM Group's cash net profit after tax (Cash NPAT)¹ for the 2017 Financial Year was \$173,050,005 (2016: \$156,049,624). The 10.9% increase on the prior year is predominantly a result of higher funds under management (FUM) and lower employee costs which has offset the impacts of lower performance fee revenue and a stronger Australian Dollar.

Reconciliation of statutory NPAT to Cash NPAT ¹	2017 \$'000	2016 \$'000
Statutory NPAT	147,455	142,026
Add back: amortisation of employee equity grants	53,672	58,125
Deduct: cash cost of ongoing equity grants	(38,842)	(49,305)
Add back: amortisation and impairment of intangibles ²	7,838	9,891
Add back/(deduct): tax effect	2,927	(4,687)
Cash NPAT	173,050	156,050

Notes:

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

Funds under management at 30 September 2017 was \$95.8 billion, an increase of 14.0% from the FUM of \$84.0 billion at 30 September 2016. The movement for the full year ended 30 September 2017 has been a result of positive market and investment performance of \$7.2 billion, net inflows of \$4.7 billion offset by currency movements which had the effect of reducing FUM by \$0.1 billion.

Dividends

The Directors have resolved to pay a final dividend of 26.0 cents (25% franked³) per share, (2016: 24.0 cents per share 35% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 30 September 2017 is \$79.8 million (2016: \$73.1 million). The Company paid an interim dividend of 19.0 cents per share (\$54.7 million) on 5 July 2017.

Equity dividends on ordinary shares	2017 \$'000	2016 \$'000
(a) Dividends declared and paid during the Financial Year		
Final 35% franked ³ dividend for the 2016 Financial Year: 24.0 cents per share (2015 Financial Year: 20.0 cents per share 40% franked)	71,365	57,206
Interim 30% franked ³ dividend for the 2017 Financial Year: 19.0 cents per share (2016 Financial Year: 18.0 cents per share 40% franked)	54,653	52,521
	126,018	109,727

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

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Equity dividends on ordinary shares		2017 \$'000	2016 \$'000
(b)	Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
	Final dividend for the 2017 Financial Year 26.0 cents (25% franked ⁴) per share (2016 Financial Year: 24.0 cents per share 35% franked)	79,761	73,140

Dividend-linked coupons on converting notes ⁵		2017 \$'000	2016 \$'000
	Coupons paid during the Financial Year		
	Final coupon for the 2016 Financial Year: Nil converting notes (2015 Financial Year: 20.0 cents per converting note (40% franked ⁴))	—	627
	Interim coupon for the 2017 Financial Year: Nil converting notes (2016 Financial Year: 18.0 cents per converting note (40% franked ⁴))	—	564
		—	1,191

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

5 Converting notes were issued on 26 October 2011 as part of the acquisition of JOHCM and were fully converted by 4 November 2016.

Significant changes in the state of affairs

On 25 May 2017, 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 29% of BTIM's issued capital to its current holding of 10%. The reduced ownership has resulted in The Westpac Group ceasing to be a related party of the BTIM Group effective 25 May 2017.

There have been no other significant changes in the state of affairs of the BTIM Group during the 2017 Financial Year.

Matters subsequent to the end of the financial year

A final dividend of 26.0 cents (25% franked⁴) per share on ordinary shares is to be paid on all ordinary shares at the record date.

Effective 31 October 2017, there are participants in the Fund Linked Equity scheme that have awards that are subject to mandatory conversion. It is expected that approximately 1.2 million shares will be issued in late November 2017 to satisfy the conversion.

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

Likely developments and expected results of operations

The OFR sets out the information on the business strategies and prospects for future financial years (refer to our Chairman's Letter, Group CEO's Report and Operating Review on pages 2 to 17 of the Annual Report accompanying this Directors' Report). Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the BTIM Group.

Environmental regulations

The operations of the BTIM Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory thereof.

The BTIM Group has not incurred any liability (including rectification costs) under any environmental legislation.

Indemnities and insurance

In accordance with the provisions of the *Corporations Act 2001*, the BTIM Group has insurance policies covering directors' and officers' liabilities. Under the terms of the policies, disclosure of the amount of cover and premiums paid is prohibited.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

INTRODUCTION TO THE 2017 REMUNERATION REPORT

The Directors are pleased to present the Remuneration Report for the year ended 30 September 2017.

Global Group Structure and KMP

Since the acquisition of J O Hambro Capital Management (JOHCM) in 2011, BTIM has transformed into a global asset management business, which is reflected in its increased scale, its global footprint and its amplified complexity. Now, over half of funds under management and approximately three quarters of profits are generated outside of Australia.

In response, BTIM has established a Global Executive Committee and with the increasing dominance of the international business and global expansion, the decision was made to have all board members become board members of the JOHCM entity.

In the 2017 Financial Year, BTIM NEDs were appointed to the board of JOHCM Holdings (JOHCMH) to support the Company's global governance framework. It should be noted that Jamie Hambro is a member of the JOHCMH Board. BTIM and JOHCMH Board and committee meetings are now conducted in an omnibus arrangement which ensures one global governing body provides oversight and governance of the Company.

The new Global Executive Committee has assumed responsibility for developing and executing the global strategy. Group Finance and the Risk functions are now managed centrally. Acknowledging the complexity of operating in multiple and often complex jurisdictions, Joanne Hawkins was appointed to the role of Group Company Secretary and Head of Corporate Governance. This role does not form part of the Global Executive Committee. It should be noted that recruitment for the Group Chief Risk Officer is currently underway and Emilio Gonzalez is acting in this role until recruitment is finalised.

The CEOs for BTIM Australia (BTIMA) and the JOHCM Group maintain operational responsibility for their respective businesses.

The new Global Executive Committee structure is shown below with further detail on key accountabilities of the Global Executive Committee.

BTIM Group Structure and Accountabilities

Global Board
James Evans (Chair), Emilio Gonzalez, Meredith Brooks, Andrew Fay, Kathryn Matthews, Deborah Page
One governing body that is responsible for overseeing activities and providing governance across all group entities relating to global strategies and structure, financial management, risk management, leadership and culture.

Global Executive Committee
Emilio Gonzalez Group Chief Executive Officer & Managing Director
Sets, executes and monitors Global Group strategy, financial and investment performance, structure, risk management, leadership and culture.

Michael Bargholz Chief Executive Officer, BTIM Australia	Ken Lambden Chief Executive Officer, JOHCM Group	Cameron Williamson Group Chief Financial Officer	Emilio Gonzalez Acting Group Chief Risk Officer
Lead BTIMA Business Strategy and input into Global Strategy	Lead JOHCM Business Strategy and input into Global Strategy	Global Finance and Reporting Strategy and Management	Group Risk Strategy
Revenue Growth and Investment Performance	Revenue Growth and Investment Performance	Capital management allocation	Oversee implementation of Global Risk Model
Brand and Client Management	Brand and Client Management	Global Treasury and Transfer Pricing	Global Risk Reporting
Leadership and Culture	Leadership and Culture	Leadership and Culture	Leadership and Culture
Risk Management	Risk Management	Investor Relations	Input into Global Strategy

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

The Remuneration Report includes remuneration information for the Company's Key Management Personnel (KMP) and insights into how fund managers, sales teams and other corporate employees are rewarded.

KEY MANAGEMENT PERSONNEL

KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the BTIM Group. The Global Executive Committee holds such authority within BTIM and are the reportable executives for the 2017 Financial Year.

From 1 October 2016 to 30 September 2017, the KMP for the BTIM Group were the Non-executive Directors of BTIM and the members of the Global Executive Committee.

Non-executive Directors during the 2017 Financial Year

Name	Position	Term as KMP
James Evans	Chairman	Full year
Meredith Brooks	Director	Full year
Andrew Fay	Director	Full year
Kathryn Matthews	Director	1 December 2016 to 30 September 2017
Deborah Page	Director	Full year
Les Vance	Director	1 October 2016 to 16 June 2017

Global Executive Committee during the 2017 Financial Year

Name	Position	Term as KMP
Emilio Gonzalez ¹	Group Chief Executive Officer	Full Year
Michael Bargholz	Chief Executive Officer, BTIM Australia	26 October 2016 to 30 September 2017
Ken Lambden	Chief Executive Officer, JOHCM Group	3 October 2016 to 30 September 2017
Gavin Rochussen ²	Group Executive, International	1 October 2016 to 17 July 2017
Cameron Williamson	Group Chief Financial Officer	Full Year

Notes:

- 1 Emilio Gonzalez continued to fulfil the responsibilities of the CEO, BTIM Australia role up until Michael Bargholz's commencement on 26 October 2016.
- 2 Gavin Rochussen continued to fulfil the responsibilities of the CEO, JOHCM Group role whilst recruitment for this role was being carried out. His appointment to Group Executive, International role took effect on 3 October 2016. Gavin resigned during the 2017 Financial Year. The accountabilities for the role of Group Executive, International have been absorbed by the Global Executive Committee.

Auditing of the Remuneration Report

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

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

REPORT STRUCTURE

The Remuneration Report is structured in the following sections:

Section	Page
A message from the Chair of the Remuneration & Nominations Committee	43
Global Remuneration Framework	44
Group CEO's Remuneration Structure	46
Fund Manager Remuneration	49
Sales Remuneration	51
Link between Remuneration Outcomes and Group Performance	52
Details of Equity Based Remuneration	55
Oversight and Governance of Remuneration	56
Group CEO and other Global Executive Committee Members' Performance Outcomes in the 2017 Financial Year	58
Global Executive Committee Members' Employment Agreements	66
Non-executive Director Remuneration	68
Director and Global Executives' Holdings	70

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

A MESSAGE FROM THE CHAIR OF THE REMUNERATION & NOMINATIONS COMMITTEE

BTIM has transformed over the past ten years to become a truly global asset management business. The establishment of the Global Group structure, including the Global Executive Committee and Global Board, is an important milestone as we develop our business to deliver sustainable growth to shareholders.

Our business model continues to rely on attracting, retaining and equitably rewarding a uniquely talented team of fund managers and finance industry professionals. Our remuneration policies are designed to strike a balance between rewarding the talent at the core of our value proposition, safeguarding the interests of our clients and delivering sustainable returns to shareholders. All of our employees, business leaders, fund managers and support staff, are prospective or current shareholders.

Our Vision is clear: to be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent. As a global investment manager, we need to have in place a reward framework that supports our business model and reinforces our vision, strategic enablers and values.

It is evident that our BTIM Global Reward Framework and policies have supported our exceptional business performance over the past five years and facilitated the attraction and retention of high calibre talent across the business. This has been achieved in a volatile economic and political environment.

As you will read further in the report, our Global Reward Framework is made up of three principles that are directly aligned to our business strategy. Firstly, remuneration is weighted towards medium and long term rewards because we want our employees to be aligned to our shareholders and have an ownership mindset. Secondly, recruiting exceptional talent relies on market benchmarking and competitive positioning, paying for skills and reflecting responsibilities. The third principle is performance accountability for delivering annual business results. This is reflected in our performance management practices and how we generate annual incentive pools. Incentive pools are directly linked to financial outcomes with due reference to risk management. The Board and Group Chief Executive Officer (Group CEO) play an active role in determining key financial and conduct expectations for the business and employees.

The 2017 Remuneration Report continues to provide shareholders with insights into our remuneration approach and extends beyond minimum legislated requirements.

The UK and Europe continues to come under significant regulatory scrutiny and our approach is to continue to monitor our remuneration and make changes where necessary to ensure compliance in the jurisdictions we operate in. To ensure our remuneration structures continue to support our business objectives, in the 2017 Financial Year, we:

- Finalised the review and adjusted the Group CEO pay structure;
- Completed the review of the NED fee structure following the implementation of the new Global Group governance structure and subsequent review of both the BTIM and JOHCM Board and Committee structure and NED participation;
- Approved conversions under the Fund Linked Equity Scheme;
- Approved the conversion of the 2013 performance share rights applicable to eligible participants including the Group CEO and other Global Executive Committee members in October 2016;
- Continued to evaluate the consequences of the introduction of the UK regulation UCITS V Directive for the Group and are well advanced in identifying various remuneration policy adjustments needed to comply; and
- Reviewing the consequences of the EU's Markets in Financial Instruments Directive (MiFID) and Senior Managers Regime.

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



Meredith Brooks

Chair of the Remuneration & Nominations Committee

Directors’ Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

GLOBAL REWARD FRAMEWORK

BTIM’s remuneration approach is directly aligned to our Corporate Vision and Strategic Drivers. The success of our reward framework is evidenced by both our business growth and ongoing performance over the past ten years and the attraction and retention track record of our investment, sales and corporate employees. Below is further detail of our framework and link to strategy. Further in the report there are illustrations of our ten year results for Total Shareholder Return (TSR) and Cash Earning Per Share (Cash EPS). It is clearly noted that over the past five years the hurdles in our Long Term Incentive Plan have directly delivered to both our shareholders and our employees at a time of ongoing industry volatility.

BTIM GROUP CORPORATE VISION	BTIM GROUP STRATEGIC DRIVERS
To be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent.	<ul style="list-style-type: none">• Global Growth and Investment Diversification• Build a sustainable business supported by strong retention• Build on existing distribution capability to continue to deliver and support growth

BTIM REWARD FRAMEWORK

A **Global Total Reward Framework** aligns our corporate vision and strategic drivers to deliver a balance between short term achievement and long term performance. Our remuneration policies are framed by three principles and weighted towards longer term rewards encouraging share ownership that aligns our employee interests to our shareholders.

Fixed Remuneration

- Set to attract exceptional talent
- Benchmarked to market and rewards individuals for the skills, attributes and accountabilities in the role and includes salary, benefits and any statutory entitlements

Considerations

- Scope of individual’s role, level of knowledge, skills and expertise
- Individual performance
- Market benchmarking
- Internal relativities

Long Term Incentive (LTI) – Performance Reward Scheme (PRS)

- Further detail to be found in pages 53-54
- On invitation basis only
- Performance share rights are issued for no consideration
- Two equally weighted hurdles measured against the S&P/ASX 200 Accumulation Index, measured over three years

Performance Conditions

- Long term targets
- Performance hurdles equally weighted between relative TSR performance and Cash EPS growth

Short Term Incentives (STI) Cash

- Board sets annual performance expectations for payment of bonuses and determines bonus pools
- Payments are funded by business performance
- Individual STI target range is determined by role

Performance Conditions

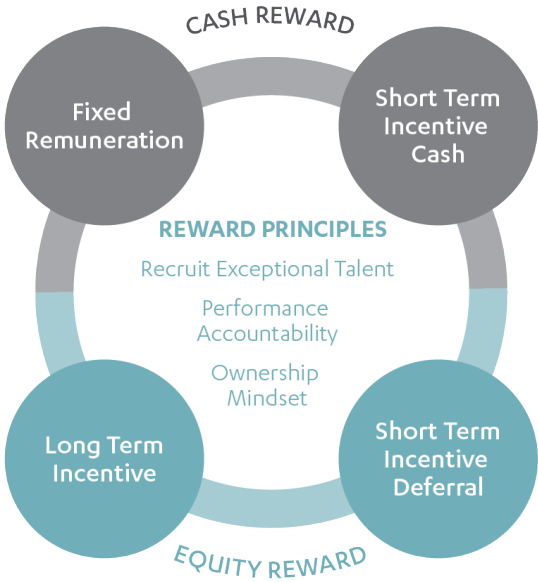
- Objectives are set to deliver annual operating plans and progress against strategy. They are clearly defined, measurable and are agreed at the beginning of the year. Measures include:
 - Group or market NPAT
 - Net FUM
 - Fund or Asset Class Performance
 - Client Retention
 - Progress against strategy
 - Risk Management
 - Leadership and Culture

Short Term Incentives Deferral

- Aligned to employee ownership and shareholder alignment. Subject to quantum up to fifty percent of the annual STI is delivered in BTIM shares with vesting periods of up to five years
- This element of reward represents a significant deferral of annual remuneration and it is designed to foster sustainable growth and sound financial, operational and risk management practices

Performance Conditions

- Time based and encourages long term decision making



Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Risk Management is a serious consideration for BTIM when determining variable remuneration outcomes. BTIM ensures that risk management is a key performance metric and aligned to variable remuneration. Sound risk management practices include:

- employees being ineligible for a variable remuneration payment if they exhibit poor risk behaviours;
- incorporating risk management performance measures in all Global Executive Committee members' scorecards;
- reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual basis;
- deferring a significant portion of variable remuneration in BTT performance share rights and restricted shares to align remuneration;
- assessing outcomes with longer term Company performance;
- an ability for the Board to adjust incentive payments downwards, if required;
- a provision for the Board to lapse variable remuneration (Share rights and Restricted shares) in certain circumstances; and
- continuous monitoring of remuneration outcomes by the Board, to ensure that results are promoting behaviours that support BTIM's long term financial position and the desired culture.

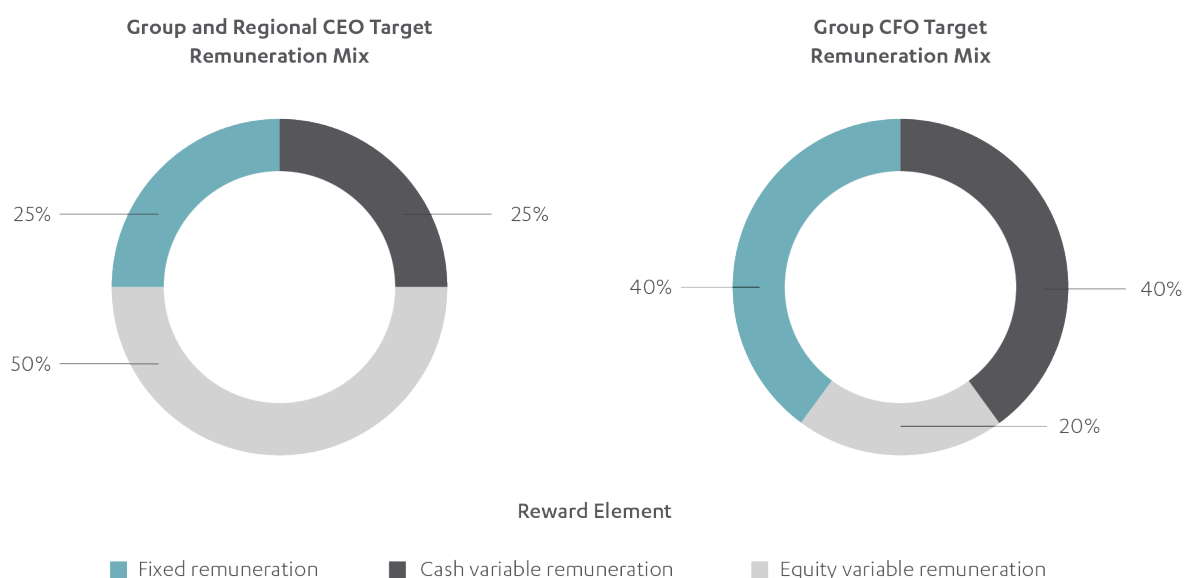
Target remuneration mix

The Remuneration & Nominations Committee sets a target remuneration mix. The elements are set referring to market benchmarking and are designed to attract and retain the calibre of executives required to drive BTIM's strategic outcomes.

