

The background of the page is filled with several overlapping, thin lines in teal and grey. These lines are oriented diagonally, creating a sense of movement and depth. Some lines are straight, while others have slight curves or kinks, forming a complex, layered pattern.

Annual Report  
2017

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## Highlights

### Full Year Dividend

7.5 cents

Increased by 36%

### Revenue

\$208.6 million

Increased by 12%

### Net Profit After Tax

\$20.6 million

Increased by 26%

### Funds Under Advice

\$47.2 billion

Increased by 22%

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 650 employees, operates across fourteen offices in Australia and has offices in London and Hong Kong. Bell Financial has a 56.63% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

## Executive Chairman's Report



Bell Financial Group reported an increase in NPAT of 26% to \$20.6 million for the full year. As a result we were able to increase the final dividend to 5.5 cents per share, bringing the total dividend for the full year to 7.5 cents per share fully franked.

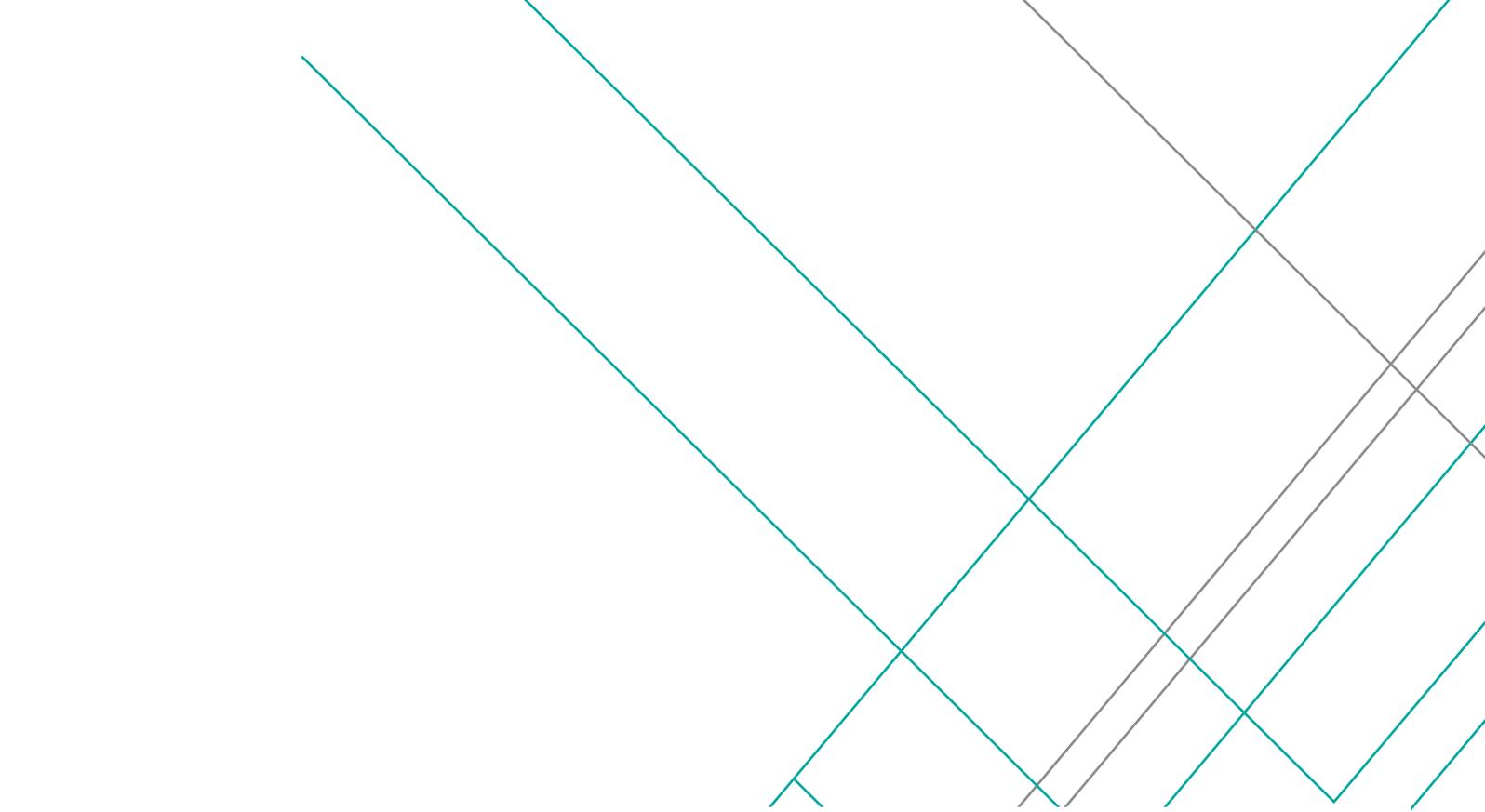
2017 started slowly but finished on a positive note. By the end of the year volatility and interest rates were at historical lows and most global stock markets were at all-time highs. Growth became more broad-based with improving trends across Europe and Japan led by the US on the back of tax reform and a strengthening economic outlook. Sustained investor confidence drove strong revenue growth across all of our businesses except for Futures & FX which suffered from the lack of volatility.

Bell Financial Group reported an increase in NPAT of 26% to \$20.6 million for the full year. As a result we were able to increase the final dividend to 5.5 cents per share, bringing the total dividend for the full year to 7.5 cents per share fully franked.

Our full service retail equities business was again a standout performer for the Group, continuing a five-year trend of increased revenue and profits year on year. The division delivered an increase in pre-tax profit of 40%. Our institutional broking and Equity Capital Markets (ECM) division increased revenue, with lower broking revenue more than offset by much improved ECM revenue; the team had a very good year and in the small to mid-cap space, no firm has a better franchise.

We are planning to open a New York office in 2018, further expanding our institutional distribution capabilities and complementing our dealing desks in Sydney, Hong Kong and London. We are confident this will be a good addition to our wholesale business.

For 10 years we've been investing in technology and currently have 65 permanent employees working on IT across the Group. This investment has produced impressive results; today we can boast an outstanding client relationship management platform (FUSION) which provides BFG with a competitive edge in the market, reducing the Group's reliance on third parties, lowering costs and helping Bell Potter attract new advisers.



It was also 10 years ago that BFG established Third Party Platform (TPP) which trades as Bell Direct and Desktop Broker. TPP is an outstanding example of how our technology spend has created opportunities for the Group. TPP has made significant revenue gains throughout the year, increasing the number of client accounts, contract note volumes and underlying client holdings. Today CHESS sponsored holdings of Bell Direct clients alone total over \$15 billion and the company has now clocked up profits for 4 years in a row. Clearly it is now a proven performer and a valuable standalone business.

We continually focus on achieving a good corporate culture based on transparency and consistency. This effort has been sponsored by our management team and their commitment is the key to our ability to retain talent across the Group and to attract newcomers to our retail, institutional and Equity Capital Markets (ECM) divisions.

After being a substantial shareholder in BFG for 10 years it was notable that UBS sold their holding in December 2017. We were pleased to be able to handle the sale in-house and that the level of Bell Potter client interest far exceeded the number of shares on offer.

Given that it is now 10 years since we listed on the ASX it is appropriate to review the report card on BFG as a listed entity. There are only two brokers that have been listed on the ASX for the last 10 years. In that period a few have been delisted and there have been no newcomers. BFG has been profitable in every year except for one and has paid dividends in every year. In total we have paid out \$98 million in fully franked dividends. This year BFG will pay a total of 7.5 cents per share which grosses up to a return of 14.3%.

Today we have a great management team, an excellent culture, a group of advisers that is the envy of our competitors, a strong Balance Sheet, an outstanding client list and Funds under Administration that have grown from \$16 billion to \$47 billion in 10 years, a CAGR of 11.3%.

On the other side of the coin BFG shares were listed in 2007 at over \$2.00 per share and thereupon ran headlong into one of the worst years imaginable for the global economy and share markets around the world. At the end of that year our shares were trading at 40 cents. Today we are almost double that but I won't pretend it hasn't been difficult. Although the company has consistently been profitable and has

paid good dividends, long term investors including clients and staff, along with the founders, have every right to have been disappointed; capital appreciation has been non-existent.

Even though financial services have provided excellent opportunities for BFG, the timing of our listing could not have been much worse. But we are eternally optimistic and believe the unflattering comparison that can be made today is more about the difference between a 14 times price earnings multiple in 2007 and the sub 10 times multiple the market awards us today. Many of our very best clients are Fund Managers and even though we provide them with an excellent service and they kindly repay us with some of their business, they universally resist the temptation to invest in BFG shares. That is a concern and one of our challenges is to tell our growth story better in the future.

Yours sincerely



**Colin M Bell**  
Executive Chairman  
Bell Financial Group Ltd

## Operating and Financial Review

2017 was a significant year for Bell Financial Group with most businesses continuing to grow strongly.

Group revenue increased to \$208.6 million, up 12%.

Net profit after tax was \$20.6 million, up 26% on the previous corresponding period (2016: \$16.4 million).

The Board has declared a final fully franked dividend of 5.5 cents per share, taking the full year dividend to 7.5 cents per share, fully franked.

I think most investors have a pretty good understanding of our traditional broking business, but I would like to highlight two particular areas.

One which has made an outstanding contribution to last year's result and the other which is a key growth area and which I think is less well understood by the market.

### Equity Capital Markets (ECM) and Syndication

We have a dedicated team of 18 across our ECM desks in Sydney and Melbourne.