Charts 1 and 2 below outline target remuneration mix. Actual variable remuneration outcomes will depend on achievement against performance measures of both short and long term incentives. The cash portion of STI awards are paid to members of the Global Executive Committee in December.

Details of the remuneration components for the 2017 Financial Year for the Global Executive Committee are included in Table 7a (i) and 7a (ii).

Charts 1 and 2: Global Executive Committee – Target Remuneration Mix



Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

GROUP CEO REMUNERATION STRUCTURE REVIEW

Following the establishment of the new Global Executive Committee, the Board further reviewed the Group CEO's remuneration structure and total reward package.

As outlined earlier in the Remuneration Report, a guiding principle in BTIM's remuneration framework is to remunerate individuals for the scope of their role, levels of skill, knowledge, expertise and accountability and to do so fairly and equitably in comparison to peers in the market. The Board concluded that the Group CEO's remit has expanded significantly enough to require external benchmarking to ensure his remuneration is competitive, yet consistent with these principles.

Comparator peer groups selected for the review were:

- 14 CEOs from similar sized ASX listed finance sector companies
- Asset Management CEOs and Senior Executives from larger ASX companies
- 9 UK based CEOs from similarly sized UK listed asset management companies

BTIM Position Against Peer Groups

BTIM is currently positioned in the Upper Quartile against the Australian ASX benchmarks for market capitalisation amongst the Australian Asset Management peers. BTIM is placed closer to the Lower Quartile against the UK market. Graph 1 illustrates both market capitalisation and share price over time.

BTIM Group CEO Pay Position Against Peer Group

The market benchmarking review noted material differences between the reward of the peer groups and the Group CEO. As reported in the 2016 Remuneration Report, the most notable difference was the substantially lower fixed remuneration. Amongst peer CEOs and other senior executives of large ASX companies, Fixed Remuneration as a percentage of Total Annual Reward ranged from an average of 32% to 42%. Prior to the adjustment, the BTIM target Fixed Remuneration for the Group CEO was 20%. Post the adjustment described below, the Group CEO's new Fixed Remuneration target is 25% of Total Annual Reward. Further, material differences remained for total annual cash remuneration at target (base pay, statutory elements and target cash short-term incentive), falling below market median of the peer groups. Consequently, the Board concluded that an adjustment to the Fixed Remuneration and retention of the same Target STI addressed both of these shortfalls.

As a matter of principle, the Board decided to make it clear that the STI needs to be earned – it has a lower limit of zero – and offers considerable upside for excellent performance. It should be noted that the target STI is paid when the CEO has met his KPIs in aggregate.

The analysis confirmed that the LTI effectively aligned reward with shareholder returns over the medium term and that it remains appropriate to keep the performance conditions consistent with those used in the LTI scheme, which covers other Corporate employees.

BTIM Historical Group CEO Reward Movements Against Share Price and Market Capitalisation

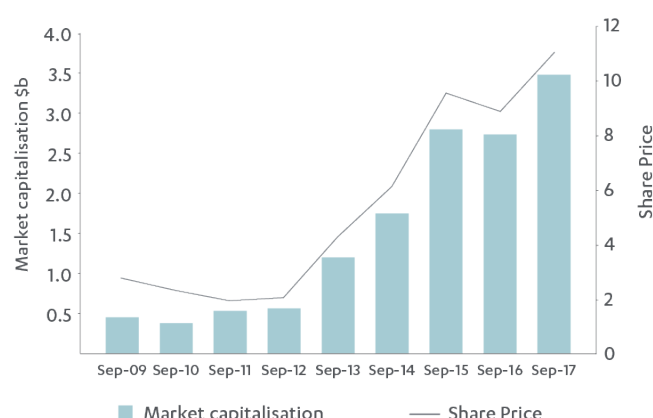
Graphs 1 and 2 below outline BTIM's Group CEO's annual total reward since he joined the organisation relative to share price growth and market capitalisation. It bears noting that BTIM did not have a LTI scheme for the Group CEO until the 2012 Financial Year, when it was introduced in response to shareholder feedback. The introduction of the Group CEO LTI required alignment with the intent of both short-term and long term incentives and with shareholder outcomes. On this basis, the STI component decreased, with the result that the Group CEO's remuneration opportunity reduced for three years until the first LTI vesting in 2014.

The Graphs illustrate strong share price and market capitalisation growth since the Group CEO's commencement with the Company. During this time, the Group has grown substantially by every measure and accordingly, the Group CEO's remit has transformed in scale and complexity and has an increasing global focus. Except for some minor adjustments to reflect Superannuation Guarantee legislation increases, the Fixed Remuneration element for the Group CEO has remained unchanged since his commencement in 2010, until 1 January this year, when it was increased as outlined in this Remuneration Report.

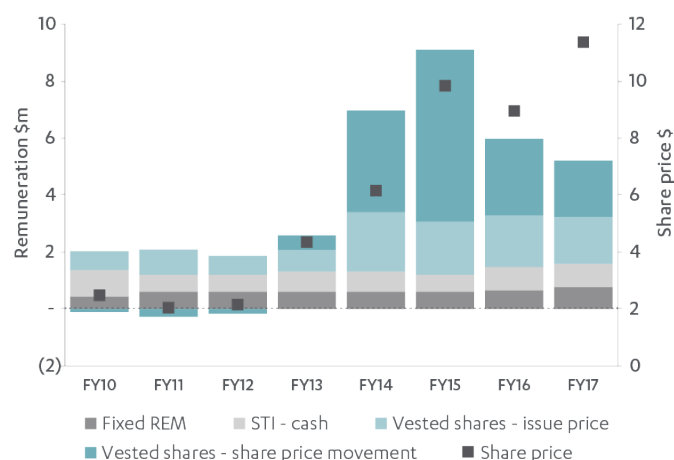
Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Graph 1: Share Price and Market Capitalisation Growth over time



Graph 2: Group CEO's Total Remuneration over time



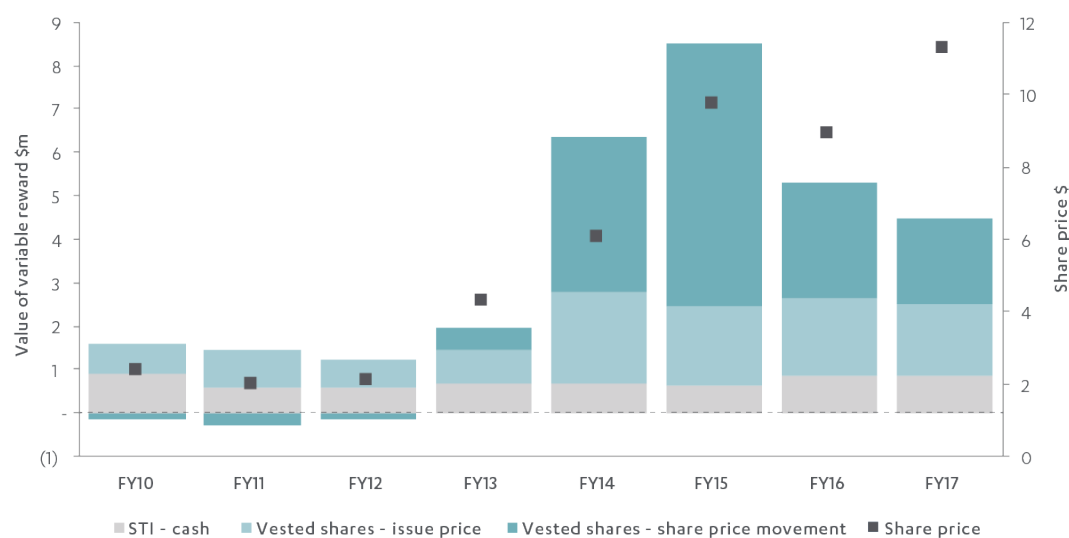
Outcomes of the Group CEO Remuneration Structure Review

The review resulted in a total increase to the Group CEO's Target Annual Reward of 6.6%. More specifically, the following remuneration components were put in place:

- Fixed Remuneration was increased to \$800,000;
- A new STI range was also introduced in 2017. Target remained unchanged at \$1.4m with a STI floor of \$0 and a maximum range of \$2.8m for performance that exceeds aggregate Key Performance Indicators; and
- LTI opportunity also remained unchanged for 2017.

The actual outcome reflects the Board's assessment against clearly specified performance indicators. Performance indicators are designed to create sustainable shareholder value and scaled to reflect profit outcomes. The Group CEO's LTI (and the component of STI deferred into equity) provides a direct link to real earnings and shareholder value creation in the medium to long term. A significant proportion of the Group CEO's variable reward is therefore impacted by increases and decreases in the share price over time as illustrated in Graph 3 below and predominately evident in the LTI component of his remuneration that has vested over the last four years.

Graph 3: Group CEO's Variable Reward Over Time



Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Table 1 outlines the Group CEO's remuneration structure for the 2017 Financial Year.

Table 1: Group 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 Group CEO's target STI opportunity is determined annually by the Board with reference to external market benchmarking. The Group CEO's target STI for the 2017 Financial Year was \$1.4m with a STI floor of \$0 and a maximum range of \$2.8m for performance that exceeds aggregate Key Performance Indicators.</p> <p>The Board has the discretion to vary the Group CEO's awarded STI outcome (up or down) with consideration to the Group's financial performance and the Group CEO's overall performance.</p> <p>The Group 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>For the 2017 Financial Year the Group CEO's Key Performance Indicators included the following and performance against these objectives has been outlined on page 58:</p> <table> <tr> <td>Financial</td><td>Cash NPAT Net FUM Base Management Fee Revenue (targets previously agreed with Board)</td></tr> <tr> <td>Global Strategy and Execution</td><td>Progress against Strategic Objectives previously approved by the Board</td></tr> <tr> <td>Global Leadership</td><td>New Global Executive team working collaboratively and effectively Material progress in global transformation of organisation</td></tr> <tr> <td>Risk Management, Investment & Operational Effectiveness</td><td>Competitive investment performance Governance Structure Operational risk management policies and procedures</td></tr> </table>	Financial	Cash NPAT Net FUM Base Management Fee Revenue (targets previously agreed with Board)	Global Strategy and Execution	Progress against Strategic Objectives previously approved by the Board	Global Leadership	New Global Executive team working collaboratively and effectively Material progress in global transformation of organisation	Risk Management, Investment & Operational Effectiveness	Competitive investment performance Governance Structure Operational risk management policies and procedures												
Financial	Cash NPAT Net FUM Base Management Fee Revenue (targets previously agreed with Board)																				
Global Strategy and Execution	Progress against Strategic Objectives previously approved by the Board																				
Global Leadership	New Global Executive team working collaboratively and effectively Material progress in global transformation of organisation																				
Risk Management, Investment & Operational Effectiveness	Competitive investment performance Governance Structure Operational risk management policies and procedures																				
LTI grant	<p>The Group CEO is granted performance share rights to BTT shares for no consideration. The Group CEO's LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. The award is subject to two equally weighted hurdles, measured over three years:</p> <ol style="list-style-type: none"> 50% subject to relative TSR performance, and 50% subject to Cash EPS growth. <p>Hurdles designed to be reasonably stable over the cycle.</p> <p>TSR performance hurdle</p> <p>The TSR portion of awards vests as follows, subject to relative performance against the constituents of 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> <tr> <td>Between the weighted median and top quartile</td><td>Straight line between 50% and 100%</td></tr> <tr> <td>At or above top quartile</td><td>100%</td></tr> </table> <p>Cash EPS performance hurdle</p> <p>The Cash EPS portion of awards vests as follows, based on compounded annual growth rate (CAGR) performance.</p> <table> <tr> <th>Cash EPS CAGR</th><th>Percentage of cash EPS-tested award to vest</th></tr> <tr> <td>Less than or equal to 5% CAGR</td><td>Nil</td></tr> <tr> <td>Above 5% CAGR</td><td>50%</td></tr> <tr> <td>Above 5% CAGR but less than 10% CAGR</td><td>Vesting occurs on a straight-line basis from 50% to 100%</td></tr> <tr> <td>At or above 10% CAGR</td><td>100%</td></tr> </table> <p>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.</p>	TSR performance	Percentage of TSR-tested award to vest	Below weighted median	Nil	At weighted median	50%	Between the weighted median and top quartile	Straight line between 50% and 100%	At or above top quartile	100%	Cash EPS 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%
TSR performance	Percentage of TSR-tested award to vest																				
Below weighted median	Nil																				
At weighted median	50%																				
Between the weighted median and top quartile	Straight line between 50% and 100%																				
At or above top quartile	100%																				
Cash EPS 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%																				

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

FUND MANAGER REMUNERATION

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

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

In Australia, variable remuneration is based on a revenue share approach. Our funds management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the CEO upon joining the Group. Our bespoke approach makes sure that the variable reward delivered to teams and 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 funds management team (e.g. performance fees) this will generally attract a greater profit share percentage. Conversely, assets which have come from the Group attract a lower profit share.

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

How Fund Managers earn equity in the business

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

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

Plan 1 – Variable reward in BTT shares

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

Plan 2 – Fund Linked Equity (FLE) Scheme

To attract new teams and reward for value creation in newly established strategies, JOHCM operates an FLE Scheme that rewards Fund Managers with BTT equity as a result of growing FUM.

The FLE Scheme has been a successful part of the JOHCM Group business model in attracting investment talent to the firm.

The FLE Scheme was introduced in the 2009 Financial Year, prior to JOHCM joining the BTIM Group. The FLE Scheme runs for seven years from product launch and participating Fund Managers have the right to partly convert the revenue generated by the investment strategy into BTT equity over time, with full conversion required by the end of the seven year period. The conversion formula takes revenue generated by the FUM linked to the strategy, applies an after-tax operating margin and then applies a multiple to determine an implied market value of the investment strategy. This capitalised value is shared between the managers and the Company and delivered to Fund Managers in the form of BTT equity. The benefit of the model for shareholders is that no equity is granted until FUM and revenue is generated by the strategy. The FLE conversions that fell due in the 2017 Financial Year have been fully converted.

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 EPS neutral provided FUM is maintained. In a scenario where FUM declines post issuance of the grant, the Cash EPS outcome may be adversely affected. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. As the BTT equity is considered to have been earned, it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

Table 2: Operation of Fund Linked Equity Scheme

	Year 0 through to Year 3	Year 3 through to 7
Funds Under Management	FUM growth over time.	Revenue from FUM raised in the investment strategy is used as the basis to determine rights to BTT equity (i.e. through the conversion ratio).
Profit Share	Fund Managers remunerated through a profit-share arrangement, based on a pre-determined percentage.	On election by Fund Managers, a proportion of profit share can be taken in the form of BTT equity (with vesting restrictions over a period of four or five years). Conversion into BTT equity reduces the Fund Manager's profit share percentage and is designed to be broadly Cash EPS neutral. Full conversion is required by the end of the seven year period.
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 the reduction in Fund Manager revenue share, Cash EPS should be broadly neutral, provided FUM is maintained.

Participation in the FLE

During the 2017 Financial Year 3,950,793 BTT shares were issued to satisfy the remaining conversion of the FLE applicable to two participating investment teams.

Post the 2017 conversions, investment strategies participating in the FLE Scheme represents FUM of \$8.4 billion as at 30 September 2017. These investment strategies have been supporting the strong growth in the business. Based on the FUM at 30 September 2017, the value of BTT equity that would be granted to participants in the FLE Scheme is approximately \$53.1m over future years. The value of BTT equity to be granted under the FLE Scheme will vary from year to year based on market movements, FUM growth, management fee margins, foreign currency, and new teams participating in the FLE Scheme.

If shares are issued to meet the delivery of the \$53.1m in BTT equity, this would equate to 4.9m newly issued shares based on a theoretical BTT share price of \$10.68 in accordance with the FLE Scheme rules. The 4.9m shares would increase the fully diluted share count by 1.6%.

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

Table 3: Investment Strategies participating in the FLE scheme

Financial years	2018	2019	2020	2021-2022
Estimated number of shares to be issued (m)	1.2	3.1	-	0.6

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

It is expected that as new investment teams and strategies are added to our business and improve our growth prospects, the program will expand. For every \$1 billion in FUM raised under the FLE Scheme, this would equate to approximately 1.2 m newly issued shares based on the 30 September 2017 BTT share price in accordance with the FLE Scheme rules.

Sourcing of equity issued to employees

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

Benefits of our Fund Manager remuneration approach in our business model

Our business model is designed to provide 'the best of both worlds' where Fund Managers operate in an environment that is investment-led with independence, where they share in economic value created, have creative independence and an absence of bureaucratic structures combined with the strengths of a significant institution that provides a strong operational platform (i.e. brand, distribution, compliance, back-office).

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

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

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

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

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

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

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

SALES REMUNERATION

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

Variable remuneration is derived from the actual sales performance of individual members of the sales teams according to an agreed formula which is based on FUM flows generating fee revenue. There is also a variable component expressed as a percentage of fixed remuneration that is determined by non-sales factors such as team cooperation, business profitability, client retention and sales support.

The formula is different for the institutional sales channels versus the retail channels (in Australia the wholesale channel, OEICS in Europe and mutual funds in the US). 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.

UK Sales remuneration is currently under review as a result of regulatory changes taking place in the UK.

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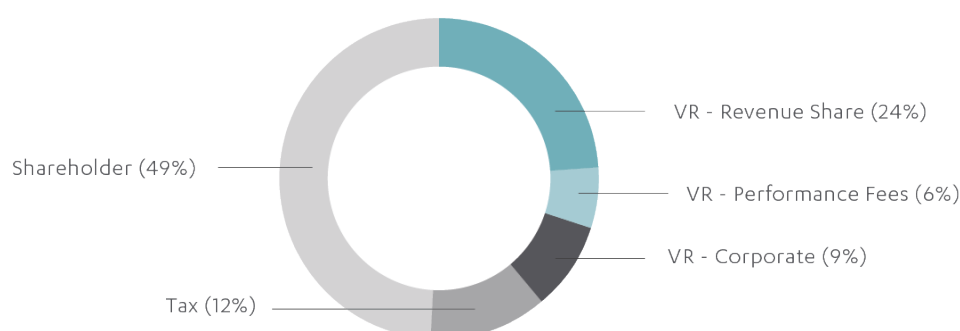
LINK BETWEEN REMUNERATION OUTCOMES AND GROUP PERFORMANCE

How the Share of Profits (Pre-tax Pre-Variable Reward) is divided

As part of BTIM Group's remuneration philosophy, our business model involves sharing profits amongst Fund Managers, generated by the efforts and skill of the funds management teams with the support of Corporate employees, and between shareholders and employees via the variable reward schemes. These schemes vary for different groups of employees to reward outcomes and behaviours appropriate to their roles and responsibilities.

The allocation of profits attributed to both Shareholders and employees is outlined in Chart 3. This is calculated 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.