Their primary focus is deal origination, due diligence and distribution in conjunction with our various domestic and offshore institutional and retail dealing desks.

In addition, there are always a number of potential corporate opportunities that arise through our retail network.

In these cases our Corporate department provide an advisory and administrative function and ensure that all due diligence and compliance requirements are adhered to and completed satisfactorily.

We also have a Syndication desk which coordinates the administration and distribution of non-Bell Potter originated deals in which we participate.

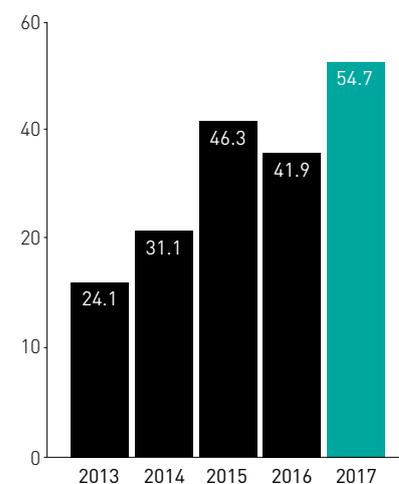
In 2017 we successfully completed more than 100 ECM transactions, raising over \$1.7 billion in new equity capital on behalf of our clients.

Equity Capital Market activity across our entire network generated \$55 million in gross revenue which represents 26% of Group revenue.

I believe this clearly establishes Bell Potter as the ECM leader in Australia in the Small and Mid-Cap sector in which we operate.

To put this in perspective, we placed fifth overall in the Australian ECM League Table in 2017\* in terms of new money raised, which I think supports my belief in our market positioning.

### Equity Capital Markets Revenue (\$A m) 2013–2017



### \* Australian ECM League Table in 2017

Bookrunner	2017 Rank	2016 Rank	Proceeds
UBS	1	1	6,600.0
Macquarie Group	2	2	4,423.8
Morgan Stanley	3	7	3,381.9
JP Morgan	4	4	1,986.0
<b>Bell Financial Group Ltd</b>	5	8	1,259.7
Morgans Financial Ltd	6	9	999.9
Commonwealth Bank of Australia	7	55	886.9
Credit Suisse	8	3	865.2
Taylor Collison Ltd	9	12	860.5
Goldman Sachs & Co	10	10	857.2

\* Thomson Reuters – Global Equity Capital Markets Review (Managing Underwriters) – Full Year 2017 Table excludes a number of smaller transactions completed during the period.

## Recurring and Low Touch Revenue

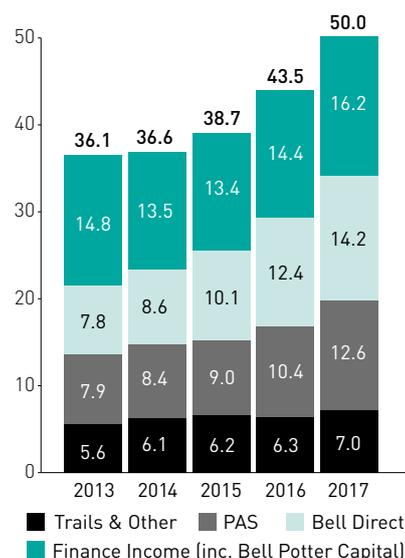
As a Group we hold more than \$47 billion in client sponsored assets, approximately 10% of which provide some form of recurring revenue stream.

### Funds that generate Recurring Revenue

	FUM (\$M)
<b>Cash</b>	
Bell Potter Capital	\$317
Other	\$804
<b>Margin Lending</b>	
Bell Potter Capital	\$286
Other	\$83
<b>Portfolio Administration</b>	
P.A.S	\$2,684
<b>Superannuation</b>	
Bell Potter	\$482
Other	\$115
<b>Fixed Income &amp; Managed Funds</b>	
Other	\$241
	<b>\$5,012</b>

This annuity business is growing steadily not only in terms of assets under advice but also in number of clients.

### Recurring and Low Touch Revenue (\$A m) 2013-2017



These two business divisions, ECM and Recurring and Low Touch, generated revenues of around \$105 million in 2017, or nearly 50% of our total gross revenue.

**Third Party Platform (TPP)** our online broking platform, is a non-traditional, low touch broking business which essentially provides self-executing clients, wholesale and retail, with the most efficient route to market.

The aggregate gross revenue from these various products and services was \$50 million in 2017 representing 24% of gross revenue.

This percentage has been fairly consistent over the past five years but the revenue numbers are growing strongly in absolute terms.

These two business divisions, ECM and Recurring and Low Touch, generated revenues of around \$105 million in 2017, or nearly 50% of our total gross revenue.

I believe these numbers clearly demonstrate that we are not simply a traditional broker relying on day to day revenue from secondary market execution. Which is, what we appear to be regarded as by the market.

While revenue from secondary market execution is extremely important, we have much more to offer than that.

We have a wide range of products and services which involve input from across our entire network. They provide diversified revenue streams, leverage to the market, growth opportunities, scalability and most importantly underscore our business model.

Our final 5.5 cent fully franked dividend takes our full year distribution to 7.5 cents fully franked. Based on our closing share price of 75 cents on 31 December 2017 this represents a 10% fully franked dividend yield which grosses up to 14.3%.

A strong performance all round.

## Technology/Fusion

We believe our ongoing investment in technology both sets us apart from others in the industry and is critical to our future success.

We have developed, and continue to develop a complete end to end broking platform where we see the opportunity to achieve significant cost synergies across the Group in the near term.

FUSION, our proprietary client relationship, and compliance platform continues to evolve. It consolidates our products and services into one system, and enables Adviser efficiency.

We anticipate that at some stage, opportunities may present to commercialise this in-house Intellectual Property.

## Outlook

Late last year we lodged a license application in the United States. Hopefully we will have a New York office up and running in the second quarter of 2018.

The office structure will be similar to our Hong Kong office and, if it is as successful, will add a new dimension to our institutional distribution capability.

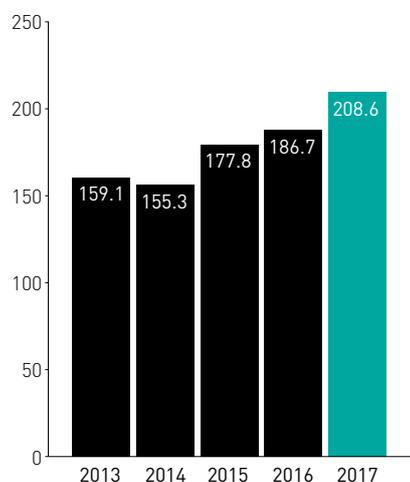
It is very early days, but so far 2018 has been the best start we've had in 10 years and provides a solid base for another year of solid growth across the Group.

Yours sincerely

**Alastair Provan**  
Managing Director  
Bell Financial Group Ltd

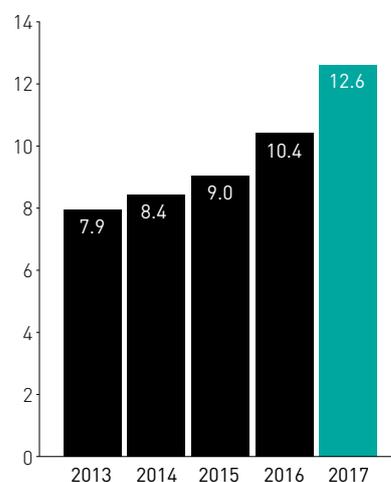
# Operating and Financial Review continued

**Revenue**  
(\$A m) 2013–2017



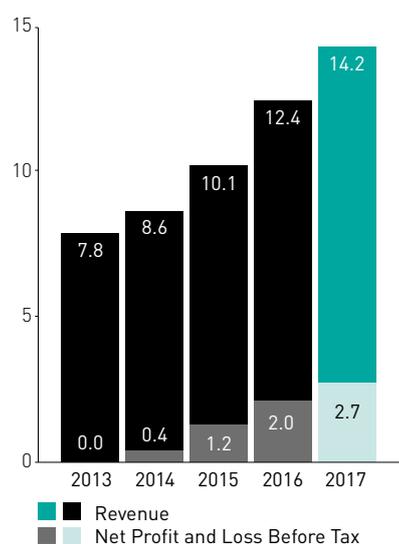
Group revenue grew 12% year on year, continuing the growth trend. The performance was broad based with growth in the Full Service Retail, Institutional, Online, and the Margin Lending and Cash businesses.

**Portfolio Administration Service Revenue**  
(\$A m) 2013–2017



Portfolio Administration revenue continues to grow, up 21% on 2016. This business has 2,000 clients, \$3.2 billion in assets across the Portfolio Administration, Super Solutions and Super Command products, and is managed by 22 full time staff.

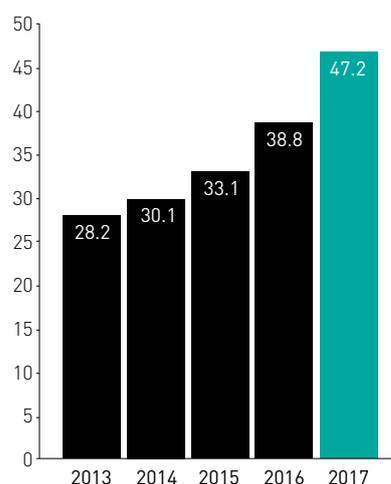
**Third Party Platform**  
(\$A m) 2013–2017



Third Party Platform 2017 revenues grew 15%, profit increased 33% and sponsored Holdings exceed \$15 billion. The business has 145,000 client accounts, 115,000 of which are active, and client cash holdings exceed \$110 million.

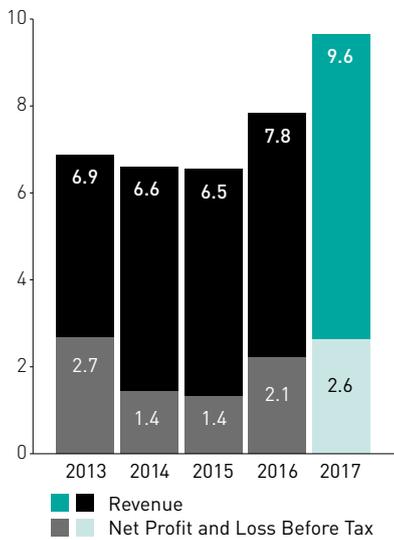
Third Party Platform operates out of three offices and has 84 full time staff; 21 based in Sydney, 12 based in Perth, and 51 based in the Kuala Lumpur office.

**Funds Under Advice**  
(\$A b) 2013–2017



Funds under Advice grew 22% to \$47 billion. \$5 billion of the \$47 billion consists of Cash and Fixed Income, Superannuation, Margin Loans and Portfolio Administration.

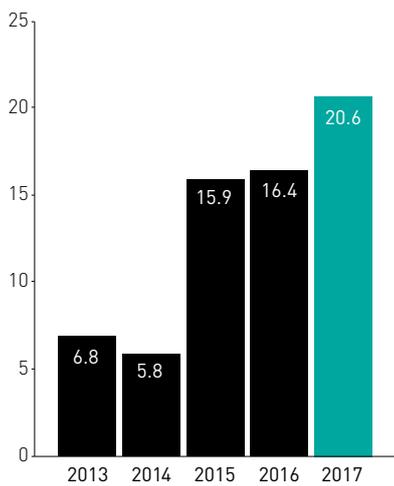
**Bell Potter Capital**  
(\$A m) 2013–2017



Bell Potter Capital net revenue increased 23% to \$9.6 million. The margin loan book grew 26% to \$286 million and has over 4,000 clients and the cash book increased 10% to \$317 million and has over 30,000 clients.

Bell Potter Capital is managed by 10 full time staff.

**Net Profit/(Loss) After Tax**  
(\$A m) 2013–2017



- Net Profit after tax - \$20.6 million
- Earnings per share - 7.8 cents
- Final Dividend (fully franked) - 5.5 cents per share
- Full Year Dividend (fully franked) - 7.5 cents per share
- Gross Dividend Yield<sup>1</sup> - 14.3%
- PE Multiple<sup>1</sup> - 9.7 times

1. Based on 31 December 2017 share price.

# Directors' Report

For the year ended 31 December 2017

The Directors of Bell Financial Group Limited (Bell Financial) present their report, together with the financial report, on the consolidated entity (Group) consisting of Bell Financial and its controlled entities for the year ended 31 December 2017.

## Board of Directors

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### Colin Bell

BEcon (Hons)

Mr Bell is the Executive Chairman of Bell Financial and has responsibility for the business development of Bell Financial and all associated businesses within the Group. Mr Bell founded Bell Commodities in 1970 after working with the International Bank for Reconstruction and Development in Washington DC, USA.

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### Alastair Provan

Mr Provan is the Managing Director of Bell Financial and is responsible for the day-to-day management of all businesses within the Group. Mr Provan joined Bell Commodities in 1983 and held a number of dealing and management roles prior to becoming Managing Director in 1989. Mr Provan is a member of the Remuneration Committee.

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### Craig Coleman

BComm

Mr Coleman was appointed as a Director in July 2007 and has been a Non-Executive Director since October 2007. He is a member of the Group Risk and Audit Committee and the Remuneration Committee. Mr Coleman is Executive Chairman of private and public equities fund manager, Viburnum Funds Pty Ltd. Previously, he was Managing Director and a Non-Executive Director of Home Building Society Limited. Prior to joining Home Building Society, Mr Coleman held a number of senior executive positions and directorships with ANZ, including Managing Director – Banking Products, Managing Director – Wealth Management and Non-Executive Director of Etrade Australia Limited.

#### Other listed companies – past three years

Chairman, Pacific Star Network Ltd (Nov 2017-present)  
Chairman, Universal Biosensors Inc (June 2016-present)  
Chairman, Rubik Financial Limited (December 2006-May 2017)  
Non-Executive Director, Pulse Health Limited (January 2010-May 2017)  
Non-Executive Director, Keybridge Capital Limited (March 2014-May 2016)  
Non-Executive Director, Amcom Telecommunications Limited (October 2008-July 2015)

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### Graham Cubbin

BEcon (Hons), FAICD

Mr Cubbin was appointed as a Non-Executive Director in September 2007 and is an independent Director. He is the Chairman of the Group Risk and Audit Committee and the Remuneration Committee. Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company. Mr Cubbin has over 20 years' experience as a Director and Audit Committee member of public companies in Australia and the USA. He is a Non-Executive Director of Teys Australia Pty Ltd.

#### Other listed companies – past three years

Chairman, McPherson's Limited (September 2010-present)  
Non-Executive Director, Challenger Limited (January 2004-present)  
Non-Executive Director, WPP AUNZ Limited (May 2008-present)  
Non-Executive Director, White Energy Company Limited (February 2010-present)

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**Brian Wilson AO**

MComm (Hons),

Hon DUniv

Mr Wilson was appointed as a Non-Executive Director in October 2009 and is an independent Director. He is a Senior Adviser to The Carlyle Group, a member of the Payments System Board of the Reserve Bank of Australia, and Deputy Chancellor of University of Technology Sydney. Mr Wilson is the former Chairman of the Foreign Investment Review Board. He was a member of the Commonwealth Government Review of Australia's Superannuation System and a member of the ATO Superannuation Reform Steering Committee. Mr Wilson retired in 2009 as a Managing Director of the global investment bank Lazard, after co-founding the firm in Australia in 2004, and prior to that was a Vice-Chairman of Citigroup Australia and its predecessor companies.

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**Brenda Shanahan**

BComm, FAICD

Ms Shanahan was appointed as a Non-Executive Director in June 2012 and is an independent Director. She is a member of the Group Risk and Audit Committee and the Remuneration Committee. Ms Shanahan has served in senior executive and board roles in Australia and overseas, primarily in the finance and stockbroking industries, during a career spanning more than 30 years. Ms Shanahan is the Chair of St Vincent's Medical Research Institute and the Aikenhead Centre for Medical Discovery, a Director of the Kimberley Foundation Australia and a Non-Executive Director of DMP Asset Management Ltd. Ms Shanahan has previously been an Executive Director of JM Financial Group Limited, May Mellor, Equitlink Limited and Mercer.

**Other listed companies – past three years**

Non-Executive Director, Clinuvel Pharmaceuticals Limited (February 2007-present)

Non-Executive Director, Phoslock Water Solutions Ltd (September 2017-present)

Non-Executive Director, Challenger Limited (April 2011-October 2017)

## Directors' Report continued

For the year ended 31 December 2017

### Principal activities

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 650 employees, operates across 14 offices in Australia and has offices in London and Hong Kong. Bell Financial has a 56.63% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

### Review and results of operations

Information on the operations and financial position of the Group is set out in our Operating and Financial Review on pages 4 to 7.

### Dividends

On 21 February 2018, the Directors resolved to pay a fully franked final dividend of 5.50 cents per share.

Dividends paid to shareholders during the year ended 31 December 2017 were as follows:

Dividend	Per Share	Total \$'000	Fully Franked	Date of Payment
Final 2016 ordinary	3.75 cents	9,910	Yes	22 March 2017
Interim 2017 ordinary	2.00 cents	5,286	Yes	13 September 2017

### Significant changes in the state of affairs

There were no significant changes in Bell Financial's state of affairs or the nature of its principal activities during the financial year ended 31 December 2017.

### Business strategies, prospects and likely developments

The Operating and Financial Review sets out key information on Bell Financial's operations and financial position, and provides an overview of its business strategies and prospects for future financial years. Details likely to result in unreasonable prejudice to the Group (e.g. information that is commercially sensitive, confidential or which could give a third party a commercial advantage) have not been included.

### Events after the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report, any matter or circumstance that has significantly affected, or may significantly affect, in the opinion of the Directors of Bell Financial:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

### Board meeting and attendance

Each Director held office for the full year. Details of the number of meetings held by the Board and its Committees during the year ended 31 December 2017, and attendance by Board members, are set out below:

Director	Board		Group Risk and Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Colin Bell	5	5	-	-	-	-
Alastair Provan	5	5	-	-	2	2
Craig Coleman	5	5	5	5	2	2
Graham Cubbin	5	5	5	5	2	2
Brian Wilson AO	5	4	-	-	-	-
Brenda Shanahan	5	4	5	4	2	2

A – Number of meetings held.

B – Number of meetings attended.

## Directors' shareholdings in Bell Financial Group

As at the date of this report, the relevant interests of each Director in BFG ordinary shares, as notified to the ASX in accordance with the Corporations Act, are set out below. No Directors held options over BFG shares during the year ended 31 December 2017.