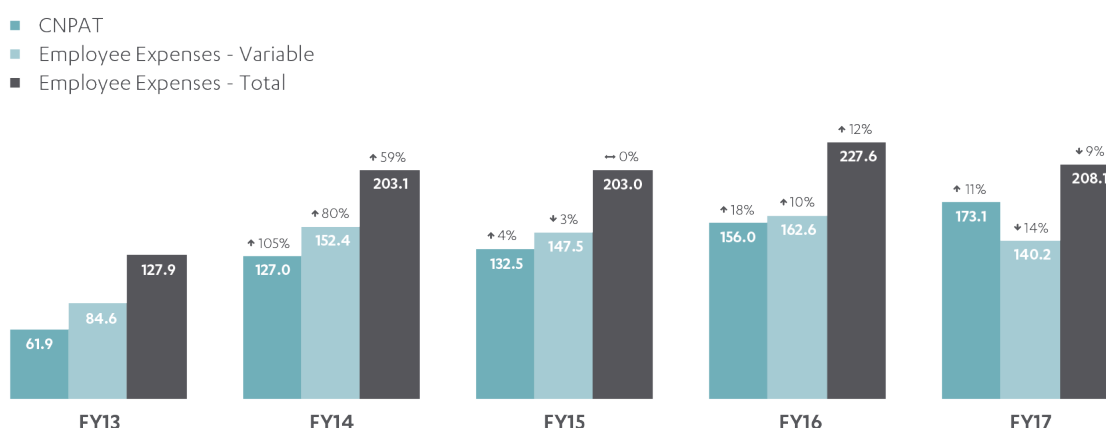
Chart 3: Actual Share of profits (pre-tax pre-variable reward)



Graph 4 demonstrates the linkage between Group performance (i.e. Cash NPAT) and overall remuneration outcomes (i.e. variable reward and total employee expenses) over the last five years.

Remuneration outcomes and Company performance is linked primarily via the contracted revenue scheme for the Fund Managers and the variable reward schemes for Corporate employees including the Group CEO and other Global Executive Committee members. 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 2017 Financial Year remuneration was impacted by FLE conversions that occurred during the year and a decrease in performance fees.

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



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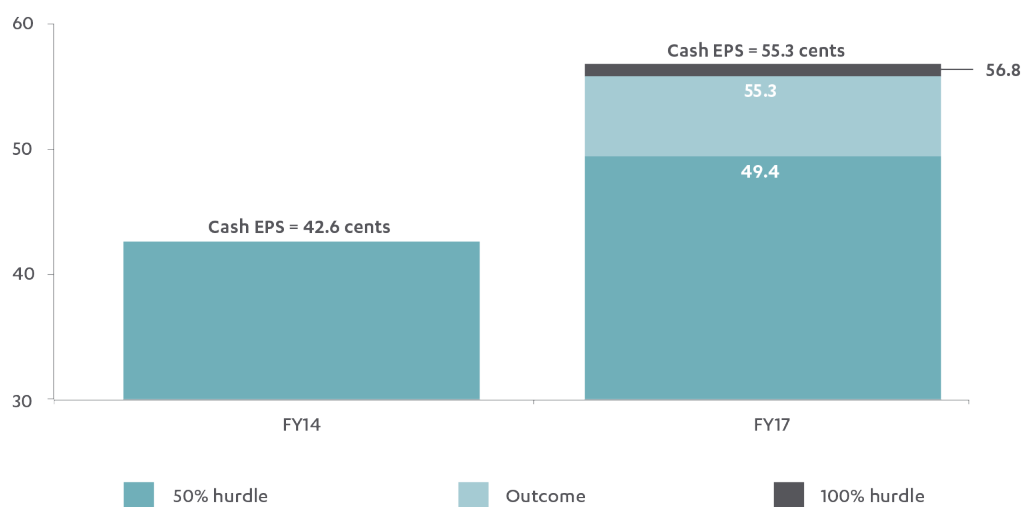
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Vesting of LTI grants

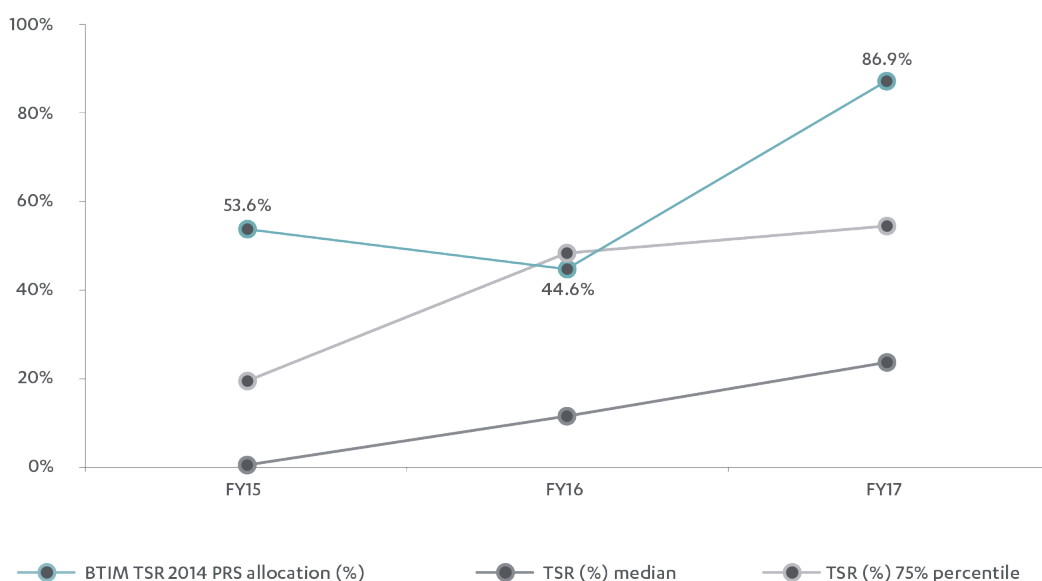
The 2014 Financial Year LTI grant to the Group CEO represents 163,829 shares on conversion (based on a face value of \$1,000,000 and share price of \$6.10 at the date of grant). LTI grants were also awarded to other Global Executive Committee members under the Performance Reward Scheme. The LTI grants were subject to two performance hurdles, TSR and Cash EPS, and is the fourth grant to mature under this PRS Scheme. Charts 5a and 5b 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 86.9% was in the top quartile of the ASX 200 comparator group and so 100% of the relative TSR portion of the award will vest.
2. **Cash EPS growth: 50% of award.** Target range of greater than 5% to 10% annual compound growth. Cash EPS over the three year performance period has been achieved at 9.037%, therefore 90.37% of the Cash EPS portion of the award will vest.

Graph 5a: Performance Reward Scheme – Cash EPS outcomes over the three year performance period



Graph 5b: Performance Reward Scheme – TSR % outcomes over each three year performance period



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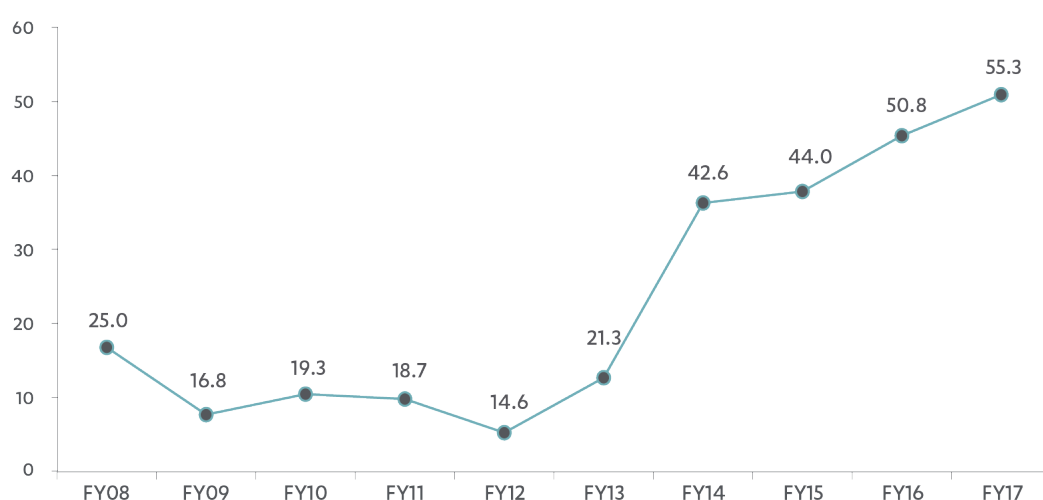
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Vesting of LTI grants and link to BTIM Performance

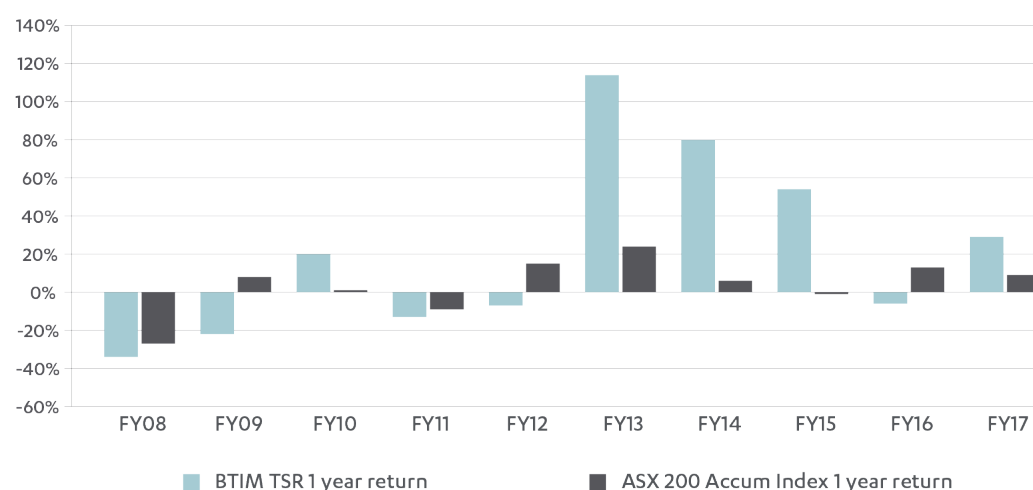
Why relative TSR and Cash EPS hurdles?

The TSR hurdle of 50-100% is aligned with common market practice to ensure an equitable reward for executives to peer executives assessed on a similar basis. The Cash EPS hurdle of 5-10% has been set by the Board's requirement that management builds a business that is sustainable through various economic cycles, irrespective of whether the markets are up or down. The Board set the 5-10% band for Cash EPS vesting by considering the evidence and expectations for reasonable long term earnings growth. The goal is to maintain a consistent hurdle across the market cycle so that the goals are very clear for management and shareholders, to be realistically achievable but not easy, and to represent a result that would produce a healthy investment for shareholders. Graphs 6a and 6b below provide a ten year historical overview of BTIM's Cash EPS and TSR relative performance against the S&P/ASX 200 Accumulation Index. As illustrated in the graphs below, the Company has recently achieved the target comfortably, but this has not always been the case. In light of the excellent recent growth of the Company, the Board continues to regard these targets as sufficiently challenging for the future.

Graph 6a: BTIM Cash EPS (cps) over time



Graph 6b: BTIM TSE and S&P/Accumulation Index over time



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DETAILS OF EQUITY BASED REMUNERATION

Details of the various equity-based reward plans are noted in Table 4a below. As at 30 September 2017, approximately 14% of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible for managing the two employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

In accordance with the disclosure requirements under Listing Rule 4.10.22, during the 2017 Financial Year, it should be noted that the Trustees of the BTIM Employee Equity Plan and the Employee Benefit Trust (for JOHCM employees) acquired a total of 4,499,154 BTT shares at an average price of \$9.47 totalling \$42.6 million. These securities were acquired to satisfy BTIM's obligations under various employee equity plans. The value of the equity award an individual employee receives is divided by the average price the equity was acquired to determine the number of shares allocated at the grant date. BTIM estimates that for the 2018 Financial Year its share requirements will be up to \$43.5 million which will be acquired via on market purchasing and employee share sales throughout the year, with the exception of the FLE shares which are issued. It should be noted that shares issued to fulfil the FLE scheme do not impact EPS and is designed to be EPS neutral, provided FUM is maintained post issuance.

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

Variable Reward Scheme/Plan	Description	Participants
BTIM Australia Corporate Variable Reward (VR) Scheme, CEO, BTIM Australia VR Plan, JOHCM Senior Staff Bonus Scheme and General Staff Bonus Scheme	<p>The four schemes are designed to reward performance specifically for senior and general employees (including the CEO, BTIM Australia and CEO, JOHCM Group) who work within the BTIM Australia and JOHCM corporate support teams and who do not participate in a revenue share arrangement. 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. Compulsory deferral into BTT equity applies to these plans.</p>	Corporate roles including Global Executives Committee members
Sales Incentive Plans	<p>The Sales Incentive Plans are designed to reward performance specifically for business development managers who work within the BTIM Australia 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. Compulsory variable reward deferral applies to these plans.</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. PRS awards vest at the end of a three-year performance period.</p> <p>Awards granted in 2014 were tested against performance at the end of the 2017 Financial Year. Vesting outcomes for 2014 PRS awards are set out in Charts 6a and 6b above.</p>	Corporate roles including the Group CEO and other Global Executive Committee members
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 2017 Financial Year, the Equity Strategies, Income & Fixed Interest and Global Equities boutiques operated under their own arrangements, as per the Boutique VR Scheme. The VR pool for each boutique is based on an agreed formula that accounts for profit share directly attributable to the boutique. Compulsory deferral into BTT equity applies to these plans.	Fund Managers
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 including a legacy plan and the FLE Scheme.</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. Fund Managers can choose not to participate in the FLE Scheme. 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

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

OVERSIGHT AND GOVERNANCE

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

In summary, the Remuneration Committees are responsible for the following functions and responsibilities:

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

During the 2017 Financial Year, the Board and Remuneration Committees actioned the following significant items in relation to remuneration arrangements as outlined in Table 5 below.

Table 5: Significant issues considered during the 2017 Financial Year

Approved conversions of various Equity schemes	Approved conversions under the FLE Scheme; and Approved the conversion of the 2013 performance share rights applicable to eligible participants including the Group CEO and other Global Executive Committee members in October 2016;
Completed the review of the Group CEO's remuneration	The review of the Group CEO's remuneration was completed and the outcome of the review has been disclosed on page 47 of this Report.
Approved remuneration of incoming executives	Approved the appointment and remuneration arrangements for the Group Company Secretary, Head of Corporate Governance and heads of new specialist investment teams.
Continued evaluation on the consequences of UCITS V, MiFID and Senior Managers Regime for the Group	The evaluation of the UCITS V Directive for the Group is well advanced in identifying the various policy adjustments needed to comply. This work is ongoing and will be completed in the 2018 Financial Year; and The impacts of MiFID and the Senior Managers Regime are currently being assessed.
Recruited UK based Director	In the 2015 Financial Year the Board identified the need for an additional Director with direct experience in the UK market and this search was successfully completed following the appointment of Kathryn Matthews to the Board earlier in the year.
Updated Board skills matrix	The Board skills matrix was reviewed and updated to reflect the cross section of skills across the Board.
Completed a review of NED fee structure	A review of the NED fee structure was completed and became effective 1 January 2017. (Refer to Review of NED fee structure on page 68).

Engagement of remuneration consultants

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

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

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

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Independent Board advice and services

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

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

Services provided to management and the Committee

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

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

The following organisations provided management with assistance on assessment of regulatory impacts as it relates to remuneration arrangements:

- Allen and Overy
- Tapestry Global Compliance Partners
- McFarlanes
- Ernst & Young (EY)

EY also provided management updates on legislative and regulatory developments in the financial services industry.

Directors' Report – Remuneration Report

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GROUP CEO AND OTHER GLOBAL EXECUTIVE COMMITTEE MEMBERS' PERFORMANCE OUTCOMES IN THE 2017 FINANCIAL YEAR

Group CEO Performance and Short Term Incentive Outcome

The Group CEO remuneration structure that applied in the 2017 Financial Year is in line with the remuneration structure as set out earlier in the report.

The 2017 Financial Year short term incentive outcome of \$1.4 million reflects the Boards assessment of the Group CEO's performance against the Key Performance Indicators including financial and non-financial measures as outlined in Table 6 below.

Table 6: Group CEO Performance Against KPIs and Remuneration Outcomes

	DESCRIPTION OF KEY PERFORMANCE INDICATORS AND PERFORMANCE			
	PERFORMANCE MEASURE	KEY PERFORMANCE INDICATORS (KPIs)	WEIGHTING	FY17 PERFORMANCE AGAINST KPIs
Short Term Incentive \$1.4 million	Financial	Cash NPAT	20%	Record profit year despite lower performance fees
		Net FUM		Strong inflows, but with some significant realised and imminent redemptions
		Base Management Fee Revenue		Solid earnings with good cost control, but assisted by non-recurring items
		(targets previously agreed with Board)		Overall above target
	Global Strategy and Execution	Progress against Strategic Objectives previously approved by the Board	30%	Expanded Investment capabilities with new hires. Global structure developing. Successful year in US, but more work to be done to build a robust long-term position Launched new investment vehicles in key markets Build out of distribution capability in progress Overall slightly behind target
	Global Leadership	New Global Executive team working collaboratively and effectively Material progress in global transformation of organisation	30%	Global Executive Committee implemented and making good progress. One hire yet to be filled Collaboration across offices developing effectively Market positioning project for global organisation underway Overall on target
	Risk Management, Investment & Operational Effectiveness	Competitive investment performance Governance Structure Operational risk management policies and procedures	20%	Long term fund performance good. Some strategies underperforming in the short term Globalised governance structure. New structure working effectively Reviewed policies and procedures to reflect new and upcoming regulatory requirements across impacted jurisdictions Current open compliance matters Overall on target

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Other Global Executive Committee Members' Performance

Each year the Group CEO, taking into account market data and the scope of the role, considers the appropriate variable reward target for each member of the Global Executive Committee. The recommendations are presented to the Remuneration & Nominations Committee who discuss and approve the remuneration package for each individual. Changes in company profitability that impact the size of the Corporate VR pool are an important determinant in each Global Executive Committee members' variable reward outcomes with non-financial factors, including risk management, also having an influence. Financial performance indicators considered include Company profitability, expense management and sales performance.

In the establishment of the Global Executive Committee in the financial year 2017, the Group CEO transitioned his responsibilities for the Australian business to the new CEO, BTIM Australia. Furthermore, he determined a set of priorities and key deliverables for the rest of the Global Executives that align with the goals of the business. The Group CEO undertakes a review with each Global Executive and conducts a formal discussion with them about their key achievements, during the performance year, and identifies areas for improvement and focus going forward. The non-financial measures that are incorporated will differ from one Global Executive to the next depending on the role but are made up of business critical objectives 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.

Once the objectives are agreed, the Group CEO meets regularly with his direct reports to assess progress and adjust or change priorities depending on the needs of the business. A more formal review of achievements and an assessment against objectives is carried out twice per year. The Group CEO reviews the performance of the Global Executive Committee members annually with the Committee.