Director	Fully Paid Ordinary Shares	Deemed Relevant Interest	Total
Colin Bell	3,603,633	119,827,345*	123,430,978
Alastair Provan	3,915,891	119,827,345*	123,743,236
Craig Coleman	1,772,283	-	1,772,283
Graham Cubbin	180,000	-	180,000
Brian Wilson AO	1,000,000	-	1,000,000
Brenda Shanahan	250,000	-	250,000

\* Bell Group Holdings Pty Limited (BGH) holds 117,967,345 BFG ordinary shares. BGH's wholly owned subsidiary, Bell Securities Pty Limited (BSPL), holds 1,860,000 BFG ordinary shares. Colin Bell and Alastair Provan each hold more than 20% of BGH and therefore under the Corporations Act they are each deemed to have a relevant interest in the 119,827,345 BFG ordinary shares held by BGH and BSPL.

## Company Secretary

Cindy-Jane Lee, BEc, LLB, GAICD, was appointed as Company Secretary on 10 January 2014 and is also the Group's General Counsel. Before joining Bell Financial, Ms Lee held the position of Regional Legal Counsel, South Asia with Mercer. Ms Lee has over 17 years' experience in corporate and financial services law working in law firms and multinational companies in Australia, London and Singapore. Ms Lee holds a Bachelor of Economics and a Bachelor of Laws from Monash University.

## Corporate Governance

Bell Financial recognises the importance of good corporate governance. As required under the ASX listing rules, Bell Financial has a Corporate Governance Statement, which has been lodged with the ASX disclosing the extent to which it has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. A copy of our Corporate Governance Statement is located at the Corporate Governance section of our website: [www.bellfg.com.au/corporategovernance](http://www.bellfg.com.au/corporategovernance). Copies of Bell Financial's charters (Board Charter, Group Risk and Audit Committee Charter, and Remuneration Committee Charter) and policies (Code of Conduct, Diversity Policy, Disclosure and Communication Policy, Risk Management Policy Summary, and Trading Policy) are also located here.

## Directors' and officers' indemnity and insurance

Bell Financial has agreed to indemnify the Directors against all liabilities to another person (other than Bell Financial or a related entity) that may arise from their position as officers of Bell Financial or its controlled entities, except where the liability arises out of conduct including a lack of good faith. Except for the above, neither Bell Financial nor any of its controlled entities has indemnified any person who is or has been an officer or auditor of Bell Financial or its controlled entities. Since the end of the previous financial year, Bell Financial has paid a premium for an insurance policy for the benefit of the Directors, officers, company secretaries and senior executives. The insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liability covered.

## Environmental regulation

The operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Non-audit services

During the year, Bell Financial's auditor, KPMG, performed certain other services in addition to its statutory auditor duties. Details of the amounts paid to KPMG for audit and non-audit services during the year are set out in Note 38 of the Financial Statements.

The Directors are satisfied, based on advice provided by the Group Risk and Audit Committee, that the provision of these non-audit services during the year by the auditor is compatible with, and does not compromise, the general standard of independence for auditors imposed by the *Corporations Act 2001*, for the following reasons:

- services provided during the year are not considered to be materially in conflict with the role of the auditor; and
- the Directors are unaware of any matter relating to the provision of non-audit services which would impair the impartial and objective judgement of the auditor.

A copy of the Lead Auditor's Independence Declaration is set out on page 18.

# Directors' Report continued

For the year ended 31 December 2017

## Remuneration Report (audited)

This report sets out the remuneration arrangements for Directors and other Key Management Personnel (KMP) of Bell Financial Group Ltd (Bell Financial or the Company) for the year ended 31 December 2017 and is prepared in accordance with section 300A of the Corporations Act. The information in this report has been audited as required by section 308(3C) of the Corporations Act.

### 1. Key management personnel (KMP)

KMP comprise the Directors of the Company and Senior Executives. The term 'Senior Executives' refers to those executives who have authority and responsibility for planning, directing and controlling the activities of Bell Financial. In this report, 'Executive KMP' refers to KMP other than Non-Executive Directors. The KMP for 2017 are stated in Section 8.4 below.

### 2. Overview of remuneration policy and framework

Bell Financial remunerates Executive KMP and other executives, management and advisers by one or more of fixed salary, commission entitlements and other short-term and long-term incentives. Non-Executive Directors receive a fixed fee and the superannuation guarantee rate only for their role on the Board. Where remuneration is linked to performance, net profit/(loss) after tax and earnings per share are key performance measures, in addition to individual objectives. In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee and the Board have regard to the following financial indicators in respect of the current financial year and previous financial years.

	2013	2014	2015	2016	2017
Net profit/(loss) after tax \$'000	\$6,811	\$5,952	\$16,399	\$16,905	<b>\$21,443</b>
Share price at year end \$	\$0.70	\$0.43	\$0.575	\$0.725	<b>\$0.75</b>
Earnings per share (cents)	2.7	2.3	6.2	6.2	<b>7.8</b>
Dividends paid \$'000	\$2,596	\$3,852	\$8,948	\$12,502	<b>\$15,196</b>

The Company has established two equity-based plans to assist in the attraction, retention and motivation of Executive KMP, management and employees of the Company, the Long-Term Incentive Plan (LTIP) and the Employee Share Acquisition (Tax Exempt) Plan. Each plan contains customary and standard terms for dealing with the administration of an employee share plan, and the termination and suspension of the plan. Participants in the plans must not enter into a transaction or arrangement or otherwise deal in financial products which operate to limit the economic risk of the unvested Bell Financial securities issued under the plans.

### 3. Fixed compensation

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual performance and that of the overall Group.

### 4. Commission

Commission entitlements are determined by the Board from time to time and aim to align the remuneration of Executive KMP and advisers with the Company's performance. Certain executives and advisers are paid a commission based on revenue generated by the individual during the year. This creates a strong incentive for key executives and advisers to maximise the Company's revenue and performance.

### 5. Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward Executive KMP for meeting or exceeding their financial and individual objectives. The short-term incentive is an 'at risk' bonus provided in the form of cash, while the long-term incentive is provided as options or performance rights over ordinary shares of the Company.

### 6. Short-term incentive bonus

The Company may pay Executive KMP and other executives a short-term incentive (STI) annually. The Company's Remuneration Committee is responsible for determining who is eligible to participate in STI arrangements, as well as the structure of those arrangements.

There are two types of STI arrangements, being:

- the STI payable to executives who are not remunerated by reference to commission, which is a discretionary annual cash bonus determined based on the Company's financial performance during the year, key performance indicators, industry competitive measures and individual performance over the period; and
- the STI payable to the Executive Chairman and the Managing Director, which is a discretionary annual cash bonus, up to three times annual salary, determined based on the Company's financial performance during the year, key performance indicators and individual performance over the period.

These STI arrangements aim to ensure that executive remuneration is aligned with the Company's financial performance and growth.

## 7. Long-term incentive plan (LTIP)

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's Executive KMP, other executives and advisers with the interests of shareholders to assist the Company in the attraction, motivation and retention of Executive KMP, other executives and advisers. In particular, the LTIP is designed to provide relevant Executive KMP, other executives and advisers with an incentive for future performance, with conditions for the vesting and exercise of the options or performance rights under the LTIP, therefore encouraging them to remain with the Company and contribute to its future performance.

Eligible persons participating may be granted options or performance rights on the terms and conditions in the LTIP rules and as determined by the Board from time to time. An option or performance right is a right, subject to the satisfaction of the applicable vesting conditions and exercise conditions, to subscribe for a share in the Company.

If persons become entitled to participate in the LTIP and their participation requires approval under Chapter 10 of the ASX listing rules, they will not participate in the LTIP until that shareholder approval is received.

## 8. Service agreements

### 8.1 Executive Chairman and Managing Director

Bell Financial entered into service agreements with its Executive Chairman, Colin Bell, and its Managing Director, Alastair Provan, effective from listing in December 2007. These agreements set out the terms of each appointment, including responsibilities, duties, rights and remuneration.

A summary of the remuneration packages including benefits under the short-term and long-term incentive plans for each of Mr Bell and Mr Provan is set out in the KMP remuneration table in Section 8.4 below.

Bell Financial may terminate either service agreement on 12 months' notice, or immediately for cause. If either agreement is terminated on 12 months' notice, Bell Financial has agreed to vest early any unvested options under the LTIP and to allow their early exercise. Mr Bell and Mr Provan may terminate their respective service agreements on six months' notice. Mr Bell and Mr Provan have entered into non-competition covenants with Bell Financial, which operate for six months from termination of their respective service agreements.

### 8.2 Executives

All key executives are permanent employees of Bell Financial. Each executive has an employment contract with no fixed end date. Any executive may resign from their position by giving four weeks' written notice. The Company may terminate an employment contract by providing written notice and making payment in lieu of notice in accordance with the Company's termination policies. The Company may terminate an employment contract at any time for serious misconduct.

### 8.3 Non-Executive Directors

On appointment to the Board, all the Non-Executive Directors (Mr Coleman, Mr Cubbin, Mr Wilson and Ms Shanahan) were provided with a letter of appointment setting out the terms of the appointment, including responsibilities, duties, rights and remuneration, relevant to the office of Director. A summary of the annual remuneration package for those Directors is in the following section of this report.

Name	Directors' Fees \$	Superannuation \$	Total \$
Craig Coleman	91,324	8,676	100,000
Brian Wilson AO	91,324	8,676	100,000
Graham Cubbin	91,324	8,676	100,000
Brenda Shanahan	91,324	8,676	100,000

#### Craig Coleman

During 2017, Mr Coleman provided consultancy services to a Group company and was paid \$75,000 (2016: nil) in relation to those services.

## Directors' Report continued

For the year ended 31 December 2017

### Remuneration Report (audited) (continued)

#### 8. Service agreements (continued)

##### 8.4 KMP remuneration

Details of the remuneration of each KMP are tabled below.

		Short-term			Total \$
		Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	
<b>Directors</b>					
<b>Executive Directors</b>					
Colin Bell, Executive Chairman <sup>1</sup>	<b>2017</b>	<b>600,168</b>	<b>250,000</b>	-	<b>850,168</b>
	2016	597,756	-	-	597,756
Alastair Provan, Managing Director <sup>1</sup>	<b>2017</b>	<b>524,443</b>	<b>250,000</b>	-	<b>774,443</b>
	2016	524,813	-	-	524,813
<b>Non-Executive Directors</b>					
Craig Coleman	<b>2017</b>	<b>166,324</b>	-	-	<b>166,324</b>
	2016	91,324	-	-	91,324
Graham Cubbin	<b>2017</b>	<b>91,324</b>	-	-	<b>91,324</b>
	2016	91,324	-	-	91,324
Brian Wilson AO	<b>2017</b>	<b>91,324</b>	-	-	<b>91,324</b>
	2016	91,324	-	-	91,324
Brenda Shanahan	<b>2017</b>	<b>91,324</b>	-	-	<b>91,324</b>
	2016	91,324	-	-	91,324
<b>Total compensation: Directors (consolidated)</b>	<b>2017</b>	<b>1,564,907</b>	<b>500,000</b>	-	<b>2,064,907</b>
	2016	1,487,865	-	-	1,487,865
<b>Senior Executives</b>					
Lewis Bell, Head of Compliance	<b>2017</b>	<b>369,670</b>	-	-	<b>369,670</b>
	2016	370,040	-	-	370,040
Andrew Bell, Executive Director of Bell Potter Securities	<b>2017</b>	<b>516,189</b>	-	-	<b>516,189</b>
	2016	477,341	-	-	477,341
Dean Davenport, Chief Financial Officer	<b>2017</b>	<b>318,053</b>	<b>200,000</b>	-	<b>518,053</b>
	2016	300,923	125,000	-	425,923
Rowan Fell, Director – Investment Services	<b>2017</b>	<b>264,463</b>	<b>200,000</b>	-	<b>472,078</b>
	2016	271,627	363,213	-	634,840
<b>Total compensation: Executives (consolidated)</b>	<b>2017</b>	<b>1,468,375</b>	<b>400,000</b>	-	<b>1,868,375</b>
	2016	1,419,931	488,213	-	1,908,144

1. Mr Bell and Mr Provan volunteered to forego any discretionary annual cash bonus in 2016.

2. Voluntary super contributions above the minimum legislative requirements are classified as post-employment benefits.

Post-employment			Share-based Payments		Total \$	Proportion of Remuneration Performance Related %	Value of Options as Proportion of Remuneration %
Superannuation Benefits <sup>2</sup> \$	Other Long-term \$	Termination Benefits \$	Total Amortisation Value of LTI Options \$	Total \$			
<b>19,832</b>	-	-	-	<b>870,000</b>	<b>29</b>	<b>0</b>	
22,244	-	-	-	620,000	0	0	
<b>19,832</b>	-	-	-	<b>794,275</b>	<b>31</b>	<b>0</b>	
19,462	-	-	-	544,275	0	0	
<b>8,676</b>	-	-	-	<b>175,000</b>	<b>0</b>	<b>0</b>	
8,676	-	-	-	100,000	0	0	
<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>	
8,676	-	-	-	100,000	0	0	
<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>	
8,676	-	-	-	100,000	0	0	
<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>	
8,676	-	-	-	100,000	0	0	
<b>74,368</b>	-	-	-	<b>2,139,275</b>	<b>23</b>	<b>0</b>	
76,410	-	-	-	1,564,275	0	0	
<b>19,832</b>	-	-	-	<b>389,502</b>	<b>0</b>	<b>0</b>	
19,462	-	-	-	389,502	0	0	
<b>25,000</b>	-	-	-	<b>541,189</b>	<b>100</b>	<b>0</b>	
35,383	-	-	-	512,724	100	0	
<b>19,832</b>	<b>12,115</b>	-	-	<b>550,000</b>	<b>36</b>	<b>0</b>	
19,462	29,615	-	4,539	479,539	26	1	
<b>30,000</b>	<b>35,537</b>	-	-	<b>530,000</b>	<b>38</b>	<b>0</b>	
40,604	17,769	-	2,269	695,482	52	0	
<b>94,664</b>	<b>47,652</b>	-	-	<b>2,010,691</b>	<b>47</b>	<b>0</b>	
114,911	47,384	-	6,808	2,077,247	48	0	

## Directors' Report continued

For the year ended 31 December 2017

### Remuneration Report (audited) (continued)

#### 8.5 KMP remuneration (Group)

##### Notes in relation to KMP remuneration table

- For Executive KMP, the short-term incentive bonus is for performance during the financial year ended 31 December 2017 using the criteria set out in Section 6 of the Remuneration Report.
- Options that were issued in May 2013 have lapsed in 2017.

##### Equity instruments

All options refer to options over ordinary shares in Bell Financial, which are exercisable on a one-for-one basis under the LTIP.

### 9. Options granted as compensation

No options were granted over shares in the Company as compensation to any KMP in 2017. All existing options vested for KMP have lapsed during the reporting period.

#### 9.1 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options granted to KMP) have been altered or modified by the issuing entity during the reporting period.

#### 9.2 Exercise of options granted as compensation

Options granted as compensation lapsed during the period.

#### 9.3 Analysis of options granted as compensation

The below options granted as remuneration to each KMP of the Company have lapsed on 28 May 2017.

Executive Directors	Options Granted		% Vested in Year	Financial Years in which Grant Vests
	Number	Date		
Colin Bell	-	-	-	-
Alastair Provan	-	-	-	-
<b>Non-Executive Directors</b>				
Graham Cubbin	-	-	-	-
Brenda Shanahan	-	-	-	-
Brian Wilson AO	-	-	-	-
Craig Coleman	-	-	-	-
<b>Senior Executives</b>				
Lewis Bell	-	-	-	-
Andrew Bell	-	-	-	-
Dean Davenport	400,000	28 May 2013	100%	28 May 2016
Rowan Fell	200,000	28 May 2013	100%	28 May 2016

#### 9.4 Analysis of movements in options

There was no movement in options during the year.

#### 9.5 Unissued shares under options

At the date of this report there are no unissued ordinary shares of the Company granted to Directors and employees.

## 10. Loans to KMP and their related parties

Details regarding loans outstanding at the reporting date to KMP and their related parties at any time in the reporting period, are as follows:

	Balance 1 January 2017 \$	Balance 31 December 2017 \$	Interest Paid and Payable in the Reporting Period \$	Highest Balance in Period \$
<b>Directors</b>				
C Bell	3,001,099	1,292,752	59,677	3,112,760
A Provan	-	-	-	-
C Coleman	779,553	1,009,222	43,443	1,147,815
G Cubbin	-	-	-	-
B Wilson AO	-	-	-	-
B Shanahan	-	-	-	-
<b>Senior Executives</b>				
L Bell	415,051	539,027	15,605	984,923
A Bell	318,310	300,000	13,216	473,967
R Fell	534,325	583,958	24,614	793,825
D Davenport	107,094	84,024	4,108	107,554

	Balance 1 January 2016 \$	Balance 31 December 2016 \$	Interest Paid and Payable in the Reporting Period \$	Highest Balance in Period \$
<b>Directors</b>				
C Bell	2,544,708	3,001,099	130,163	3,084,618
A Provan	-	-	-	-
C Coleman	-	779,553	12,494	1,152,559
G Cubbin	-	-	-	-
B Wilson AO	-	-	-	-
B Shanahan	-	-	-	-
<b>Senior Executives</b>				
L Bell	312,470	415,051	17,632	559,430
A Bell	300,000	318,310	15,069	631,997
R Fell	337,290	534,325	21,054	599,949
D Davenport	87,606	107,094	4,938	107,094

Loans totalling \$3,808,983 (2016: \$5,155,432) were made to KMP and their related parties during the year. The recipients of these loans were Colin Bell, Craig Coleman, Lewis Bell, Andrew Bell, Rowan Fell and Dean Davenport. The loans represent margin loans held with Bell Potter Capital Limited. Interest is payable at prevailing market rates. Related parties also have deposits on normal terms and conditions.

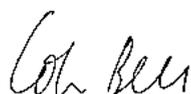
### Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the financial year ended 31 December 2017.

### Rounding of amounts

Bell Financial is an entity to which *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* applies. Amounts in this report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases to the nearest dollar.

This report is made on 21 February 2018 in accordance with a resolution of the Directors.



**Colin Bell**  
Executive Chairman  
21 February 2018

# Lead Auditor's Independence Declaration

For the year ended 31 December 2017



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Bell Financial Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Bell Financial Group Ltd for the financial year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of 'KPMG' in blue ink.

KPMG

A handwritten signature of 'Darren Scammell' in blue ink.