Details of the Global Executive Committee Remuneration Outcomes

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

- Table 7a (i) and 7a (ii): Voluntary disclosure outlining remuneration awarded in the current financial year comprising fixed pay and the grant of share-based payments under short- and long term equity awards. The amounts represent the actual cash cost to the Company and are charged to Cash NPAT. The number of shares granted to each KMP is determined by the amount paid by the Company and acquired by each Group Employee Equity Trust through a combination of on market and off market purchases. The benefit shown is based on the market value of shares at the date of award and, in the case of the long term equity payments assumes the satisfaction of all performance hurdles;
- Table 7b: Voluntary disclosure outlining remuneration awarded in the current financial year, comprising fixed pay and the vested value of share-based payments under the short- and long term equity awards (i.e. the realised value of equity awards based on current performance; a "cash" table – this relates to 2017 Financial Year STI awards and LTI awards granted in 2014). This table highlights equity forfeited by Gavin Rochussen on date of separation as a result of his resignation. It should be noted that Gavin was not awarded any payments following resignation; and
- Table 7c: Mandatory disclosure of statutory remuneration including the amortised value (in accordance with AASB2) of share-based payments under the short- and long term equity awards for the current financial year. This table highlights equity forfeited by Gavin Rochussen on date of separation as a result of his resignation. It should be noted that Gavin was not awarded any payments following resignation.

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Table 7a (i): Voluntary disclosure of awarded remuneration for Global Executive Committee in the 2017 and 2016 Financial Years, based on the grant value of long term equity payments

Employment benefits									
SHORT TERM							LONG TERM SHARE-BASED PAYMENTS		
FY	Salary & fees \$	Super- annuation benefits \$	Total fixed remuneration ^{4&5} \$	Cash component of VR ¹ \$	Non-monetary benefits ³ \$	Long term equity payments ⁶ \$	Other ⁷ \$	Total \$	
KMP									
Emilio Gonzalez ²	17	718,491	32,500	750,991	700,000	12,502	1,000,000	137,954	2,601,447
	16	592,300	35,000	627,300	850,000	12,983	1,000,000	241,311	2,731,594
Michael Bargholz	17	490,962	20,962	511,924	300,000	-	600,000	970,000	2,381,924
	16	-	-	-	-	-	-	-	-
Ken Lambden	17	549,817	-	549,817	769,743	9,628	1,166,278	-	2,495,466
	16	-	-	-	-	-	-	-	-
Gavin Rochussen ³	17	462,026	-	462,026	-	12,544	-	-	474,570
	16	672,384	-	672,384	954,980	15,425	-	-	1,642,789
Cameron Williamson	17	403,104	28,750	431,854	280,040	-	175,000	20,693	907,587
	16	403,480	30,000	433,480	220,020	-	175,000	24,131	852,631
Total Global Executive Committee Remuneration	17	2,624,400	82,212	2,706,612	2,049,783	34,674	2,941,278	1,128,647	8,860,994
	16	1,668,164	65,000	1,733,164	2,025,000	28,408	1,175,000	265,442	5,227,014

Notes to Table 7a (i):

- The cash component of VR represents the award for performance during the 2017 Financial Year and will be paid in December 2017. These projected amounts were determined on 26 September 2017 and 3 November 2017, after performance reviews were completed, and approved by the Board. It should be noted there may be changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- The non-monetary benefits for Emilio Gonzalez include salary sacrifice benefits which are accessible by all employees and may include but are not limited to car parking, novated leases and/or computers etc.
- The non-monetary benefits provided to Ken Lambden and Gavin Rochussen include healthcare coverage, life cover and long term disability cover.
- Ken Lambden and Gavin Rochussen are remunerated in Pounds Sterling. An average exchange rate of 0.6002 for 2017 (2016:0.5131) has been applied to convert their remuneration to Australian dollars. Ken's remuneration package consists of a fixed remuneration component of £330,000 and Gavin's remuneration package consists of a fixed remuneration package of £350,000 and awards under equity schemes; namely the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.
- It should be noted that Gavin Rochussen's total fixed remuneration represents a pro-rata amount from 1 October 2016 to his date of separation on 17 July 2017. The total fixed remuneration for both Michael Bargholz and Ken Lambden have been pro-rated to reflect their respective start dates.
- All LTI awards granted to Senior Executives are subject to performance hurdles. The amounts shown in Table 7a (i) represent the face value of the grants at time of allocation. Actual outcomes may differ materially from the values shown, depending on the extent to which the relevant performance hurdles are met and the BTT share price at the time of vesting.
- Other payment for Emilio Gonzalez and Cameron Williamson represents the dividend equivalent payment made in relation to the 2012 and 2013 performance share rights that vested in October 2015 and 2016. Other payments for Michael Bargholz represent a combination of cash and equity make-good payments paid following commencement.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Table 7a (ii): Voluntary disclosure of Short Term Equity Payments awarded to the Global Executive Committee in the 2017 and 2016 Financial Years

KMP	FY	Cost of Short Term Equity Payments ^{1&2} (\$)	Closing share price at 30 September 2017 ³ (\$)	Allocation price for FY16 Short term equity Awards ⁴ (\$)	Estimated Number of shares ⁵ (#)	Estimated Value of award at 30 September 2017 (\$)
Emilio Gonzalez	17	700,000	11.05		63,348	699,995
	16	850,000		10.40	81,714	902,939
Michael Bargholz	17	840,000	11.05		84,143	929,780
	16	-			-	-
Ken Lambden	17	329,890	11.05		29,854	329,887
	16	-			-	-
Gavin Rochussen	16	409,277		10.28	39,817	439,977
Cameron Williamson	17	119,960	11.05		10,856	119,959
	16	79,980		10.40	7,688	84,952
Total	17	1,989,850	11.05		188,201	2,079,621
	16	1,339,257			129,219	1,427,868

Notes to Table 7a (ii):

- Equity-based remuneration in table 7a (ii) represents the actual short term equity awarded for performance for the 2017 Financial Year. These projected amounts were determined on 26 September 2017 and 3 November 2017, after performance reviews were completed, and approved by the Board. It should be noted there may be immaterial changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- The equity-based remuneration for Michael Bargholz also includes an equity award of \$540,000 as part of his contracted arrangements upon commencement.
- The closing share price for 30 September 2017 of \$11.05 has been used to illustrate the value of awards within this table.
- Allocation price for the 2017 Financial Year STI equity awards will be finalised closer to the 8 December 2017 allocation date.
- It should be noted that the actual number of shares allocated for the 2017 Financial Year award will be determined closer to the allocation date on 8 December 2017.

Table 7b: Voluntary disclosure of awarded remuneration for the Global Executive Committee in the 2017 Financial Year based on the value of vested short term and long term equity payments

EMPLOYMENT BENEFITS												
FY	SHORT TERM						SHARE-BASED PAYMENTS					Total \$
	Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration ⁴ \$	Cash component of VR ¹ \$	Non-Monetary benefits ⁵ \$	Long Service Leave ⁶ \$	STI equity payments ^{2a&b,3} \$	LTI equity payments ⁷ \$	Equity forfeited ⁸ \$	Other ⁹ \$		
KMP												
Emilio Gonzalez	17	718,491	32,500	750,991	700,000	12,502	24,580	1,823,950	1,722,118	-	137,954	5,172,095
Michael Bargholz	17	490,962	20,962	511,924	300,000	-	5,719	258,385	-	-	970,000	2,046,028
Ken Lambden	17	549,817	-	549,817	769,743	9,628	-	-	-	-	-	1,329,188
Gavin Rochussen	17	462,026	-	462,026	-	12,544	-	-	-	(22,076,217)	-	(21,601,647)
Cameron Williamson	17	403,104	28,750	431,854	280,040	-	4,935	241,786	301,370	-	20,693	1,280,678
Total Global Executive Committee Remuneration	17	2,624,400	82,212	2,706,612	2,049,783	34,674	35,234	2,324,121	2,023,488	(22,076,217)	1,128,647	(11,773,658)

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Table 7c: Mandatory disclosure of statutory remuneration for the Global Executive Committee in the 2017 and 2016 Financial Years

	FY	SHORT TERM					LONG TERM					Total \$
		Salary & fees \$	Super-annuation benefits \$	Total fixed remuneration ⁴ \$	Cash component of VR ¹ \$	Non-monetary benefit ⁵ \$	Long service leave ⁶ \$	STI Equity payments ^{2a&b,3} \$	LTI Equity payments ⁷ \$	Equity Forfeited ⁸ \$	Other ⁹ \$	
Emilio Gonzalez	17	718,491	32,500	750,991	700,000	12,502	24,580	1,038,503	809,533	-	137,954	3,474,063
	16	592,300	35,000	627,300	850,000	12,983	1,821	1,016,325	801,370	-	241,311	3,551,110
Michael Bargholz	17	490,962	20,962	511,924	300,000	-	5,719	575,950	163,557	-	970,000	2,527,150
	16	-	-	-	-	-	-	-	-	-	-	-
Ken Lambden	17	549,817	-	549,817	769,743	9,628	-	156,273	324,630	-	-	1,810,091
	16	-	-	-	-	-	-	-	-	-	-	-
Gavin Rochussen	17	462,026	-	462,026	-	12,544	-	-	-	(7,274,060)	-	(6,799,490)
	16	672,384	-	672,384	954,980	15,425	-	474,761	3,586,843	-	-	5,704,393
Cameron Williamson	17	403,104	28,750	431,854	280,040	-	4,935	139,952	141,664	-	20,693	1,019,138
	16	403,480	30,000	433,480	220,020	-	5,126	154,989	133,626	-	24,131	971,372
Total Global Executive Committee Remuneration	17	2,624,400	82,212	2,706,612	2,049,783	34,674	35,234	1,910,678	1,439,384	(7,274,060)	1,128,647	2,030,952
	16	1,668,164	65,000	1,733,164	2,025,000	28,408	6,947	1,646,075	4,521,839	-	265,442	10,226,875

Notes to Table 7b and 7c:

- The cash component of VR represents the award for performance during the 2017 Financial Year and will be paid in December 2017. These projected amounts were determined on 26 September 2017 and 3 November 2017, after performance reviews were completed, and approved by the Board. It should be noted there may be changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- Equity-based remuneration in Tables 7b and 7c are represented differently and as follows:
 - In Table 7b the equity awards that vested on 1 October 2017 have been treated as vesting in the 2017 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2017, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
 - In Table 7c equity-based remuneration represents the amortisation of 'fair value' at grant over the vesting period of all grants allocated up to the year ended 30 September 2017, and does not represent the vested portions of the grant (refer to Table 9). 'Fair value' is determined as required by accounting standards as 'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged'. Accounting standards set out specific requirements in relation to the calculation of fair value of equity-based remuneration. BTIM complies with all relevant requirements.
- The equity component of the VR outcome for KMPs for the 2017 Financial Year is not included in Tables 7b and 7c as the equity was not granted in the 2017 Financial Year and will be reported in the 2018 Financial Year. Table 9 includes equity that vested on 1 October 2017.
- Ken Lambden and Gavin Rochussen are remunerated in Pounds Sterling. An average exchange rate of 0.6002 for 2017 (2016:0.5131) has been applied to convert their remuneration to Australian dollars. Ken's remuneration package consists of a fixed remuneration component of £330,000 and Gavin's remuneration package consists of a fixed remuneration package of £350,000 and awards under equity schemes; namely the Senior Staff Bonus Scheme, CEO Award, Senior Management Award and the CEO Performance Award.
- The non-monetary benefit for Emilio Gonzalez is a salary sacrifice benefit which is accessible to all employees and includes but is not limited to car parking, novated leases and/or computers, etc. The non-monetary benefits provided to Ken Lambden and Gavin Rochussen includes healthcare coverage, life cover and long term disability cover.
- Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued during the 2017 Financial Year in accordance with actuarial-based valuation methodologies.
- Long term equity payments in Tables 7b and 7c are represented differently and as follows:
 - In Table 7b the LTI equity that vested on 1 October 2017 has been treated as vesting in the 2017 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2017, multiplied by the five day volume weighted average price of BTT Ordinary shares at the time they vested.
 - In Table 7c the LTI equity has been valued independently by Orient Capital using Binomial/Monte-Carlo simulation models which take into account the performance hurdles relevant to the issue of those equity instruments. The share-based payment remuneration in relation to the LTI equity is the amount expensed in the financial statements for the year and includes adjustments to reflect the expectation as at 30 September 2017 of the likely level of vesting of LTI grants with non-market hurdles. For grants with non-market conditions including EPS hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed is adjusted accordingly. For grants with market conditions such as TSR, the number of shares expected to vest is included in the estimated fair value of securities at grant date in accordance with AASB2, and is not adjusted during the life of the grant. The accounting treatment of non-market and market conditions is in accordance with Accounting Standards.
- Gavin Rochussen forfeited equity following his resignation and subsequent separation on 17 July 2017.
- Other payment for Emilio Gonzalez and Cameron Williamson represents the dividend equivalent payment made in relation to the 2012 and 2013 performance share rights that vested in October 2015 and 2016. Other payments for Michael Bargholz represent a combination of cash and equity make-good payments paid following commencement.

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Table 8 illustrates the relative proportions of fixed, cash VR and equity remuneration in the relevant financial year (calculated based on statutory accounting disclosures; i.e. Table 7c) as a percentage of total remuneration. Table 8 differs to Charts 1 and 2 on page 45 which are based on the target equity-based remuneration.

Table 8: 2017 and 2016 Financial Years fixed and variable remuneration as a proportion of total remuneration

	FIXED REMUNERATION AS A PERCENTAGE OF TOTAL REMUNERATION ¹		CASH VR AS A PERCENTAGE OF TOTAL REMUNERATION		EQUITY AS A PERCENTAGE OF TOTAL REMUNERATION ²	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Global Executive Committee						
Emilio Gonzalez	23	18	20	24	57	58
Michael Bargholz	20	n/a	12	n/a	68	n/a
Ken Lambden	31	n/a	42	n/a	27	n/a
Gavin Rochussen	100	12	n/a	17	n/a	71
Cameron Williamson	43	45	27	23	30	32

Notes to Table 8:

- 1 Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.
- 2 The equity component represented in this table includes the equity-based remuneration awarded for the 2017 and 2016 Financial Years and long term incentives.

Share based-payments

Details of the shares in BTIM granted as compensation to the Group CEO and other Global Executive Committee members under the Employee Equity Plan during the reporting period are set out below.

Table 9: Group CEO and other Global Executive Committee members short term equity allocations

	Date of grant	Number of shares granted (#)	Value of award at grant (\$ per award)	Number of shares vested ¹ 1 Oct 2017	Proportion of award vested (%)	Proportion of award forfeited (%)
Group CEO						
Emilio Gonzalez	6-Dec-12	301,265	2.20	60,253	100	-
	5-Dec-13	214,822	4.86	42,964	80	-
	4-Dec-14	133,328	6.78	26,666	60	-
	3-Dec-15	94,638	13.01	18,926	40	-
	8-Dec-16	81,714	10.82	16,343	20	-
Other Global Executive Committee Members						
Michael Bargholz	23-Nov-16	56,994	11.30	23,396	41	-
Ken Lambden	N/A					
Gavin Rochussen	6-Dec-12	61,407	2.20	-	80	20
	5-Dec-13	105,979	4.86	-	60	40
	4-Dec-14	59,585	6.78	-	40	60
	3-Dec-15	49,636	13.01	-	20	80
	8-Dec-16	39,815	10.82	-	-	100
Cameron Williamson	6-Dec-12	31,375	2.20	6,275	100	-
	5-Dec-13	32,919	4.86	6,584	80	-
	4-Dec-14	22,030	6.78	4,406	60	-
	3-Dec-15	15,457	13.01	3,093	40	-
	8-Dec-16	7,688	10.82	1,538	20	-

Notes to Table 9:

- 1 The shares allocated for deferred VR, sign on and retention vest over five years with vesting dates of 1 October each year in most cases.

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The Group's remuneration outcomes also focus on driving performance and creating shareholder alignment in the longer term. We do this by providing our Global Executive Committee members with LTI awards in the form of performance share rights and performance shares with three and five year vesting periods. Table 10 below provides an overview of the Group CEO and other Global Executives' current LTI awards which have not yet vested.

Table 10 – Group CEO and other Global Executive Committee members long term incentive awards

FY17	Commencement of Test Period for Grant ³	Award vehicle ²	Award granted	Value of award at grant TSR Hurdle ¹ \$	Value of award at grant Non TSR Hurdle ¹ \$	Date of vesting	Vested during the year	Lapsed during the year	Balance as at 01 Oct 2017
Emilio Gonzalez	1-Oct-14	Performance Share Rights	163,829	3.68	6.05	1-Oct-17	155,932	7,897	-
	1-Oct-15	Performance Share Rights	103,997	5.92	9.73	1-Oct-18	-	-	103,997
	1-Oct-16	Performance Share Rights	111,873	5.68	8.94	1-Oct-19	-	-	111,873
Michael Bargholz	1-Oct-16	Performance Share Rights	67,123	5.68	8.94	1-Oct-19	-	-	67,123
Ken Lambden	1-Oct-16	Performance Share Rights	133,227	5.68	8.94	1-Oct-19	-	-	133,227
Gavin Rochussen ⁴	1-Oct-13	Performance Shares	922,154	n/a	6.13	1-Oct-17	-	922,154	-
	1-Oct-13	Performance Shares	204,923	n/a	6.13	1-Oct-18	-	204,923	-
	1-Oct-13	Performance Shares	717,230	n/a	6.13	1-Oct-19	-	717,230	-
Cameron Williamson	1-Oct-14	Performance Share Rights	28,670	3.68	6.05	1-Oct-17	27,288	1,382	-
	1-Oct-15	Performance Share Rights	18,199	5.92	9.73	1-Oct-18	-	-	18,199
	1-Oct-16	Performance Share Rights	19,577	5.68	8.94	1-Oct-19	-	-	19,577

Notes to Table 10:

- Table 10 outlines the fair value of the performance share rights which has been based on Australian Accounting Standards and has been independently calculated using Binomial/Monte-Carlo simulation models. For further details on the fair value methodology, refer to Note D2 within the financial statements.
- The LTIs are subject to performance hurdles which are tested at the end of three years for performance shares.
- The performance share rights allocated to the Global CEO and other Global Group Executives with a test period commencement date of 1 October 2014 have met performance hurdles on a partial basis and are treated as having partially vested in this table.
- Gavin Rochussen's performance shares have been included in this table for completeness but were forfeited following separation of employment.

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Table 11 below outlines VR deferred to equity that has been awarded to the Group CEO and other Global Executive Committee members with an associated vesting schedule for the 2017 Financial Year. The shares vest over a period of up to five years, provided the vesting conditions are met. No shares will vest if the vesting conditions are not satisfied and the minimum value of the shares yet to vest is nil. The maximum value of the shares yet to vest has been determined as the market value of the shares at grant as reflected in the table below.

Table 11: Equity components of variable remuneration

GlobalExecutive Committee	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}				
				FY18 \$	FY19 \$	FY20 \$	FY21 \$	FY22 onwards \$
Emilio Gonzalez	13	662,783	Nil	132,557	-	-	-	-
	14	1,044,035	Nil	208,805	208,805	-	-	-
	15	903,964	Nil	180,789	180,789	180,789	-	-
	15	797,028	Nil	797,028	-	-	-	-
	16	1,231,240	Nil	246,253	246,253	246,253	246,253	-
	16	813,778	Nil	-	813,778	-	-	-
	17	884,145	Nil	176,831	176,831	176,831	176,831	176,820
	17	817,793	Nil	-	-	817,793	-	-
Michael Bargholz	17	644,032	Nil	264,375	264,375	115,283	-	-
	17	490,671	Nil	-	-	490,671	-	-
Ken Lambden	17	973,891	Nil	-	-	973,891	-	-
Cameron Williamson	13	69,025	Nil	13,805	-	-	-	-
	14	159,986	Nil	31,993	31,993	-	-	-
	15	149,363	Nil	29,873	29,873	29,873	-	-
	15	139,480	Nil	139,480	-	-	-	-
	16	201,096	Nil	40,214	40,214	40,214	40,214	-
	16	142,405	Nil	-	142,405	-	-	-
	17	83,184	Nil	16,641	16,641	16,641	16,641	16,620
	17	143,106	Nil	-	-	143,106	-	-

Notes to Table 11:

- 1 The equity grants comprise shares and performance share rights. The equity grants issued vest over three or five years with vesting dates of 1 October each year in most cases.
- 2 The vesting schedule for a component of the VR equity for the Group CEO and other Global Group 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.