Darren Scammell

*Partner*

Melbourne

21 February 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

## Statement of Profit or Loss

For the year ended 31 December 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Rendering of services	6	191,598	169,359
Finance income	9	16,226	14,445
Net fair value (losses)/gains	7	(106)	2,124
Other income	8	860	815
<b>Total revenue</b>		<b>208,578</b>	186,743
Employee expenses	10	(128,262)	(115,482)
Depreciation and amortisation expenses	15, 16	(1,523)	(1,346)
Occupancy expenses		(11,528)	(11,470)
Systems, communication and ASX expenses		(18,044)	(16,691)
Professional expenses		(2,962)	(2,348)
Finance expenses	9	(4,585)	(4,204)
Other expenses		(10,515)	(10,027)
<b>Total expenses</b>		<b>(177,419)</b>	(161,568)
<b>Profit/(loss) before income tax</b>		<b>31,159</b>	25,175
Income tax expense	11	(9,716)	(8,270)
<b>Profit/(loss) for the year</b>		<b>21,443</b>	16,905
<b>Attributable to:</b>			
Equity holders of the Company		20,635	16,378
Non-controlling interests		808	527
<b>Profit/(loss) for the year</b>		<b>21,443</b>	16,905
<b>Earnings per share:</b>		<b>Cents</b>	Cents
Basic earnings per share (AUD)	28	7.8	6.2
Diluted earnings per share (AUD)	28	7.8	6.2

The notes on pages 24 to 58 are an integral part of these Consolidated Financial Statements.

## Statement of Comprehensive Income

For the year ended 31 December 2017

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>Profit/(loss) for the year</b>	<b>21,443</b>	16,905
<b>Other comprehensive income</b>		
<b>Items that may be classified to profit or loss</b>		
Change in fair value of cash flow hedge	24	(31)
Foreign operations – foreign currency translation differences	(189)	(81)
<b>Other comprehensive income for the year, net of tax</b>	<b>(165)</b>	(112)
<b>Total comprehensive income for the year</b>	<b>21,278</b>	16,793
<b>Attributable to:</b>		
Equity holders of the Company	20,470	16,266
Non-controlling interests	808	527
<b>Total comprehensive income for the year</b>	<b>21,278</b>	16,793

Other movements in equity arising from transactions with owners are set out in Note 26.

The notes on pages 24 to 58 are an integral part of these Consolidated Financial Statements.

## Statement of Financial Position

As at 31 December 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and cash equivalents	12	197,976	189,830
Trade and other receivables	13	101,360	71,358
Prepayments		737	685
Financial assets	14	3,812	3,015
Derivative assets	30	102	-
Loans and advances	19	286,188	227,398
Deferred tax assets	18	9,492	9,604
Property, plant and equipment	15	731	745
Goodwill	16	130,413	130,413
Intangible assets	16	8,738	7,076
<b>Total assets</b>		<b>739,549</b>	<b>640,124</b>
<b>Liabilities</b>			
Trade and other payables	20	185,850	131,280
Deposits and borrowings	21	317,380	288,967
Current tax liabilities	22	2,682	725
Derivative liabilities	30	24	48
Employee benefits	24	31,463	22,986
Provisions	23	300	750
<b>Total liabilities</b>		<b>537,699</b>	<b>444,756</b>
<b>Net assets</b>		<b>201,850</b>	<b>195,368</b>
<b>Equity</b>			
Contributed equity	26	167,886	167,886
Other equity		1,806	1,806
Reserves	26	(693)	699
Non-controlling interests	26	5,826	5,018
Retained earnings	26	27,025	19,959
<b>Total equity attributable to equity holders of the Company</b>		<b>201,850</b>	<b>195,368</b>

The notes on pages 24 to 58 are an integral part of these Consolidated Financial Statements.

## Statement of Changes in Equity

	Share Capital \$'000	Other Equity \$'000	Treasury Shares Reserve \$'000	Share- based Payments Reserve \$'000	Cash Flow Hedge Reserve \$'000	Foreign Currency Reserve \$'000	Non- controlling Interests \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 January 2016</b>	167,886	1,806	(2,273)	1,647	(17)	610	4,491	16,083	190,233
<b>Total comprehensive income</b>									
Profit/(loss) for the year	-	-	-	-	-	-	-	16,905	16,905
<b>Other comprehensive income</b>									
Change in fair value of cash flow hedges	-	-	-	-	(31)	-	-	-	(31)
Translation of foreign currency reserve	-	-	-	-	-	(81)	-	-	(81)
Total other comprehensive income	-	-	-	-	(31)	(81)	-	-	(112)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>(31)</b>	<b>(81)</b>	-	<b>16,905</b>	<b>16,793</b>
<b>Transactions with owners, directly in equity</b>									
Transfer of retained earnings	-	-	-	-	-	-	527	(527)	-
Share-based payments	-	-	-	844	-	-	-	-	844
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Employee share awards exercised	-	-	167	(167)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(12,502)	(12,502)
<b>Balance at 31 December 2016</b>	<b>167,886</b>	<b>1,806</b>	<b>(2,106)</b>	<b>2,324</b>	<b>(48)</b>	<b>529</b>	<b>5,018</b>	<b>19,959</b>	<b>195,368</b>
<b>Balance at 1 January 2017</b>	<b>167,886</b>	<b>1,806</b>	<b>(2,106)</b>	<b>2,324</b>	<b>(48)</b>	<b>529</b>	<b>5,018</b>	<b>19,959</b>	<b>195,368</b>
<b>Total comprehensive income</b>									
Profit/(loss) for the year	-	-	-	-	-	-	-	21,443	21,443
<b>Other comprehensive income</b>									
Change in fair value of cash flow hedges	-	-	-	-	24	-	-	-	24
Translation of foreign currency reserve	-	-	-	-	-	(189)	-	-	(189)
Total other comprehensive income	-	-	-	-	24	(189)	-	-	(165)
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>24</b>	<b>(189)</b>	-	<b>21,443</b>	<b>21,278</b>
<b>Transactions with owners, directly in equity</b>									
Transfer of retained earnings	-	-	-	-	-	-	808	(808)	-
Employee options expired	-	-	-	(1,627)	-	-	-	1,627	-
Share-based payments	-	-	-	400	-	-	-	-	400
Employee share awards exercised	-	-	710	(710)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(15,196)	(15,196)
<b>Balance at 31 December 2017</b>	<b>167,886</b>	<b>1,806</b>	<b>(1,396)</b>	<b>387</b>	<b>(24)</b>	<b>340</b>	<b>5,826</b>	<b>27,025</b>	<b>201,850</b>

The notes on pages 24 to 58 are an integral part of these Consolidated Financial Statements.

## Statement of Cash Flows

For the year ended 31 December 2017

		Consolidated	
	Note	2017 \$'000	2016 \$'000
<b>Cash flows from/(used in) operating activities</b>			
Cash receipts from customers and clients		257,480	278,635
Cash paid to suppliers and employees		(206,502)	(258,617)
Cash generated from operations*		50,978	20,018
Dividends received		7	2
Interest received		16,171	14,478
Interest paid		(4,585)	(4,204)
Income taxes paid		(7,647)	(9,364)
<b>Net cash from operating activities</b>	25	<b>54,924</b>	20,930
<b>Cash flows from/(used in) investing activities</b>			
Net proceeds from sale of investments		402	1,496
Acquisition of property, plant and equipment		(298)	(189)
Proceeds of property, plant and equipment		-	-
Acquisition of other investments		(1,309)	(232)
<b>Net cash (used in)/from investing activities</b>		<b>(1,205)</b>	1,075
<b>Cash flows from/(used in) financing activities</b>			
Dividends paid		(15,196)	(12,502)
On market share purchases		-	-
<i>Bell Potter Capital (margin lending)</i>			
Deposits from client cash balances		28,413	121,873
(Drawdown)/repayment of margin loans		(58,790)	7,121
Drawdown/(repayment) of borrowings		-	(61,000)
<b>Net cash (used in)/from financing activities</b>		<b>(45,573)</b>	55,492
Net increase in cash and cash equivalents		8,146	77,497
Cash and cash equivalents at 1 January		189,830	112,333
<b>Cash and cash equivalents at 31 December</b>	12, 25	<b>197,976</b>	189,830

The notes on pages 24 to 58 are an integral part of these Consolidated Financial Statements.

\*Cash generated from operations' includes Group cash reserves and client balances. Refer to Note 12 for further information on cash and cash equivalents.

# Notes to the Financial Statements

For the year ended 31 December 2017

Bell Financial Group Ltd ('Bell Financial' or the 'Company') is domiciled in Australia. The address of the Company's registered office is Level 29, 101 Collins Street, Melbourne, VIC. The Consolidated Financial Statements of the Company comprise the Company and its controlled entities (the 'Group' or 'Consolidated Entity'). The Group is a for-profit entity. Bell Financial Group Ltd is an Australian-based provider of broking, investment and financial advisory services.

## 1. Significant accounting policies

Set out below is a summary of significant accounting policies adopted by the Company and its subsidiaries in the preparation of the Consolidated Financial Statements.

### (a) Basis of preparation

#### Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Statements were approved by the Board of Directors on 21 February 2018.

The accounting policies set out below, except as noted, have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been consistently applied by all entities within the consolidated entity.

#### Basis of measurement

These Consolidated Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments) at fair value through the profit or loss.

### Functional and presentation currency

These Consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191* and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

### Removal of parent entity financial statements

The Group has applied amendments to the *Corporations Act (2001)* that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 32.

### (b) Principles of consolidation

#### Business combinations

The Group applies AASB 3 *Business Combinations (2008)* and amended AASB 127 *Consolidated and Separate Financial Statements (2008)* for business combinations.

#### Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commenced until the date that control ceases. All controlled entities have a 31 December balance date.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

### Non-controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### (c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue can be recognised.

#### Rendering of services

Revenue arising from brokerage, commissions, fee income and corporate finance transactions are recognised by the Group on an accruals basis as and when services have been provided. Provision is made for uncollectible debts arising from such services.

#### Interest income

Interest income is recognised as it accrues using the effective interest rate method.

#### Dividend income

Dividends are brought to account as revenue when the right to receive the payment is established.

### (d) Statement of Cash Flows

The Statement of Cash Flows is prepared on the basis of net cash flows in relation to settlement of trades. This is consistent with the Group's revenue recognition policy whereby the entity acts as an agent and receives and pays funds on behalf of its clients, however, only recognises as revenue the Group's entitlement to brokerage commission. For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at bank and on hand, investments in money market instruments maturing within less than 14 days (net of bank overdrafts) and short-term deposits with an original maturity of three months or less. It is important to note that the Statement of Financial Position discloses trade debtors and payables that represent net client accounts being the accumulation of gross trading.

### (e) Income tax

Income tax expense or benefit for the period comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

### Tax consolidation

Effective 1 January 2003, the Company elected to apply the tax consolidation legislation. All current tax amounts relating to the Group have been assumed by the head entity of the tax-consolidated group, Bell Financial Group. Deferred tax amounts in relation to temporary differences are allocated as if each entity continued to be a taxable entity in its own right.

### (f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST excluded. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

### (g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, investments in money market instruments maturing within less than 14 days and short-term deposits with original maturity of less than three months. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Cash held in trust for clients (refer to Note 12) is included as cash and cash equivalents and is included within trade and other payables.

### (h) Derivatives

Derivative financial instruments are contracts whose value is derived from one or more underlying price indices or other variables. They include swaps, forward rate agreements, options or a combination of all three.

Certain derivative instruments are held for trading for the purpose of making short-term gains. These derivatives do not qualify for hedge accounting. The right to receive options arising from the provision of services to corporate fee clients are valued using the Black Scholes model. On disposal of options any realised gains/losses are taken to the Statement of Profit or Loss. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred.

Derivative financial instruments are also used for hedging purposes to mitigate the Group's exposure to interest rate risk. Derivative financial instruments are recognised initially at fair value. Where the derivative is designated effective as a hedging instrument, the timing of the recognition of any resultant gain or loss is dependent on the hedging designation. The Group designated interest rate swaps as cash flow hedges during the period. Details of the hedging instruments are outlined below:

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 1. Significant accounting policies

(continued)

### (h) Derivatives (continued)

#### Cash flow hedges

Changes in the fair value of cash flow hedges are recognised directly in equity to the extent that the hedges are effective. To the extent hedges are ineffective, changes in the fair value are recognised in the profit or loss. Hedge effectiveness is tested at each reporting date and is calculated using the dollar offset method. Effectiveness will be assessed on a cumulative basis by calculating the change in fair value of the interest rate swap as a percentage of the change in fair value of the designated hedge item. If the ratio change in the fair value is within the 80–125% range, a hedge is deemed to be effective.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

### (i) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss, with the exception of goodwill, is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and

available-for-sale financial assets that are debt securities the reversal is recognised in profit or loss.

### (j) Trade and other receivables

Trade debtors to be settled within 2 trading days are carried at amortised cost. Term debtors are also carried at amortised cost. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

### (k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the parent entity or Group. Trade accounts payable are normally settled within 60 days.

### (l) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's Statement of Financial Position.

### (m) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

### (n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### (o) Deposits and borrowings

All deposits and borrowings are recognised at amortised cost, being the fair value of the consideration received net of issue costs associated with the borrowings.

### (p) Goodwill and intangible assets

#### Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the costs of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount is impaired. An impairment loss in respect to goodwill is not reversed.

#### Other intangible assets

##### Research and development

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

#### Customer lists

Customer lists that are acquired by the Group, which have finite lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

	2017	2016
Software	10 years	10 years
Customer list	10 years	10 years

## (q) Financial instruments

All investments are initially recognised at fair value of the consideration given, plus directly attributable transaction costs. Subsequent to initial recognition, investments that are classified as financial assets are measured as described below.

### Fair value measurement

AASB 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

### Loans and advances

All loans and advances are recognised at amortised cost. Impairment assessments are performed at least at each reporting date and impairment is reviewed on each individual loan. Impairment provisions are raised if the recoverable amount is less than the carrying value of the loan. Loans are secured by holding equities as collateral.

### Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### Dividends

Dividends are recognised as a liability in the period in which they are declared, being appropriately authorised and no longer at the discretion of the Company.

### Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve until sold or reissued.

## (r) Property, plant and equipment

Property, plant and equipment is included at cost less accumulated depreciation and any impairment in value. All property, plant and equipment is depreciated over its estimated useful life, commencing from the time assets are held ready for use.

Items of property, plant and equipment are depreciated/amortised using the straight-line method over their estimated useful lives. The depreciation rates for each class of asset are as follows:

	2017	2016
Leasehold improvements	20–25%	20–25%
Office equipment	20–50%	20–50%
Furniture and fittings	20–50%	20–50%

## (s) Employee entitlements

### Wages, salaries and annual leave

The provisions for entitlements to wages, salaries and annual leave expected to be settled within 12 months of reporting date represent the amounts which the Group has a present obligation to pay resulting from employees' services provided up to reporting date.

### Long-service leave

The provision for salaried employee entitlements to long-service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service

provided up to reporting date. Liabilities for employee entitlements that are not expected to be settled within 12 months, are discounted using the rates attaching to national government securities at balance date that most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates and experience with staff departures. Related on-costs have also been included in the liability.

### Bonuses

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past performance that has created a constructive obligation.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee expense in profit or loss when they are due.

### Share-based payments

The Company has adopted a number of share-based equity incentive plans in which employees and Directors participate. The grant date fair value of shares expected to be issued under the various equity incentive plans, including options, granted to employees and Directors, is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the shares.

The fair value of options at grant date is independently determined using the Black Scholes option pricing model that takes into account the exercise price, the vesting period, the vesting and performance criteria, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share and the risk-free interest rate for the vesting period.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 1. Significant accounting policies

(continued)

### (t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

#### Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares and share options granted to employees and Directors.

### (u) Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on available-for-sale equity instruments that are recognised directly in equity.

#### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates

at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

### (v) Segment reporting

The Group determines and presents operating segments based on the information that is internally provided to the Chief Decision Makers in accordance with AASB 8 *Operating Segments*.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by management to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to management include items directly attributable to a segment as well as to those that can be allocated on a reasonable basis.

### (w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these Consolidated Financial Statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

#### AASB 9 Financial Instruments (December 2014), and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9

(issued in December 2009 – as amended) and AASB 9 (issued in December 2014). AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 9 and does not expect a material impact on the Consolidated Financial Statements.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 15 and does not expect a material impact on the Consolidated Financial Statements.

#### AASB 16 Leases

AASB 16 *Leases* introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 *Leases* replaces existing leases guidance including AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the initial date of initial application of AASB 16. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 16 and whilst there will be an impact on certain line items of the Consolidated Financial Statements, the Group does not expect there to be a material impact to the profit or net assets of the Group.

## 2. Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management and are reviewed on an ongoing basis. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences (Refer to Note 18).

### Impairment of loans and advances

The Company assesses impairment of all loans at each reporting date by evaluating any issues particular to an asset that may lead to impairment. In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2017 (Refer to Note 19).

### Long-service leave provisions

The liability for long-service leave is recognised and measured as the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of a liability, attrition rates and pay increases through promotion and inflation have been taken into account. A discount rate equal to the government bond rate has been used in determining the present value of the obligation (Refer to Note 24).

### Legal provision

As at 31 December 2017, a provision has been accrued to reflect potential claims. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measurable at 31 December 2017 (Refer to Note 23).

### Intangible assets

The customer lists acquired have been valued using the net present value of the unlevered free cash flow from each business' client list and software development costs incurred are initially measured at cost and are amortised over the useful life. These valuations are outlined below:

#### Bell Foreign Exchange and Futures business

The amortisation period for the acquired intangible assets of the Foreign Exchange and Futures business is deemed to be 10 years. This was determined by analysing the average length of the relationship clients have with the business.

#### Development costs

Amortisation period for the incurred intangible asset development costs is deemed to be 10 years. This was determined by assessing the average length of the useful life of the assets.

### Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated

to Retail and Wholesale, which represents the lowest level at which it is monitored for internal management purposes.

The recoverable amount of the business to which each goodwill component is allocated to a cash-generating unit is estimated based on its value in use and is determined by discounting the future cash flows generated from continuing use. At 31 December 2017, goodwill allocated to the cash-generating units was \$57.5 million for Retail and \$72.9 million for the Wholesale segment.

### Key assumptions used in discounted cash flow projections

The assumptions used for determining the recoverable amount are based on past experience and expectations for the future. Projected cash flows for each group of cash-generating units are discounted using an appropriate discount rate and a terminal value multiple is applied.

The following assumptions have been used in determining the recoverable amount of each cash-generating unit:

#### Discount rates

A post-tax discount rate of 11% was used for each cash-generating unit, based on the risk free rate, adjusted for a risk premium to reflect both the increased risk of investing in equities and specific risks associated with the business.