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GLOBAL EXECUTIVE COMMITTEE MEMBERS' EMPLOYMENT AGREEMENTS

Remuneration and other terms of employment for the Group CEO and other Global Executive Committee members are also formalised in employment agreements. Each of these agreements takes into consideration the provision of fixed remuneration (which is reviewed annually), performance-based cash incentives, other benefits, and participation, when eligible, in relevant equity-based plans. The employment agreements for the Group CEO and other Global Executive Committee members are currently open-ended, permanent, full time, common law employment agreements.

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

Table 12: Summary of notice periods

Name	Notice period
Emilio Gonzalez	6 months
Michael Bargholz	6 months
Ken Lambden	6 months
Gavin Rochussen	6 months
Cameron Williamson	3 months

Table 13: Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez	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 (Termination Date); • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; • 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.
	Michael Bargholz	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 up to the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants or Make Good Equity Grant, will be released in accordance with the Equity Plan Rules; • any portion of any Equity Grant that has not vested as at the Termination Date will be treated in accordance with the Equity Plan Rules or PRS (as the case may be) unless the Board determines otherwise in its absolute discretion; and • any variable reward, whether in respect of the Financial Year in which the Notice Date or the Termination Date occurs or any prior Financial Year will be determined by the Company and or Board in its absolute discretion (and may be determined by the Company and or Board to be nil).
	Ken Lambden	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 base salary as at the Termination Date; • any accrued but unused holiday and cost to the Company of providing company benefits as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; • any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; and • any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Group CEO and Board at its discretion.
	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 variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; • if employment ceases on the grounds of redundancy, ill-health/disability or death, the BTT equity subject to an LTI award, which has not reached the vesting dates, will be subject to Board approval; 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.
	Cameron Williamson	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;

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Term	Who	Conditions
		<ul style="list-style-type: none"> • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; • any payment of 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; 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.
Termination for cause	Emilio Gonzalez	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; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Michael Bargholz	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 long service leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Ken Lambden	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 base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; • any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; and • no entitlement to any variable reward 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 Termination Date; 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.
	Cameron Williamson	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 long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; 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.

Post-employment restraint

Employment agreements for the Group CEO and other Global Executive Committee members include a post-employment restraint clause which provides that for a period of six months, with the exception of Cameron Williamson, Group CFO who has three months. After cessation of employment, there is a prohibition during that period on soliciting employees or clients of the Company.

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NON-EXECUTIVE DIRECTOR REMUNERATION

NED Fees

The total NED fee pool for the 2017 Financial Year was \$1.6 million, which was approved by shareholders at the 2015 AGM.

NEDs are paid a fixed fee for their service on the Board. NEDs (with the exception of the Chairman of the Board) also receive additional fees for their service on the Board's committees. In addition to these fixed fees, NEDs receive superannuation contributions that are made in accordance with legislative requirements. NEDs do not receive performance-based remuneration and are not eligible to participate in any BTIM Group share plan or other incentive arrangements.

A summary of the fees payable to NEDs during the 2017 Financial Year are set out in Table 14 below.

Table 14: Non-executive director fees

BTIM Global Board fees	Fee policy (A\$'000s)	Fee Policy (GBP£'000s)
Board Chairman	400	
Other Non-executive Directors	160	110

BTIM Board Committee fees	Fee policy (\$'000s)	
Audit & Risk Management Committee – Chairman	40	
Audit & Risk Management Committee – Member	20	15
Remuneration & Nominations Committee – Chair	40	
Remuneration & Nominations Committee – Member	20	15

Note new fees were effective 1 January 2017.

NED Remuneration in the 2017 Financial Year

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

NED Annual Fee Pool

At the AGM on 8 December 2015, shareholders approved the current aggregate NED fee pool of \$1.6 million. For the 2017 Financial Year, \$1,164,982 (73%) of the annual fee pool was used.

Review of NED fee structure

As previously highlighted in the 2016 Annual Report, in October 2016 the Company commenced the process of aligning and simplifying the corporate governance of the Group across its multiple jurisdictions to one governing Board. This was in response to the materiality of Group earnings outside Australia and the need for increased focus, visibility and insight into a global business with increased complexity. Consequently, all the BTIM NEDs were appointed to the board of JOHCMH, and Board and Committee meetings have been conducted in an omnibus arrangement, which was determined to be a more efficient and cost effective model compared to employing a number of additional NEDs to cover the various Boards and Committees. Most importantly, having one global governing body ensures consistent application of decision making, a common set of values, and maximising diversification of skills and expertise. The change to the omnibus structure has involved considerable increases in time and travel commitments for each NED to attend related board meetings.

Effective 1 January 2017, individual NED fees have been adjusted to reflect the increased time and travel commitment of serving on both Boards (and respective committees). Fees were adjusted on the basis of detailed comparisons with peer organisations both in Australia and the UK. These fees are captured as part of the NED annual fee pool.

Retirement allowances

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

NED Director shareholdings

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

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

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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.

Remuneration for NEDs

The fees paid to NEDs in the 2017 and 2016 Financial Years are shown in Table 15.

Table 15: 2017 & 2016 Financial Year Non-executive director remuneration

2017 Financial Year	Notes	Fees ¹ \$	Superannuation \$	Total \$
Non-Executive directors				
James Evans	2017	366,858	19,657	386,515
	2016	282,586	20,056	302,642
Meredith Brooks	2017	181,533	15,893	197,426
	2016	134,483	12,776	147,259
Andrew Fay ²	2017	201,763	19,014	220,777
	2016	217,242	20,056	237,298
Kathryn Matthews ³	2017	161,355	-	161,355
	2016	-	-	-
Deborah Page	2017	182,797	16,112	198,909
	2016	139,655	13,267	152,922
Les Vance ⁴	2017	-	-	-
	2016	-	-	-
Total	2017	1,094,306	70,676	1,164,982
	2016	773,966	66,155	840,121

Notes to Table 15:

- 1 The revised Director fees took effect from 1 January 2017 and therefore the previous fees were applied for three months and new fees for nine months of the 2017 Financial Year.
- 2 The fee for Andy Fay includes an additional pro-rata fee of \$70,000 paid in relation to his service as a NED and Chairman of the Audit & Risk Committee of JOHCMH that applied prior to the omnibus structure being implemented.
- 3 Kathryn Matthews commenced her term on 1 December 2016 and therefore her fees represent a pro-rata portion of her annual fees.
- 4 Les Vance did not receive additional remuneration as a NED of BTIM.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

DIRECTOR AND GLOBAL EXECUTIVES' HOLDINGS

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

Table 16: Director and Global Executives' holdings

IN THE 2017 FINANCIAL YEAR:						
	Type of holding	Equity held at 1 October 2016	Number of securities acquired	Number of securities granted as remuneration	Net change other ¹	Equity held at 30 September 2017
Non-executive Directors						
James Evans	Ordinary	32,218	5,000	-	-	37,218
Meredith Brooks	Ordinary	14,533	5,763	-	-	20,296
Andrew Fay	Ordinary	33,609	-	-	-	33,609
Kathryn Matthews	Ordinary	-	5,000	-	-	5,000
Deborah Page	Ordinary	19,586	1,415	-	-	21,001
Les Vance	Ordinary	-	2,803	-	(2,803)	-
Total for Non-executive Directors		99,946	19,981	-	(2,803)	117,124
Global Executive Committee						
Emilio Gonzalez	Ordinary	1,993,692	228,618	81,714	(970,179)	1,333,845
	Performance share rights	496,444	-	111,873	(228,618)	379,699
Michael Bargholz	Ordinary	-	-	56,994	-	56,994
	Performance share rights	-	-	67,123	-	67,123
Ken Lambden	Ordinary	-	-	-	-	-
	Performance share rights	-	-	133,227	-	133,227
Cameron Williamson	Ordinary	182,481	34,292	7,688	(55,017)	169,444
	Performance share rights	81,161	-	19,577	(34,292)	66,446
Gavin Rochussen	Ordinary	195,524	-	39,815	(235,339)	-
	Converting Notes	968,728	-	-	(968,728)	-
	Performance shares	2,049,230	-	-	(2,049,230)	-
Total for Global Executive Committee		5,967,260	262,910	518,011	(4,541,403)	2,206,778

Notes to Table 16:

¹ Net Change Other relate to the conversion of performance share rights to ordinary shares, sale of shares, shares forfeited and change of Director during the year.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Rounding of amounts

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

Loans to Directors and Senior Executives

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

2017 Corporate Governance Statement

BTIM's 2017 Corporate Governance Statement can be viewed on BTIM's website at www.btim.com.au/about/corporate-governance/.

Auditors

Non-audit services

The Company may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the BTIM Group are important.

Details of the amounts paid or payable to the external auditor, PricewaterhouseCoopers (PwC), for non-audit services provided during the year are set out below.

The Directors 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 2017 Financial Year the following fees were paid or payable for non-audit services provided by the BTIM Group's auditor, and its related practices:

	2017 \$	2016 \$
Other assurance services		
PricewaterhouseCoopers – Australia	14,000	22,000
PricewaterhouseCoopers – outside of Australia	–	21,266
Total remuneration for non-audit services	14,000	43,266

Partner rotation extension

In accordance with section 324DAA of the *Corporations Act 2001* (*Corporations Act*), the Group's lead audit partner must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

During the year, the Board on the recommendation of the Audit and Risk Management Committee and with the consent of PwC, granted approval to extend the term of the current lead audit partner, Ms Voula Papageorgiou, for one further year to the financial year ending 30 September 2018. The Board was satisfied that given the impact of the recent changes in the Group's governance structure together with the ongoing global expansion of the business, Ms Papageorgiou's retention on the audit is consistent with maintaining the quality of the audit and would not give rise to a conflict of interest situation as defined in the *Corporations Act*.

Auditor's independence declaration

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

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



James Evans
Chairman
8 November 2017



Emilio Gonzalez
Managing Director
8 November 2017

Auditor's Independence Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017



Auditor's Independence Declaration

As lead auditor for the audit of BT Investment Management Limited for the year ended 30 September 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
8 November 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

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 \$'000	2016 \$'000
Revenue from continuing operations			
Investment management fees		448,857	401,662
Performance fees		37,886	77,215
Transaction fees		4,181	14,995
Total revenue from continuing operations	B2	490,924	493,872
Other income	B2	7,456	6,184
Expenses			
Employee expenses			
Salaries and related expenses		169,258	178,336
Amortisation of employee equity grants	D2	53,672	58,125
Depreciation, amortisation and impairment		9,473	11,622
Fund administration		14,618	13,282
Investment management		4,395	9,882
Business development and promotion		11,816	11,007
General office and administration		9,882	8,431
Information and technology		15,169	10,476
Professional services		9,117	7,614
Occupancy		5,690	5,181
Finance costs		185	696
Distribution		1,477	1,766
Total expenses		304,752	316,418
Profit before income tax		193,628	183,638
Income tax expense	B4	46,173	41,612
Profit attributable to owners of BTIM		147,455	142,026
Other comprehensive income for the financial year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	C3	1,755	(96,190)
Net unrealised gain on available-for-sale assets	C3	10,730	16,360
Loss on derivative hedging instruments	C3	(3,068)	–
Income tax relating to components of other comprehensive income	C3	(2,174)	(3,215)
Other comprehensive income, net of tax		7,243	(83,045)
Total comprehensive income for the financial year attributable to owners of BTIM		154,698	58,981
Earnings per share for profit attributable to ordinary equity holders of BTIM		Cents	Cents
Basic earnings per share	B3	54.8	54.4
Diluted earnings per share	B3	54.8	53.8

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 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	B5	194,199	174,231
Trade and other receivables		65,919	58,867
Prepayments		4,813	4,825
Total current assets		264,931	237,923
Non-current assets			
Property, plant and equipment		3,566	3,382
Available-for-sale financial assets	C5	133,136	90,059
Deferred tax assets	B4	45,671	39,341
Intangible assets	F1	535,278	541,503
Total non-current assets		717,651	674,285
Total assets		982,582	912,208
Current liabilities			
Trade and other payables		37,837	31,136
Employee benefits	D1	105,865	87,282
Derivatives		2,577	–
Borrowings	C6	–	–
Converting notes		–	121
Lease incentive		83	83
Current tax liabilities		16,200	19,081
Total current liabilities		162,562	137,703
Non-current liabilities			
Employee benefits	D1	5,630	11,923
Lease incentive		1,006	833
Deferred tax liabilities	B4	17,652	17,910
Total non-current liabilities		24,288	30,666
Total liabilities		186,850	168,369
Net assets		795,732	743,839
Equity			
Contributed equity	C2	426,577	441,059
Reserves	C3	221,377	176,439
Retained earnings		147,778	126,341
Total equity		795,732	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 FINANCIAL YEAR ENDED 30 SEPTEMBER 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 year		–	–	147,455	147,455
Other comprehensive income for the financial year		–	7,243	–	7,243
Total comprehensive income for the financial year		–	7,243	147,455	154,698
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	C2	121	–	–	121
Treasury shares acquired	C2	(42,607)	–	–	(42,607)
Treasury shares released	C2	22,104	(22,104)	–	–
Share-based payments	C3	–	59,799	–	59,799
Dividend reinvestment plan	C2	5,900	–	–	5,900
Dividends paid	C4	–	–	(126,018)	(126,018)
Balance at 30 September 2017		426,577	221,377	147,778	795,732

Balance at 1 October 2015		454,094	212,546	95,233	761,873
Profit for the financial year		–	–	142,026	142,026
Other comprehensive income for the financial year		–	(83,045)	–	(83,045)
Total comprehensive income for the financial year		–	(83,045)	142,026	58,981
Transactions with owners in their capacity as owners:					
Converting notes converted into ordinary shares	C2	13,680	–	–	13,680
Treasury shares acquired	C2	(45,846)	–	–	(45,846)
Treasury shares released	C2	14,295	(14,295)	–	–
Share-based payments	C3	–	61,233	–	61,233
Dividend reinvestment plan	C2	4,836	–	–	4,836
Dividends and dividend-linked coupons paid	C4	–	–	(110,918)	(110,918)
Balance at 30 September 2016		441,059	176,439	126,341	743,839

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 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Fees and other income received		502,459	511,997
Interest received		178	338
Distributions from unit trusts		1,892	2,524
Expenses paid		(240,940)	(290,667)
Income tax paid		(51,698)	(50,029)
Net cash inflows from operating activities	B5	211,891	174,163
Cash flows from investing activities			
Payments for property, plant and equipment		(1,170)	(2,622)
Payments for available-for-sale financial assets		(43,223)	(13,120)
Proceeds from sales of available-for-sale financial assets		15,438	9,971
Payments for IT development		(755)	(786)
Payments for derivative hedging instruments		(491)	–
Net cash outflows from investing activities		(30,201)	(6,557)
Cash flows from financing activities			
Payments for purchase of treasury shares		(42,607)	(45,846)
Proceeds from external borrowings		–	88,227
Repayment of borrowings		–	(103,907)
Interest and other financing costs		(185)	(695)
Dividends and dividend-linked coupons paid		(120,119)	(106,082)
Net cash outflows from financing activities		(162,911)	(168,303)
Net increase/(decrease) in cash and cash equivalents		18,779	(697)
Cash and cash equivalents at the beginning of the financial year		174,231	166,752
Effects of exchange rate changes on cash and cash equivalents		1,189	8,176
Cash and cash equivalents at the end of the financial year		194,199	174,231

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

A. ABOUT THIS REPORT

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

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A1. STATEMENT OF COMPLIANCE

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

A2. BASIS OF PREPARATION

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

Significant accounting policies

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

Critical accounting assumptions and estimates

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

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

A3. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended accounting standards adopted by the BTIM Group

The BTIM Group has adopted all of the mandatory new and amended standards and interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The mandatory new and amended standards adopted by the Group for the year ended 30 September 2017 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods.

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

Certain new and revised accounting standards have been published that are not subject to mandatory adoption until future reporting periods. 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 (effective 1 January 2018) addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also introduces revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors anticipate that certain financial instruments currently classified as available-for-sale financial assets held at fair value through other comprehensive income will be classified as financial assets held at fair value through profit or loss. This includes the Group's seed investments held which total \$132.8m as at 30 September 2017 and includes unrealised gains of \$23.2m as at 30 September 2017.

The directors do not expect the new standard to impact the current hedge accounting applied by the BTIM Group.

The Group has decided not to adopt the standard before its mandatory effective date.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

A3. NEW AND AMENDED ACCOUNTING STANDARDS (CONTINUED)

- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018). The AASB has issued a new standard for recognition of revenue. This will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer replacing the existing notion of risks and rewards. The Group has performed an assessment on existing revenue contracts and does not expect any material impact on the financial statements.

The Group has decided not to adopt the standard before its mandatory effective date.

- 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 new standard is expected to impact leases which are currently classified by the BTIM Group as operating leases which are primarily leases for office space. The impact on the financial statements of the adoption of this standard is not expected to be material, however will result in additional disclosure.

The Group has decided not to adopt the standard before its mandatory effective date.

B. RESULTS FOR THE YEAR

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

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B1. SEGMENT INFORMATION

Description of segments

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

The CODM assesses the performance of the operating segments based on a 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

Group Chief Executive Officer

Group Executive, International¹

Chief Executive Officer, JOHCM Group²

Chief Executive Officer, BTIM Australia³

Group Chief Financial Officer

Group Chief Risk Officer⁴

CODM from 1 October 2015 – 30 April 2016

BTIM's Senior Management Team

Chief Executive Officer

Chief Executive Officer, JOHCM Group

Chief Financial Officer

Head of Human Resources

Head of Sales & Marketing

Chief Risk Officer

Chief Operating Officer

Notes:

1 Gavin Rochussen was Chief Executive Officer, JOHCM Group until 3 October 2016 when he was appointed 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Segment information provided to the chief operating decision-maker:

	BTIM AUSTRALIA		BTIM INTERNATIONAL		TOTAL GROUP	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	158,665	157,361	332,272	336,511	490,937	493,872
Inter-segment revenue	7,084	925	2,890	2,944	9,974	3,869
Total segment revenue	165,749	158,286	335,162	339,455	500,911	497,741
Other operating expenses	(120,044)	(114,341)	(161,863)	(182,672)	(281,907)	(297,013)
Inter-segment expense	(2,890)	(2,944)	(7,083)	(925)	(9,973)	(3,869)
Total segment expenses	(122,934)	(117,285)	(168,946)	(183,597)	(291,880)	(300,882)
Operating profit before income tax	42,815	41,001	166,216	155,858	209,031	196,859
Non-operating items	4,931	10,858	2,335	(5,369)	7,266	5,489
Income tax expense	(14,586)	(15,892)	(28,661)	(30,406)	(43,247)	(46,298)
Cash NPAT	33,160	35,967	139,890	120,083	173,050	156,050
Deduct: amortisation of employee equity grants	(20,548)	(22,696)	(33,124)	(35,429)	(53,672)	(58,125)
Add back: cash cost of ongoing equity grants	18,002	17,474	20,840	31,831	38,842	49,305
Deduct: amortisation and impairment of intangibles	–	–	(7,838)	(9,891)	(7,838)	(9,891)
Add back/(deduct): tax effect	393	1,232	(3,320)	3,455	(2,927)	4,687
Statutory NPAT	31,007	31,977	116,448	110,049	147,455	142,026
Segment assets	415,366	416,561	567,216	495,647	982,582	912,208
Segment liabilities	(39,062)	(81,368)	(147,788)	(87,001)	(186,850)	(168,369)
Net assets	376,304	335,193	419,428	408,646	795,732	743,839

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

B2. REVENUE AND OTHER INCOME

	2017 \$'000	2016 \$'000
Management, fund and trustee fees	446,485	399,024
Performance fees	37,886	77,215
Transaction fees	4,181	14,995
Service fees	1,510	1,525
Expense recoveries	701	733
Other revenue	161	380
Total revenue from continuing operations	490,924	493,872
Distributions from unit trusts	1,783	2,532
Interest income	179	338
Net gain on sale of available-for-sale financial assets	3,894	1,060
Net foreign exchange gain	1,600	2,254
Total other income	7,456	6,184
Total revenue and other income	498,380	500,056

ACCOUNTING POLICY

Revenue from continuing operations

Revenue from continuing operations is measured at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

Management, fund and trustee fees	Management, fund and trustee fees are recognised based on the applicable service contracts, usually on a time proportionate basis. Management fees related to investment funds are recognised over the period the service is provided.
Performance fees	Performance fees are recognised in the accounting period in which the performance hurdles have been met.
Transaction fees	Transaction fees on products which are non-annuitised are recognised over the period in which the service is being provided.
Service fees	Service fees relate to performance management and client services performed. Service fees are recognised over the period in which the service is performed. See Note E4 for details on related party relationships and transactions.

Other income

Distribution from unit trusts	Distributions are recognised as revenue when the right to receive payment is established.
Net gain on sale of available-for-sale assets	Net gain on sale of available-for-sale assets is recognised as proceeds less costs on sale of seed investments.
Net foreign exchange gain	Net foreign exchange gains represent exchange differences in the translation or settlement of foreign denominated monetary and intercompany balances.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

B3. EARNINGS PER SHARE

Basic earnings per share

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

	2017	2016
Profit attributable to ordinary equity holders of BTIM (\$'000)	147,455	142,026
Weighted average number of ordinary shares on issue ('000)	312,736	303,780
Weighted average number of treasury shares ('000)	(43,645)	(42,863)
Weighted average number of ordinary shares ('000)	269,091	260,917
Basic earnings per share (cents per share)	54.8	54.4

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.

	2017	2016
Profit attributable to ordinary equity holders of BTIM (\$'000)	147,455	142,026
Weighted average number of ordinary shares on issue ('000)	312,736	303,780
Weighted average number of treasury shares ('000)	(43,645)	(42,863)
Weighted average converting notes ¹	—	3,118
Weighted average number of ordinary shares and potential ordinary shares ('000)	269,091	264,035
Diluted earnings per share (cents per share)	54.8	53.8

¹ Converting notes were considered potential ordinary shares and have been included in the determination of diluted earnings per share from their issue date. Converting notes were fully converted by 4 November 2016

Options totalling 12,390,829 and performance share rights totalling 2,060,835 issued to staff of the BTIM Group have not been included in the calculation of diluted EPS for the year ended 30 September 2017. This is because ordinary shares have 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

B4. TAXATION

(a) Reconciliation of income tax expense

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

	2017 \$'000	2016 \$'000
Profit before tax	193,628	183,638
Income tax calculated at the Australian tax rate of 30% (2016: 30%)	58,088	55,091
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference in overseas tax rates	(14,649)	(13,596)
State and local taxes	1,511	1,500
Effect on deferred taxes of reduction in tax rates	496	(774)
Employee equity grant amortisation	369	320
Sundry non-deductible / (non-assessable) items	1,001	(156)
Tax credits and rebates	(546)	(210)
Previously unrecognised deferred tax assets	23	(1,031)
Adjustments for current tax of prior financial year	(120)	468
Total income tax expense	46,173	41,612
Represented by:		
Current tax	48,936	47,384
Deferred tax	(2,643)	(6,240)
Adjustments for current tax of prior periods	(120)	468

(b) Deferred tax balances

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
Employee equity grants	32,058	–	26,282	–
Employee benefits	11,885	–	11,763	–
Accrued expenses	1,203	–	653	–
Lease expenses	(682)	–	(791)	–
Property, plant and equipment	1,248	–	1,269	–
Business-related costs	29	–	64	–
Foreign exchange (gain)/loss	(70)	2	101	1,086
Intangible assets	–	12,168	–	13,622
Available-for-sale financial assets	–	5,482	–	3,202
Total	45,671	17,652	39,341	17,910

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

B4. TAXATION (CONTINUED)

(c) Movements in deferred tax balances

	Balance as at 1 October \$000	Charged to profit or loss \$000	Charged to comprehensive income \$000	Charged to equity \$000	Balance as at 30 September \$000
2017					
Deferred tax assets	39,341	69	134	6,127	45,671
Deferred tax liabilities	(17,910)	2,574	(2,316)	–	(17,652)
2016					
Deferred tax assets	38,396	3,092	(5,255)	3,108	39,341
Deferred tax liabilities	(22,424)	3,148	1,366	–	(17,910)

(d) Unrecognised temporary differences

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

	2017 \$'000	2016 \$'000
Foreign currency translation	25,193	23,438
Unrecognised deferred tax liabilities relating to the above temporary differences	7,558	7,032

ACCOUNTING POLICY

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable for the period, using tax rates and laws enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate. The main corporate tax rates applicable for the current period are 30% (2016: 30%) on Australian taxable income, 19.5% (2016: 20%) on UK taxable income, 35% (2016: 35%) on US federal taxable income and 17% (2016: 17%) on Singapore taxable income.

Deferred tax

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

Deferred tax is not recognised if it arises from the initial recognition of goodwill or an asset or liability in a transaction, other than a business combination, which affects neither taxable income nor accounting profit or from investments in controlled entities, or foreign operations where BTIM is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is measured using tax rates (and laws) that have been enacted or substantively enacted for each jurisdiction by the end of the reporting period and are expected to apply when the temporary differences reverse.

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

Tax consolidation

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

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

B5. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

(a) Reconciliation of cash flow from operating activities

	2017 \$'000	2016 \$'000
Profit after tax for the financial year	147,455	142,026
<i>Adjustments for non-cash expense items:</i>		
Depreciation	1,635	1,731
Amortisation and impairment of intangibles	7,838	9,891
Amortisation of employee equity grants	53,672	58,125
Interest and finance costs	185	696
Net gain on sale of available-for-sale financial assets	(3,894)	(1,060)
Net exchange differences	(1,600)	(2,254)
<i>Change in operating assets and liabilities:</i>		
Increase in trade and other receivables	(7,052)	(136)
Decrease in prepayments	12	191
Increase in deferred tax assets	(69)	(3,092)
Increase/(decrease) in trade and other payables	6,701	(6,451)
Increase/(decrease) in employee benefits	12,290	(20,774)
Increase in lease liabilities	173	596
Decrease in current tax liabilities	(2,881)	(2,178)
Decrease in deferred tax liabilities	(2,574)	(3,148)
Net cash inflow from operating activities	211,891	174,163

(b) Cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank and in hand	94,667	16,794
Restricted cash in escrow	16,718	19,394
Deposits at call	82,814	138,043
Total cash and cash equivalents	194,199	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 by the BTIM Group.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C. CAPITAL AND FINANCIAL RISK MANAGEMENT

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

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C1. CAPITAL MANAGEMENT

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

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 investment 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 current level of seed capital within the BTIM Group sits within the Board risk appetite.

Cash profits generated from off-shore business units, beyond working capital and regulatory requirements, are repatriated back to BTIM through dividends whereby a hedging program is in place to mitigate foreign exchange risk.

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 also 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;
- utilise the dividend reinvestment plan;
- 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 30 September 2017 is \$6.5 million.
- In the UK, J O Hambro Capital Management Limited (JOHCM) 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. JOHCM 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 30 September 2017 in accordance with the ICAAP is \$53.6 million (£31.3 million). 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 30 September 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 2017 financial year.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C2. CONTRIBUTED EQUITY

	2017 \$'000	2016 \$'000
Ordinary shares 314,998,763 (2016: 307,430,721) each fully paid	610,613	604,592
Treasury shares 43,456,344 (2016: 43,303,737)	(184,036)	(163,533)
Total contributed equity 271,542,419 (2016: 264,126,984)	426,577	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 year:

	2017 Shares '000	2017 \$'000	2016 Shares '000	2016 \$'000
Balance at the beginning of the financial year	307,431	604,592	292,566	586,076
Converting notes converted into ordinary shares ¹	3,087	121	5,896	13,680
FLE share issuance ²	3,951	–	8,526	–
Dividend reinvestment plan	530	5,900	443	4,836
Balance at the end of the year	314,999	610,613	307,431	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. Converting notes were fully converted by 4 November 2016.
- 2 The shares were issued to fund managers who operate under the FLE program.

(b) Treasury shares

Treasury shares are those shares issued through BTIM's 2007 Initial Public Offer and the Fund Linked Equity (FLE) scheme together with those shares purchased as necessary, in order to meet the obligations of the BTIM Group under its employee share plans. These represent shares either held by the employee benefit trusts for future allocation or shares held by employees within BTIM Group share plans, subject to restrictions. These are recorded at cost and when restrictions on employee shares are lifted, the cost of such shares is appropriately adjusted to the share-based payment reserve. Details of the balance of treasury shares at the end of the financial year were as follows:

	2017 Shares '000	2017 \$'000	2016 Shares '000	2016 \$'000
Balance at the beginning of the year	(43,304)	(163,533)	(36,401)	(131,982)
Treasury shares acquired	(4,499)	(42,607)	(4,082)	(45,846)
FLE share issuance ²	(3,951)	–	(8,526)	–
Treasury shares released	8,298	22,104	5,705	14,295
Balance at the end of the year	(43,456)	(184,036)	(43,304)	(163,533)

- 2 The shares were issued to fund managers who operate under the FLE program.

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

	2017 Shares '000	2017 \$'000	2016 Shares '000	2016 \$'000
Unallocated shares held by trustees	18,603	126,840	17,342	109,778
Shares allocated to employees	24,853	57,196	25,962	53,755
Balance at the end of the year	43,456	184,036	43,304	163,533

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

ACCOUNTING POLICY

Ordinary shares

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

Treasury shares

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

C3. RESERVES

Share-based payment reserve

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

Foreign currency translation reserve

Exchange differences arising on the translation of the foreign controlled entities in addition to gains and losses on derivatives that are designated as net investment hedges are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. 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

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 \$'000	Foreign currency translation reserve \$'000	Available-for-sale- financial asset reserve \$'000	Common control reserve \$'000	Total reserves \$'000
Balance at 1 October 2016	163,880	23,438	14,593	(25,472)	176,439
Share-based payment expense	53,672	–	–	–	53,672
Deferred tax	6,127	–	(2,174)	–	3,953
Treasury shares released	(22,104)	–	–	–	(22,104)
Currency translation difference	–	(1,313)	–	–	(1,313)
Revaluation	–	–	10,730	–	10,730
Balance at 30 September 2017	201,575	22,125	23,149	(25,472)	221,377
Balance at 1 October 2015	116,942	119,628	1,448	(25,472)	212,546
Share-based payment expense	58,125	–	–	–	58,125
Deferred tax	3,108	–	(3,215)	–	(107)
Treasury shares released	(14,295)	–	–	–	(14,295)
Currency translation difference	–	(96,190)	–	–	(96,190)
Revaluation	–	–	16,360	–	16,360
Balance at 30 September 2016	163,880	23,438	14,593	(25,472)	176,439

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C4. DIVIDENDS

(a) Equity dividends on ordinary shares

	2017 \$'000	2016 \$'000
(i) Dividends declared and paid during the Financial Year		
Final 35% franked ¹ dividend for the 2016 Financial Year: 24.0 cents per share (2015 Financial Year: 20.0 cents per share 40% franked ¹)	71,365	57,206
Interim 30% franked ¹ dividend for the 2017 Financial Year: 19.0 cents per share (2016 Financial Year: 18.0 cents per share 40% franked ¹)	54,653	52,521
	126,018	109,727
(ii) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2017 Financial Year 26.0 cents (25% franked ¹) per share (2016 Financial Year: 24.0 cents per share 35% franked ¹)	79,761	73,140
(b) Dividend-linked coupons on converting notes ²		
Coupons paid during the Financial Year		
Final coupon for the 2016 Financial Year: Nil converting notes (2015 Financial Year: 20.0 cents per converting note (40% franked ¹))	–	627
Interim coupon for the 2017 Financial Year: Nil converting notes (2016 Financial Year: 18.0 cents per converting note (40% franked ¹))	–	564
	–	1,191

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 and were fully converted by 4 November 2016.

Franked dividends

Dividends declared or paid during the year were 35 % franked at the Australian corporate tax rate of 30%.

The franked portions of the final dividend declared or paid after 30 September 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 September 2017.

	2017 \$'000	2016 \$'000
Franking credits available for subsequent financial years	160	1,818

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

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

The impact on the franking account of the dividends declared or paid by the Directors since year end, but not recognised as a liability at financial year end, will be a reduction in the franking account of \$8,545,851 (2016: \$10,970,988).

ACCOUNTING POLICY

Dividends

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 \$'000	2016 \$'000
Unlisted securities		
Units held in pooled funds	129,542	83,104
Escrow units held in pooled funds ¹	3,295	6,658
Shares in Regnan-Governance Research and Engagement Pty Limited	100	100
Shares in James Hambro & Partners LLP	199	197
Total	133,136	90,059

¹ Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

ACCOUNTING POLICY

Available-for-sale financial assets

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

Purchases and sales of available-for-sale financial assets are recognised on trade date, being the date on which the BTIM Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity, until the financial asset is de-recognised (when the rights to receive cash flows from the financial assets have expired or where the BTIM Group has transferred substantially all the risks and rewards of ownership) at which time the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Income when the right to receive a payment is established.

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

Available for sale financial assets are assessed for impairment at each balance date. If objective evidence of impairment exists, such as a significant or prolonged decline in the fair value of a security below its cost, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments classified as available-for-sale financial assets are not reversed through the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C6. BORROWINGS

Multi-currency debt facility

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 balance date.

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

ACCOUNTING POLICY

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as finance costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT

The BTIM Group manages its business in Australia and outside of Australia and is consequently exposed to a number of financial risks. The key financial risks are market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Board is responsible for the establishment and oversight of an effective system of risk management. The Board delegates authority to management to conduct business activity within the limits of the approved business plans, policies and procedures.

The BTIM Group held the following financial instruments as at 30 September:

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	194,199	174,231
Trade and other receivables	65,919	58,867
Available-for-sale financial assets	133,136	90,059
	393,254	323,157
Financial liabilities		
Trade and other payables	37,837	31,136
Borrowings	–	–
Derivatives	2,577	–
Converting notes	–	121
	40,414	31,257

(a) Market risk

The BTIM Group may take on exposure to market risks which include securities' price risk, interest rate risk and foreign exchange risk due to the nature of its investments and liabilities. The key direct risks are a result of 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 net profit or loss after tax (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:

	2017		2016	
	10% increase	10% decrease	10% increase	10% decrease
FUM (\$ billion)	9.6	(9.6)	8.4	(8.4)
NPAT (\$'000)	30,886	(30,892)	26,332	(26,289)

The sensitivity calculation is made on the basis of FUM as at 30 September 2017 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 the BTIM Group (refer C5). The directly held securities consist of shares in unlisted companies and other investments.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk sensitivity

The BTIM Group provides seed capital into a number of funds which invest in regions including the UK, Europe, Emerging Markets, US, Asia (ex-Japan) and Australia which may be subject to price volatility. In aggregate, if the price increased or decreased by 10% with all other variables held constant, the value of other components of equity would move by:

	2017		2016	
	10% Increase \$'000	10% Decrease \$'000	10% Increase \$'000	10% Decrease \$'000
Equity	13,284	(13,284)	8,976	(8,976)

(ii) Interest rate risk

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

Fair value sensitivity analysis

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

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates would be applicable to the BTIM Group's cash balances and borrowings. A change of 50 bps in the average of the effective interest rates over the year ended 30 September 2017 would have increased/(decreased) NPAT and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	PROFIT OR LOSS AFTER TAX		EQUITY	
	50 bps increase \$'000	50 bps decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
2017				
Cash and cash equivalents	725	(725)	–	–
Borrowings	–	–	–	–
2016				
Cash and cash equivalents	622	(622)	–	–
Borrowings	–	–	–	–

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Foreign exchange risk

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

Historically, due to the timing of cash repatriation of foreign earnings within the BTIM Group, foreign exchange volatility on those earnings was recognised through the profit or loss.

During the current financial year, the BTIM Group has amended its cash repatriation process and implemented a hedging program to mitigate the Group's exposure to foreign exchange fluctuations through its profit or loss. In doing so the BTIM Group has adopted hedge accounting of its net investments in foreign operations under AASB 139. No specific assets and liabilities are hedged directly.

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 Statement of Comprehensive Income within other income or other expenses. Gains or losses accumulated in equity are reclassified to Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

As at 30 September 2017, the notional exposure of the Company's hedging instruments totalled \$53.7m (2016: \$nil).

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

	FINANCIAL ASSETS			FINANCIAL LIABILITIES			TOTAL
	Cash at bank \$'000	Trade receivables \$'000	Available- for-sale \$'000	Trade payables \$'000	Derivatives \$'000	Borrowings \$'000	Net Exposure \$'000
2017							
GBP	85,051	27,131	3,857	(11,045)	(2,577)	–	102,417
EUR	197	660	8,074	(8,457)	–	–	474
USD	428	18,497	116,917	(5,288)	–	–	130,554
SGD	463	181	–	(646)	–	–	(2)
2016							
GBP	23,889	33,290	10,182	(16,254)	–	–	51,107
EUR	623	–	7,847	–	–	–	8,470
USD	299	1,963	69,941	(1,251)	–	–	70,952
SGD	190	188	–	(84)	–	–	294

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

	PROFIT OR LOSS AFTER TAX		EQUITY	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
2017				
GBP	1,259	(1,259)	10,242	(10,242)
EUR	(760)	760	807	(807)
USD	1,491	(1,491)	11,565	(11,565)
SGD	–	–	–	–
2016				
GBP	(4,502)	4,502	608	(608)
EUR	(707)	707	78	(78)
USD	822	(822)	7,917	(7,917)
SGD	–	–	29	(29)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 (2016: AA- for The Westpac Group and A for Bank of Scotland). For wholesale customers the credit quality of the customer is assessed by taking into account its financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to certain parties (refer E1). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

(c) Liquidity risk

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

Maturities of financial liabilities

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

	Less than 1 year \$'000	Between 1 – 2 years \$'000	Over 2 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
2017					
Trade and other payables	37,837	–	–	37,837	37,837
Borrowings	–	–	–	–	–
2016					
Trade and other payables	31,136	–	–	31,136	31,136
Borrowings	–	–	–	–	–
Converting notes	121	–	–	121	121

(d) Fair value estimation

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

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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
2017				
Financial assets				
Available-for-sale assets:				
Units held in pooled funds ¹	–	129,542	–	129,542
Escrow units held in pooled funds ²	–	3,295	–	3,295
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	–	–	100	100
Shares in James Hambro & Partners LLP ³	–	–	199	199
Total financial assets	–	132,837	299	133,136
Financial liabilities				
Borrowings	–	–	–	–
Derivatives	–	2,577	–	2,577
Total financial liabilities	–	2,577	–	2,577
2016				
Financial assets				
Available-for-sale assets:				
Units held in pooled funds ¹	–	83,104	–	83,104
Escrow units held in pooled funds ²	–	6,658	–	6,658
Shares in Regnan-Governance Research and Engagement Pty Limited (Regnan)	–	–	100	100
Shares in James Hambro & Partners LLP ³	–	–	197	197
Total financial assets	–	89,762	297	90,059
Financial liabilities				
Borrowings	–	–	–	–
Converting notes	–	121	–	121
Total financial liabilities	–	121	–	121

Notes:

1 These securities represent shares held in 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.

2 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.

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

C7. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

Specific valuation techniques used to value financial instruments include:

Pooled funds

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

Derivatives

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

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

(iii) Unobservable inputs

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

	Shares in Regnan \$'000	Shares in James Hambro & Partners LLP \$'000	Total fair value – level 3 \$'000	Carrying amount \$'000
2017				
Balance at the beginning of the financial period	100	197	297	297
Effects of foreign exchange movements	–	2	2	2
Balance at the end of the financial period	100	199	299	299
2016				
Balance at the beginning of the financial period	100	252	352	352
Effects of foreign exchange movements	–	(55)	(55)	(55)
Balance at the end of the financial period	100	197	297	297

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

D. EMPLOYEE REMUNERATION

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

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

D1.	Employee benefits	97
D2.	Share-based payments	97
D3.	Key management personnel disclosures	101

D1. EMPLOYEE BENEFITS

	2017 \$'000	2016 \$'000
Annual leave	1,478	1,683
Long service leave	1,235	1,407
Provision for incentives	103,152	84,192
Total current employee liabilities	105,865	87,282
Long service leave	1,219	1,054
Provision for incentives	4,411	10,869
Total non-current employee liabilities	5,630	11,923

Included in employee expenses recognised in the Consolidated Statement of Comprehensive Income is an amount related to the BTIM Group's defined contributions to employees' superannuation and pensions of \$4.5m (2016: \$3.8m)

ACCOUNTING POLICY

Employee benefits

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

D2. SHARE-BASED PAYMENTS

(a) Share options and performance share rights

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

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

	BTIM PRS		JOHCM PRS		LTR – NCOs		NCOs	
	Rights No.	WAEP \$	Rights No.	WAEP \$	Rights No.	WAEP \$	Rights No.	WAEP \$
2017								
Outstanding at 1 October	1,565,927		1,033,125		5,618,628		5,393,012	
Granted	399,030	7.31	397,372	7.31	–	–	1,379,189	10.82
Vested / Exercised	(786,895)		(425,792)		–		–	
Forfeited	(90,947)		(30,955)		–		–	
Expired	–		–		–		–	
Outstanding at 30 September	1,087,115		973,750		5,618,628		6,772,201	
Exercisable at 30 September	417,882		325,762		–		–	
2016								
Outstanding at 1 October	2,496,012		922,441		5,844,665		3,450,239	
Granted	321,442	7.83	275,335	7.83	–	–	1,942,773	13.01
Vested / Exercised	(1,179,388)		(80,700)		–		–	
Forfeited	(72,139)		(83,951)		(226,037)		–	
Expired	–		–		–		–	
Outstanding at 30 September	1,565,927		1,033,125		5,618,628		5,393,012	
Exercisable at 30 September	785,964		425,792		–		–	

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

D2. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of nil cost options granted during the year

The fair value of the options are valued with reference to the BTIM share price at grant date. The fair value at grant date of the nil cost options issued during the year was \$10.82 (2016: \$13.01). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2017 was 2.4 years (2016: 3.4 years).

Fair value of performance share rights awarded during the year

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

- Risk free interest rate 1.55%
- Volatility 32%
- Dividend yield 0%

The fair value at grant date of the performance share rights issued during the year was \$5.68 (2016: \$5.92) for the TSR performance share rights and \$8.94 (2016: \$9.73) for the Cash EPS performance share rights. The weighted average remaining contractual life of outstanding performance share rights at 30 September 2017 was 1.6 years (2016: 1.4 years).

(b) Equity grants

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

Scheme	Description	Vesting conditions	Vesting period
BTIM new and existing employee equity grants	New and existing employees may receive one-off equity grants for retention.	Continued employment	Up to 5 years
BTIM Boutique variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement directly attributed to the boutique, with a portion of the variable reward deferred into BTIM ordinary shares.	Continued employment	Up to 5 years
BTIM Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and mandatorily deferred BTIM ordinary shares.	Continued employment	Up to 5 years
BTIM Annual CEO award	To recognise individual achievement, the winner of the Annual CEO Award is eligible to receive \$5,000 of BTIM ordinary shares.	Continued employment	Up to 1 year
Sales Incentive Plans	Incentive scheme designed to reward performance of Business Development Managers who work within the BTIM and JOHCM sales teams.	Continued employment	Up to 5 years
JOHCM Fund manager variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement with a portion of the variable reward deferred into BTIM ordinary shares.	Continued employment	Up to 5 years
JOHCM Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and/or BTIM ordinary shares.	Continued employment	Up to 5 years
Rollover Equity and Fund Equity – Converting Notes	As part of the JOHCM acquisition, converting notes were issued to JOHCM employees in exchange for their JOHCM shares or other equity entitlements.	Continued employment	Up to 5 years
Staff Equity Plan – Converting Notes	As part of the JOHCM acquisition, converting notes with performance hurdles attached, were been issued to JOHCM senior and general staff.	Continued employment and achieving operating earnings growth targets	Vest in 2 tranches after 3 and 5 years

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

D2. SHARE-BASED PAYMENTS (CONTINUED)

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

	Equity grants 2017 Number	Fair value 2017 \$	Equity grants 2016 Number	Fair value 2016 \$
Total	2,058,802	10.82	3,574,650	13.01

Fair value of equity grants awarded during the year

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

(c) Fund Linked Equity (FLE)

The fund linked equity scheme is for JOHCM investment managers which allow them to convert part of the revenue generated from the growth in FUM related to their investment strategies into BTIM ordinary shares based on a pre-determined formula.

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

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

At the time of conversion, the number of BTIM ordinary shares exchanged for fund linked equity is based on a pre-determined formula which applies a market based measure to the after-tax profits generated by the investment strategies. The BTIM ordinary shares exchanged subsequently have a vesting profile over a period of five years.

The fund linked equity is an equity settled scheme which is not re-measured after grant date. If the scheme was re-measured to reflect current after tax profits generated by the investment strategies, the current value of the fund linked equity issued would exceed the valuation accounted for at grant date.

During the year BTIM issued 3,950,793 ordinary shares to fund managers under the FLE scheme. The shares issued are subject to vesting conditions of up to five years.

Further details on the FLE program are outlined on pages 49 to 51 of the Remuneration Report.

(d) Expenses arising from share-based payment transactions

Expenses of the BTIM Group arising from share-based payment transactions recognised during the financial year as part of employee benefit expense were as follows:

	2017 \$'000	2016 \$'000
Total amortisation of employee equity grants	53,672	58,125

CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES: SHARE BASED PAYMENTS

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

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

ACCOUNTING POLICY

Share-based payments

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

D3. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) KMP compensation

	2017 \$	2016 \$
Short-term employee benefits	5,790,661	6,498,868
Post-employment benefits	152,888	240,526
Long-term benefits	35,234	23,907
Share-based payments	(2,795,351)	7,065,532
Total	3,183,432	13,828,833

(b) Shareholdings

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

	2017	2016
Held at the beginning of the year	2,617,707	2,870,492
Granted as remuneration	186,211	191,553
Purchases	19,981	36,934
Sales	(1,260,535)	(1,812,421)
Other changes ¹	114,043	1,331,149
Held at the end of the year	1,677,407	2,617,707

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

	2017			2016		
	Performance shares	Performance share rights	Converting notes	Performance shares	Performance share rights	Converting notes
Held at the beginning of the year	2,049,230	744,168	968,728	2,049,230	1,177,454	1,723,799
Granted as remuneration	-	331,800	-	-	163,792	-
Acquired during the year	-	-	-	-	-	-
Vested during the year	(204,923)	(262,910)	(968,728)	-	(597,078)	(755,071)
Lapsed during the year	(1,844,307)	-	-	-	-	-
Other changes ²	-	(166,563)	-	-	-	-
Held at the end of the year	-	646,495	-	2,049,230	744,168	968,728

2. Other changes relate to change of key management personnel during the year.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

E. GROUP STRUCTURE

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

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

E1.	Parent entity information	102
E2.	Subsidiaries and controlled entities	103
E3.	Unconsolidated structured entities	104
E4.	Related party transactions	105

E1. PARENT ENTITY INFORMATION

(a) Summary financial information

	COMPANY	
	2017 \$'000	2016 \$'000
Profit for the financial year	151,762	105,652
Total comprehensive income for the financial year	150,693	105,652
Current assets	113,978	151,837
Total assets	755,522	757,856
Current liabilities	40,793	79,877
Total liabilities	43,281	82,172
Shareholders' equity:		
Contributed equity	426,577	441,059
Reserves		
Common control reserve	(25,472)	(25,472)
Share-based payment reserve	179,334	147,760
Available for sale reserve	1,999	–
Foreign currency translation reserve	(3,068)	–
Retained earnings	132,871	112,337
Total equity	712,241	675,684

(b) Guarantees entered into by the parent entity

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

(c) Contingent liabilities of the parent entity

The parent entity has contingent liabilities as outlined in Note F3.

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

The parent entity had no contractual commitment for the acquisition of property, plant and equipment (2016: \$nil).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

ACCOUNTING POLICY

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

Capital contributions

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

Financial guarantees

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

E2. SUBSIDIARIES AND CONTROLLED ENTITIES

EQUITY
HOLDING

Name	Country of incorporation/ formation	Class of shares	2017 %	2016 %
BT Investment Management (Institutional) Limited	Australia	Ordinary	100	100
BT Investment Management (Fund Services) Limited	Australia	Ordinary	100	100
BTIM UK Limited	UK	Ordinary	100	100
J O Hambro Capital Management Holdings Limited	UK	Ordinary	100	100
J O Hambro Capital Management Limited	UK	Ordinary	100	100
JOHCM (USA) Inc.	USA	Ordinary	100	100
JOHCM (Singapore) PTE Limited	Singapore	Ordinary	100	100
BT Investment Management Limited Employee Equity Plan Trust	Australia	Ordinary	–	–
BTIM Employee Benefit Trust	Jersey	Ordinary	–	–

ACCOUNTING POLICY

Principles of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by the BTIM Group and its subsidiaries. Subsidiaries are all those entities over which the BTIM Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the Company obtains control and until such time as control ceases.

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

Controlled entities within the BTIM Group conduct investment management and other fiduciary activities as responsible entity, trustee or manager on behalf of individuals, trusts, retirement benefit plans and other institutions. These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

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

Foreign currency translation

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

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

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

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

E3. UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. The BTIM Group has significant influence over the funds it manages due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreements.

The BTIM Group considers all its fund investments to be structured entities. The BTIM Group invests in its own managed funds for the purpose of seeding the funds to develop a performance track record prior to external investment being received. The BTIM Group also receives management and performance fees for its role as investment manager.

The funds' objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The funds invest in a number of different financial instruments including equities and debt instruments. The funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The BTIM Group holds redeemable units in its managed funds. The nature and extent of the BTIM Group's interests in funds is summarised by asset class below:

	Australian equities \$'000	Australian diversified and property \$'000	Australian cash and fixed income \$'000	International equities \$'000	Other \$'000	Total \$'000
2017						
Cash and cash equivalents	–	–	82,814	–	–	82,814
Trade and other receivables	3,130	–	5,456	30,875	–	39,461
Available-for-sale financial assets	–	–	–	132,837	–	132,837
Total Assets	3,130	–	88,270	163,712	–	255,112
Maximum exposure to loss	3,130	–	88,270	163,712	–	255,112
Net asset value of funds	2,924,966	1,224,964	3,890,571	38,334,751	840,750	47,216,002
2016						
Cash and cash equivalents	–	–	138,043	–	–	138,043
Trade and other receivables	3,237	474	5,595	24,321	–	33,627
Available-for-sale financial assets	–	–	–	89,762	–	89,762
Total Assets	3,237	474	143,638	114,083	–	261,432
Maximum exposure to loss	3,237	474	143,638	114,083	–	261,432
Net asset value of funds	2,976,946	1,506,372	3,949,318	31,497,300	673,294	40,603,230

Unless specified otherwise, the Company's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off balance sheet arrangements which would expose the Company to potential loss.

During the year the Company earned both management and performance fee income from structured entities. Refer to Note B2 for further information.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

E4. RELATED PARTY TRANSACTIONS

(a) The Westpac Group of companies

On 25 May 2017 The Westpac Group reduced their shareholding in BTIM from 29% to 10% and ceased to be a related party of the BTIM Group from that date.

	2017 \$	2016 \$
<i>Related party transactions up to the date of ceasing to be a related party:</i>		
Management, fund and trustee fees	44,235,461	65,633,200
Service fees from related parties	1,025,529	1,535,293
Service fees to related parties	4,890,194	7,337,865
Insurance premiums to related parties	133,236	160,173
Interest received on cash balances held	115,717	252,325
Bank guarantee fee paid for premises lease	–	24,242
Fees on borrowings	130,788	–
Interest paid on borrowings	–	591,801
Dividends paid on ordinary shares	27,650,232	34,509,507
<i>Related party balances at 30 September:</i>		
Current receivables - rendering of services	–	5,854,797
Current payables - purchase of services	–	4,599,936
Cash and cash equivalents	–	5,131,118
<i>Other:</i>		
Bank guarantee on premises lease	–	1,609,393

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

E4. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions

Transactions relating to dividends and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders. Outstanding balances are unsecured.

The following material contracts and agreements were in place with The Westpac Group during the financial year (unless otherwise stated):

Agreement	Term	Description
Name Licensing Agreement	Initial five year term extended by mutual agreement	Non-exclusive licence for the BTIM Group to use the 'BT' brand in Australia in connection with providing investment management services, and the distribution and marketing of investment management funds.
Master Relationship Agreement	Ongoing, subject to termination rights	Governs the terms on which BTIMI acts as the investment manager of certain Westpac Group retail funds, pooled superannuation trusts and statutory funds (Funds), including management fees payable, the rights of members of The Westpac Group to withdraw funds from management and/or terminate BTIMI'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; • Advance Fixed interest Multi-Blend Fund; • WSSP Australian Equity Trust; and • ESSP Enhanced Sustainability Shares.
PPM Advisory Agreement	Initial three year term extended by mutual agreement	Appointment of BTIMI to provide investment advisory and other services to the managed account business within The Westpac Group which provides advice to high net worth clients.
Services Agreements	Ongoing, unless terminated in accordance with the provisions of the agreement	The Westpac Group's provision of registry, customer relations, technology, finance, compliance, payroll and other miscellaneous services to the BTIM Group. In addition, the BTIM Group will provide services (including performance measurement and client services) to The Westpac Group.
Investment Accounting Agreement	Ongoing, until terminated by either party	Provision of investment accounting services by The Westpac Group to the BTIM Group.
Multi-currency Debt Facility Agreement	Three years	The BTIM Group entered into a \$25m multi-currency debt facility with The Westpac Group on 2 November 2016.

(b) Other related parties

J D Hambro is Deputy Chairman of J O Hambro Capital Management Holdings Limited and is also a member and has a significant holding directly and indirectly in James Hambro & Partners LLP (JH&P), of which JOHCM holds a 5.13% interest (2016: 5.14%).

J D Hambro is also a director and substantial holder of Runnall Limited, and a director and shareholder of JH&P Holdings Limited; of which both are members of JH&P.

J D Hambro holds an equity interest in Barnham Broom Holdings Limited which holds the trademark licences for the Hambro name. The trademark licence is for a term of 7 years at a fee of \$85,543/£50,000 (2016: \$85,063/£50,000) and may be renewed thereafter.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

F. OTHER

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

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F3. Contingent assets and liabilities	110
F4. Remuneration of auditors	110
F5. Subsequent events	111

F1. INTANGIBLE ASSETS

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
2017				
Net book value as at 1 October 2016	462,049	77,620	1,834	541,503
Additions	–	–	755	755
Foreign exchange gain	1,292	216	–	1,508
Amortisation expense	–	(5,639)	(649)	(6,288)
Impairment loss	–	(2,200)	–	(2,200)
Net book value as at 30 September 2017	463,341	69,997	1,940	535,278
<i>Represented by:</i>				
Cost	463,341	127,459	4,242	595,042
Accumulated amortisation and impairment	–	(57,462)	(2,302)	(59,764)
2016				
Net book value as at 1 October 2015	524,652	110,219	1,453	636,324
Additions	–	–	786	786
Foreign exchange loss	(62,603)	(22,709)	–	(85,312)
Amortisation expense	–	(7,627)	(405)	(8,032)
Impairment loss	–	(2,263)	–	(2,263)
Net book value as at 30 September 2016	462,049	77,620	1,834	541,503
<i>Represented by:</i>				
Cost	462,049	126,744	3,487	592,280
Accumulated amortisation and impairment	–	(49,124)	(1,653)	(50,777)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

F1. INTANGIBLE ASSETS (CONTINUED)

Fund and investment management contracts:

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

	2017 \$'000	2016 \$'000
Fund management contracts – OEICs	61,995	67,497
Investment management contracts – Segregated mandates	8,002	10,123
Total	69,997	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 (post tax) is 12% (2016:12%), based on the cost of capital.

An impairment loss of \$2.2m (2016: \$2.3m) due to the remeasurement of the fund and investment management contracts to the lower of their carrying value and their recoverable amount is included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Reversal of impairment losses are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Goodwill:

Goodwill has been derived from the following business combinations:

	2017 \$'000	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	230,041	228,749
Total	463,341	462,049

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

Goodwill is allocated to CGUs according to operating segments (refer B1). Goodwill attributable to BTIM Australia and BTIM International is \$233.3m and \$230.0m respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost of disposal' methodology that utilises cash flow projections (post tax) based on management's best estimates over a 5 year period and then applies a terminal value in perpetuity of 3%. The discount rates used to discount the cash flow projections for BTIM Australia and BTIM International are rounded up to 11% and 12% (2016: 11% and 12%) 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 2017.

There has been no impairment of goodwill during the year ended 30 September 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 30 September 2017.

ACCOUNTING POLICY

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BTIM Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

F1. INTANGIBLE ASSETS (CONTINUED)

Fund and investment management contracts

Fund and investment management contracts acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, currently estimated at between 5 and 20 years.

Other intangibles

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

Impairment

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

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

CRITICAL ACCOUNTING ASSUMPTIONS AND ESTIMATES: INTANGIBLE ASSETS

The Fund and investment management contracts are initially measured at their fair value. This involves the use of judgements, estimates and assumptions about future fund flows and investment performance, based largely on past experience and contractual arrangements.

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

F2. LEASE COMMITMENTS

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

	2017 \$'000	2016 \$'000
Within one year	4,121	3,575
Later than one year but not later than five years	16,072	13,372
Later than five years	5,248	7,613
Total commitments	25,441	24,560

Lease commitments predominantly represent property leases entered into by the Group. The BTIM Group had no finance leases as at 30 September 2017.

ACCOUNTING POLICY

Leases

When the terms of a lease transfer substantially all the risks and rewards of ownership to the Group, the lease is classified as a finance lease, all other leases are classified as operating leases. Payments made under operating leases are recognised as an expense on a straight-line basis over the period of the lease, net of any incentives received from the lessor which are deducted from the lease incentive liability in the Statement of Financial Position.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

F3. CONTINGENT ASSETS AND LIABILITIES

Performance fees

The BTIM Group manages the investments of certain funds and clients for which it may be entitled to receive fees contingent upon performance of the portfolio managed, on an annual basis or longer. Performance fees which are contingent upon performance to be determined at future dates have not been recognised as income or as a receivable at 30 September 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.

Regulatory authority

J O Hambro Capital Management Limited (JOHCM) is the subject of an investigation by its UK regulator relating to the eligibility of certain services approximating £5.0m (\$8.6m) paid for out of dealing commissions between 2006 and 2016. It is possible that, as part of the investigation, the eligibility of other services may also be assessed. This is a continuation of the dialogue arising out of a thematic industry review referenced in BTIM's half year report. The UK regulator has stated that, although an investigation has been commenced, this does not mean that any determination has been made that rule breaches and/or other contraventions have occurred. The likely outcome or consequence of this matter (including any sanctions or penalties) is unable to be reliably estimated at this time.

Capital guarantee

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

To the extent that the BTIM Group, in the normal course of business, has incurred various contingent obligations at 30 September 2017, none of the above contingent obligations are anticipated to result in any material loss.

F4. REMUNERATION OF AUDITORS

(a) Audit and other assurance services – Australia

	2017 \$	2016 \$
PricewaterhouseCoopers		
Audit and review of Financial Reports	441,224	429,205
Other assurance services	14,000	22,000
Audit of Australian Financial Service Licences	17,364	16,892
Total remuneration for assurance services – Australia	472,588	468,097

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

PricewaterhouseCoopers		
Audit and review of Financial Reports	234,388	218,846
Other assurance services	–	21,266
Financial Conduct Authority client assets report	83,832	34,876
Total remuneration for assurance services – outside of Australia	318,220	274,988

(c) Non-audit services

It is the BTIM Group's policy to engage PwC on assignments additional to their statutory audit duties where PwC's expertise and experience is important to the BTIM Group.

(d) Other services to non-consolidated trusts

The external auditor, PwC, provides audit and non-audit services to non-consolidated trusts for which BTIMFS and BTIMI act as trustee, manager or responsible entity. The fees were approximately \$1,509,757 for the financial year (2016: \$1,314,435).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

F5. SUBSEQUENT EVENTS

Effective 31 October 2017, there are participants in the Fund Linked Equity scheme that have awards that are subject to mandatory conversion. It is expected that approximately 1.2 million shares will be issued in late November 2017 to satisfy the conversion.

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

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

In the Directors' opinion:

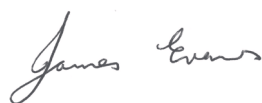
- a) the financial statements and notes set out on pages 73 to 111 are in accordance with the Corporations Act, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii) giving a true and fair view of the BTIM Group's financial position as at 30 September 2017 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that BT Investment Management Limited will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required under section 295A of the Corporations Act by the Group Chief Executive Officer and Group Chief Financial Officer.

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

For and on behalf of the Board.



James Evans
Chairman



Emilio Gonzalez
Managing Director

Sydney, 8 November 2017



Independent auditor's report

To the members of BT Investment Management Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of BT Investment Management Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the 'Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent Auditor's Report



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group provides investment management services through its two operating segments comprised of the investment management business in Australia (BTIM Australia) and outside Australia (BTIM International).



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none">For the purpose of our audit we used overall Group materiality of \$9.8 million, which represents approximately 5% of the Group's profit before tax.We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.We chose Group profit before tax, as this is a generally accepted benchmark for investment managers.We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly accepted thresholds.	<ul style="list-style-type: none">Our audit focused on where the Group made subjective judgments; for example, significant accounting estimates involving making assumptions and inherently uncertain future events.The Australian engagement team directed the involvement of UK component auditors, who performed an audit of the financial information of BTIM International. All other procedures were performed by the Australian engagement team.The group engagement team were responsible for the direction, supervision and performance of the group audit. This included active dialogue during the audit and review of the component auditor work.	<ul style="list-style-type: none">Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:<ul style="list-style-type: none">Carrying value of intangible assets, comprising goodwill and fund and investment management contractsAccounting for employee remuneration schemes and employee incentivesRecognition of fee revenueContingent liability disclosuresThese are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the



context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><i>Carrying value of intangible assets - goodwill and fund and investment management contracts</i></p> <p><i>Refer to Note F1 of the financial report</i></p> <p>This was a key audit matter as the intangible assets were the largest asset balance (\$535 million as at 30 September 2017) and due to the complexity and judgments in the discounted cash flow models used each year by the Group to perform an impairment assessment of the assets.</p> <p>The Group's significant judgements in assessing impairment of goodwill, fund and investment management contracts included forecasting cash flows of the Group for five years, which involved making revenue growth rate and discount rate assumptions.</p>	<p>Our audit procedures on the goodwill asset included, amongst others:</p> <ul style="list-style-type: none"> • Understanding and evaluating the controls over the Group's goodwill impairment process including consideration of forecasts and assumptions. • Assessing the Group's determination of Cash Generating Units (CGU), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, based on our understanding of the nature of the Group's business. • Testing the mathematical accuracy of the discounted cash flow models used in the impairment assessment. • Evaluating the cash flow forecasts in the impairment assessment and the process by which they were developed, including comparing the forecasts to historical results and the latest Board approved management accounts. • Assessing the historical ability of the Group to make accurate forecasts by comparing current year (2017) actual results with the figures included in the prior year (2016) forecast to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. • Comparing the key assumptions for revenue growth rates and discount rates with market information, calculating what rates would result in an impairment and considering whether these levels were reasonably possible based on our knowledge of the business and historical results. • Evaluating the Group's business stress test, which outlined the Group's view of the impact to the Group's financial results resulting from substantial movements in key assumptions. We also performed our own stress-test calculations of the potential impact from severe market shocks on the impairment of goodwill based on our knowledge of the business and industry.

Independent Auditor's Report



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> Assessing if the disclosures of the goodwill are in accordance with the requirements of Australian Accounting Standards. <p>Our audit procedures on the fund and investment management contracts included, amongst others:</p> <ul style="list-style-type: none"> Selecting a sample of contracts based on certain risk criteria and comparing cash flow forecasts in the discounted cash flow model used to assess impairment to actual contract performance for the year. Recalculating the amortisation charge for the year for each contract and comparing this to the Group's calculations, checking that the key inputs were consistent with contractual terms. Varied key assumptions within the model to identify what sensitivities would result in an impairment. Assessing if the Group's disclosures relating to fund and investment management contracts are in accordance with the requirements of Australian Accounting Standards.
<p>Accounting for employee remuneration schemes and employee incentives Refer to Section D of the financial report</p> <p>Accounting for employee remuneration schemes and incentives, specifically Fund Linked Equity (FLE) and share based payments, was a key audit matter due to the financial significance of the expenses in the consolidated statement of comprehensive income, the nature of the expenses and the level of judgement that is applied in their determination, including assessing the likelihood of specific performance hurdles being met.</p>	<p>Our audit procedures performed on the FLE expense included, amongst others:</p> <ul style="list-style-type: none"> Recalculating the FLE expense and agreeing the key inputs in the calculation (such as the listed share price of the Group, FUM, margin, earnings per share) to appropriate supporting data. Obtaining an understanding of performance hurdles specified in the FLE agreements and assessing if the calculations of the FLE are consistent with the actual performance. Assessing the disclosures in the financial report by comparing these disclosures to our understanding of the matter and the requirements of Australian Accounting Standards. <p>Our audit procedures performed on the share based payments expense included, amongst others:</p> <ul style="list-style-type: none"> For equity grants made during the current year, testing for a sample of employees that the number



Key audit matter	How our audit addressed the key audit matter
	<p>of shares granted agreed to third party confirmations and approval by the Company and agreeing the grant date share price to published pricing data.</p> <ul style="list-style-type: none"> • For grants made in prior periods, recalculating the amortisation expense for the current year based upon the grant date share price and the number of shares. • Assessing whether a share based payment expense had been recognised for entitled employees given our understanding of the remuneration schemes. • Recalculating the current and deferred tax impact of the accounting entries posted.
<p>Recognition of fee revenue <i>Refer to Note B2 of the financial report</i></p> <p>This was a key audit matter because revenue was the most significant account balance in the consolidated statement of comprehensive income. Additionally, although there was no significant judgement involved in their determination, performance fees fluctuate depending on market performance and some employee incentives are linked to fund performance.</p> <p>Revenue of \$491 million comprises a number of streams including, amongst other:</p> <ul style="list-style-type: none"> • Investment management fees (\$446 million) • Performance fees (\$38 million) • Transactions fees (\$4 million) <p>The calculations of these fees were performed by the service providers used by the Group to provide accounting and other services. The terms of these fees were set out in signed agreements and are invoiced regularly throughout the year.</p>	<p>To test the key controls over recognising fee revenue for BTIM Australia, we assessed an assurance report issued by an independent third party auditor in accordance with International Standard on Assurance Engagements, ISAE 3402 <i>Assurance Reports on Controls at a Service Organization</i>. The report was in respect of relevant controls at the service provider used to provide accounting and administration services and reflected testing whether the relevant controls were appropriately designed and operating effectively.</p> <p>For BTIM International and BTIM Australia, we also performed the following audit procedures:</p> <ul style="list-style-type: none"> • Assessing whether the revenue accounting policy was consistent with Australian Accounting Standards. • Agreeing a sample of investment management, performance and transaction fees back to invoices and relevant supporting external evidence, such as underlying fund financial statements and third party calculations.
<p>Contingent liability disclosures <i>Refer to Note F3 of the financial report</i></p> <p>This was a key audit matter as the Group is exposed to a regulatory investigation which could give rise to a liability in future periods. In particular, the Group assessed the impact of potential liabilities brought by a</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Discussing ongoing legal and regulatory matters with management and the Group's external legal counsel in the UK in order to develop our understanding of the matters. • Considering the Group's judgement as to whether

Independent Auditor's Report



Key audit matter

regulator in respect of an industry thematic review.

In assessing and measuring such potential liabilities, the Group are required to make judgements based on available information in respect of the probability and estimation of potential financial outcomes. These outcomes will be dependent on legal and regulatory processes. Therefore contingent liabilities disclosed are uncertain.

How our audit addressed the key audit matter

there is a potential present obligation for the Group.

- Assessing the appropriateness of the Group's conclusion as to whether they were able to determine the outcome of the matter and, consequently, reliably estimate any possible financial impact.
- Assessed the adequacy of related disclosures within the financial report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Letter, Group Chief Executive Officer's Report, Strategic Report, Operating Review, Global Business Review, Investment Strategies, Corporate Sustainability & Responsibility, Shareholder Information, Glossary, Corporate Directory and Director's Report included in the Group's annual report for the year ended 30 September 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

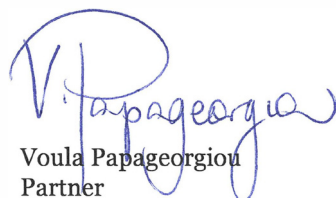
We have audited the remuneration report included in pages 40 to 70 of the directors' report for the year ended 30 September 2017.

In our opinion, the remuneration report of BT Investment Management Limited for the year ended 30 September 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.


PricewaterhouseCoopers


Voula Papageorgiou
Partner

Sydney
8 November 2017

Shareholder Information

The shareholder information set out below is current as at 13 October 2017.

Securities Exchange Listing

The ordinary shares of BT Investment Management Limited are listed on the Australian Securities Exchange under the ASX code BTT.

Number of shareholders and shares on issue

The Company has 314,998,763 ordinary shares on issue, held by 26,377 shareholders.

Twenty largest shareholders

Details of the 20 largest holders of ordinary shares in the Company are:

	Name	Number of shares	%
1	HSBC Custody Nominees (Australia) Limited	61,464,267	17.92
2	J P Morgan Nominees Australia Limited	39,631,316	11.56
3	Westpac Financial Services Group Limited	30,814,493	8.99
4	Citicorp Nominees Pty Limited	17,050,330	4.97
5	National Nominees Limited	15,034,392	4.38
6	Equiniti Tst (Jersey) Ltd <Btim Emp Benefit Tst 3 A/C>	6,772,201	1.97
7	Bnp Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	6,721,147	1.96
8	Mr Chris Lees	5,633,738	1.64
9	BNP Paribas Noms Pty Ltd <Drp>	4,923,535	1.44
10	EFJ Investments Pty Limited	4,114,093	1.2
11	Equiniti Tst (Jersey) Ltd <Btim Emp Benefit Tst 1 A/C>	4,013,305	1.17
12	Equiniti Tst (Jersey) Ltd <Btim Emp Benefit Tst A/C>	3,799,209	1.11
13	Mr Nudgem Richyal	3,003,405	0.88
14	Hsbc Custody Nominees (Australia) Limited	2,728,415	0.8
15	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,285,984	0.67
16	RBC Investor Services Australia Nominees Pty Ltd	1,607,966	0.47
17	NSW Investor Nominees Pty Limited	1,547,578	0.45
18	Pacific Custodians Pty Limited <Emp Equity Plan Tst A/C>	1,423,599	0.42
19	Emilio Gonzalez	1,333,845	0.42
20	Pacific Custodians Pty Limited <Emp Eqty Plan Tst Prs/Lti Schm A/C>	1,178,062	0.34
Total for Top 20		215,080,880	62.76
Total Number of Shares		314,998,763	100.00

Distribution schedule

Holding	Number of shareholders	Number of shares	%
1 - 1,000	5,982	3,298,474	1.05
1,001 - 5,000	17,602	32,971,077	10.47
5,001 - 10,000	1,692	12,275,871	3.90
10,001 - 100,000	1,039	22,988,917	7.30
100,001 and over	62	243,464,424	77.29
Total	26,377	314,998,763	100.00

Unmarketable parcels of shares

There are 373 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	%
Hyperion Asset Management Limited	30,640,161	9.73
Westpac Financial Services Group Limited and associated entities	32,728,987	10.4
Macquarie Group Limited and controlled bodies corporate	33,517,364	10.64
BT Investment Management Limited (Employee Equity Plans including vested and unvested shares)	44,181,672	14

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

The following unquoted securities are on issue:

Nil cost options:	12,390,829
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Voting rights of ordinary shares

Under the Company's Constitution, holders of fully paid ordinary shares have at a general meeting, one vote on a show of hands and on a poll one vote for each share held.

No voting rights are attached to converting notes or nil cost options.

Shareholder Calendar

Record date for final dividend	8 December 2017
2017 Annual General Meeting	15 December 2017
Payment date for final dividend	20 December 2017
2018 Interim results announcement	10 May 2018
2018 Final results announcement	8 November 2018

Please note that the above dates are subject to change.

Glossary

\$	Australian dollars, unless indicated otherwise
S\$ or SGD	Singapore dollars
US\$ or USD	US dollars
EUR	Euro
£ or GBP	Pounds sterling
2017 Financial Year or FY17	The financial year ended 30 September 2017
20XX Financial Year or FYXX	Refers to the financial year ended 30 September 20XX, where XX is the two digit number for the year
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACN	Australian Company Number
ASX	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)
Board	Board of Directors
Bps	Basis points
BREXIT	A process by which the UK will withdraw from the European Union, as a result of a referendum held in June 2016
BTFG	BT Financial Group, the wealth management division of Westpac
BTIM or Company	BT Investment Management Limited (ABN 28 126 385 822)
BTIMA or BTIM (Australia)	The Australian operations of BTIM Group.
BTIM FS	BT Investment Management (Fund Services) Limited (ABN 13 161 249 332), a wholly-owned subsidiary of BTIM and the RE of the BTIM Funds
BTIM Funds	The managed investment schemes or unit trusts of which BTIM FS is the RE
BTIM Group or Group	BTIM, BTIM FS, BTIMI, BTIM UK Limited, JOHCM Holdings, JOHCM and its subsidiaries
BTIMI	BT Investment Management (Institutional) Limited (ABN 17 126 390 627), a wholly-owned subsidiary of BTIM
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
CODM	Chief operating decision-maker. 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
GEC	Global Executive Committee of BTIM Group, as listed on pages XX and XX of this Report.
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 Group, as listed on pages XX and XX of this Report.
KPIs	Key performance indicators
M & A	Mergers and acquisitions
NED	Non-executive Directors
NPAT	Net profit after tax
OEIC	Open ended investment company
PwC	PricewaterhouseCoopers, the external auditor of the BTIM Group
RE	Responsible entity
Reporting Period	The financial year ended 30 September 2017
Senior Executives	The Group CEO and other Senior Executives, as listed on pages XX and XX of this Report.
Senior Management Team	Senior Management Team of BTIM Group, as listed on pages XX and XX of this Report.
SMA	Seperately Managed Account
Soft-close	Strategies and funds closed to new investors but which remain open to existing investors on existing terms.
VR	Variable reward
Westpac	Westpac Banking Corporation (ABN 33 007 457 141)
The Westpac Group	Westpac and its controlled entities
TSR	Total shareholder return which is calculated on the three month average closing share price prior to the beginning and end of the period of performance measured and consistent with market practices for remuneration purposes
WIB	Westpac Institutional Bank
WFSGL	Westpac Financial Services Group Limited

Corporate Directory

Directors

James Evans (Chairman)
Emilio Gonzalez (CEO)
Meredith Brooks
Andrew Fay
Deborah Page, AM
Kathryn Matthews

Company Secretary

Joanne Hawkins

Registered Office

Level 14
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: +612 9220 2000
Facsimile: +612 9220 2307
Email: enquiries@btim.com.au

Postal address

GPO Box 7072
Sydney NSW 2001

Website

www.btim.com.au

Australian Company Number

126 385 822

Australian Business Number (ABN)

28 126 385 822

ASX Code

BTT

2017 Corporate Governance Statement

BTIM's 2017 Corporate Governance Statement can be viewed at:
www.btim.com.au/about/corporate-governance/

Auditors

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
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Telephone: +612 8280 7100
Facsimile: +612 9287 0303