#### Terminal value multiple

A terminal value multiple of 7 times was used for each cash-generating unit. The multiple was applied to extrapolate the discounted future maintainable after tax cash flows beyond the 5-year forecast period.

#### Brokerage revenue

An increase in brokerage revenue of 3.5% per annum average growth over the 5-year forecast period for Retail and 5% per annum average growth over the 5-year forecast period for Wholesale. This assumption reflects past experience.

# Notes to the Financial Statements continued

For the year ended 31 December 2017

## 2. Significant accounting judgements, estimates and assumptions (continued)

### Impairment of goodwill (continued)

#### Corporate fee income

Corporate fee income maintained at current levels for the five year forecast period for Retail. An increase in corporate fee income of 5% per annum average growth over the five year forecast period for Wholesale. This assumption reflects past experience.

#### Sensitivity analysis

As at 31 December 2017, the recoverable amounts for the Retail and Wholesale segments exceeds the carrying values. The recoverable amounts are sensitive to several key assumptions and a change in these assumptions could cause the carrying amounts to exceed the recoverable amounts. Using the discount rate above, if brokerage and corporate fee revenue decreases by approximately 1.5% for Retail and 15.5% for Wholesale from the estimated amounts in each of the 5 years of the forecast period, the estimated recoverable amounts would be equal to the carrying amounts. If the discount rate increased to 12% for Retail and 17% for Wholesale, the estimated recoverable amounts would be equal to the carrying amounts. Further, if the terminal value multiple decreased to approximately 6.5 times for Retail and 4.5 times for Wholesale, the estimated recoverable amounts would be equal to the carrying amounts at that date.

## 3. Financial risk management

### Overview

The Group's principal financial instruments comprise listed securities, derivatives, term deposits and cash. The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Group Risk and Audit Committee (GRAC), which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Risk and Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal audit assists the Group Risk and Audit Committee in its oversight role. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Risk and Audit Committee.

The risk management framework incorporates active management and monitoring of a range of risks. These include operational, information technology, cyber, market, credit, liquidity, legal, regulatory, reputation, fraud and systemic risks.

The Board of Directors recognises that cyber risk is an increasing area of concern across the financial services industry, and is committed to the ongoing development of cyber security measures through awareness training, implementation of network security measures, and preventive controls to protect our assets and networks. Cyber resilience is an integral component of effective risk management.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures within acceptable parameters, while optimising returns.

#### Equity price risk

All instruments are subject to the risk that future changes in market conditions may make an instrument less valuable. As trading instruments are valued with reference to the market or Black Scholes model, changes in equity prices directly affect reported income in each period. The Group continually monitors equity price movements to ensure the impact on the Group's activities is managed.

#### Interest rate risk

Interest rate risk arises from the potential for change in interest rates to have an adverse effect on the Group's net earnings. The Group continually monitors movements in interest rates and manages exposure accordingly.

The Board has also approved the use of derivatives, in the form of interest rate swaps, to mitigate its exposure to interest rate risk. Changes in the fair value and effectiveness of interest rate swaps (which are designated cash flow hedging instruments) are monitored on a six-monthly basis.

#### Currency risk

The Group is exposed to currency risk on monetary assets and liabilities held in a currency other than the respective functional currency of the Group. The Group ensures the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding requirements. The Group manages liquidity by maintaining reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching up maturity profiles of financial assets and liabilities.

With respect to the maturity of financial liabilities, the Group also:

- holds financial assets for which there is a liquid market and that they are readily saleable to meet liquidity needs; and
- has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.

## Credit risk

Credit risk is the financial loss to the Group if a debtor or counterparty to a financial instrument fails to meet its contractual obligations.

## Trade and other receivables

The credit risk for these accounts is that financial assets recognised on the balance sheet exceed their carrying amount, net of any provisions for doubtful debts. In relation to client debtors, the Group's credit risk concentration is minimised as transactions are settled on a delivery versus payment basis with a settlement regime of trade day plus two days.

## Margin lending

Management monitors exposure to credit risk on an ongoing basis. The Group requires collateral in respect of margin loans made in the course of business. This collateral is generally in the form of the underlying security the margin loan is used to invest in. Loan-to-value ratios (LVRs) are assigned to determine the amounts of lending allowed against each security. Loans balances are reviewed daily and are subject to margin calls once the geared value falls 10% lower than the loan balance. Warnings are sent between 5% and 10%. The lender can also require the borrower to repay on demand part or all of the amount owing at any time, whether or not the borrower or any guarantor is in default.

## Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Group. The Group is required to comply with certain capital and liquidity requirements imposed by regulators as a licensed broking firm. All capital requirements are monitored by the Board and the Group was in compliance with all requirements throughout the year.

## Security arrangements

The ANZ Bank has a Registered Mortgage Debenture over the assets and undertakings of the Company.

## 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined and disclosed based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Investments in equity

The fair values of financial assets at fair value through profit or loss are determined with reference to the quoted bid price, or if unquoted determined using a valuation model at reporting date.

### Derivatives

The fair value of interest rate swaps is based on a mark-to-market model with reference to prevailing fixed and floating interest rates. These quotes are tested for reasonableness by discounting estimated future cash flows based on term to maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of currency swaps is determined using quoted forward exchange rates at the reporting date and present value calculations based on high quality yield curves in the respective currencies.

The fair value of options is determined using the Black Scholes option pricing model.

### Share-based payments

The fair value of employee stock options is determined using a Black Scholes model. Measurement inputs include share price, exercise price, volatility, weighted average expected life of the instrument, expected dividends and risk-free interest rate. Service and non-market conditions are not taken into account in determining fair value.

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 5. Segment reporting

#### Business segments

The segments reported below are consistent with internal reporting provided to the Chief Decision Makers:

- Retail – equities, futures, foreign exchange, corporate fee income, portfolio administration services, margin lending and deposits; and
- Wholesale – equities and corporate fee income

	Retail \$'000	Wholesale \$'000	Consolidated \$'000
<b>31 December 2017</b>			
Revenue from operations	164,542	44,036	208,578
Profit/(loss) after tax	13,023	8,420	21,443
Segment assets	660,087	79,462	739,549
<b>Total assets</b>	<b>660,087</b>	<b>79,462</b>	<b>739,549</b>
Segment liabilities	526,958	10,741	537,699
<b>Total liabilities</b>	<b>526,958</b>	<b>10,741</b>	<b>537,699</b>

#### Other segment details

Interest revenue	16,226	-	16,226
Interest expense	(4,585)	-	(4,585)
Depreciation/amortisation	(1,479)	(44)	(1,523)

	Retail \$'000	Wholesale \$'000	Consolidated \$'000
<b>31 December 2016</b>			
Revenue from operations	146,238	40,505	186,743
Profit/(loss) after tax	8,913	7,992	16,905
Segment assets	560,401	79,723	640,124
<b>Total assets</b>	<b>560,401</b>	<b>79,723</b>	<b>640,124</b>
Segment liabilities	437,664	7,092	444,756
<b>Total liabilities</b>	<b>437,664</b>	<b>7,092</b>	<b>444,756</b>

#### Other segment details

Interest revenue	14,445	-	14,445
Interest expense	(4,204)	-	(4,204)
Depreciation/amortisation	(1,294)	(52)	(1,346)

#### Geographical segments

The Group operates predominantly within Australia and has offices in Hong Kong and London.

## 6. Rendering of services

	Consolidated	
	2017	2016
	\$'000	\$'000
Brokerage	112,997	107,133
Fee income	55,057	41,992
Trailing commissions	9,752	8,668
Portfolio administration fees	12,613	10,394
Other	1,179	1,172
	<b>191,598</b>	<b>169,359</b>

## 7. Net fair value gains/(losses)

	Consolidated	
	2017	2016
	\$'000	\$'000
Dividends received	7	2
Profit/(loss) on financial assets held at fair value through profit or loss	(113)	2,122
	<b>(106)</b>	<b>2,124</b>

## 8. Other income

	Consolidated	
	2017	2016
	\$'000	\$'000
Sundry income	860	815
	<b>860</b>	<b>815</b>

## 9. Finance income and expenses

	Consolidated	
	2017	2016
	\$'000	\$'000
Interest income on bank deposits	2,965	2,933
Interest income on loans and advances	13,261	11,512
Total finance income	<b>16,226</b>	<b>14,445</b>
Bank interest and fee expense	(919)	(1,797)
Interest expense on deposits	(3,666)	(2,407)
Total finance expense	<b>(4,585)</b>	<b>(4,204)</b>
Net finance income/(expense)	<b>11,641</b>	<b>10,241</b>

## 10. Employee expenses

	Consolidated	
	2017	2016
	\$'000	\$'000
Wages and salaries	(113,896)	(101,382)
Superannuation	(6,703)	(6,501)
Payroll tax	(6,079)	(5,398)
Other employee expenses	(1,184)	(1,357)
Equity-settled share-based payments	(400)	(844)
	<b>(128,262)</b>	<b>(115,482)</b>

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 11. Income tax expense

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>Current tax expense</b>		
Current period	10,115	8,127
Taxable loss/(income) not recognised/(utilised)	(44)	47
Adjustment for prior periods	199	45
	<b>10,270</b>	8,219
<b>Deferred tax expense</b>		
Recognition of previously unrecognised tax losses	-	(88)
Relating to origination and reversal of temporary differences	(554)	139
Total income tax expense/(benefit)	<b>9,716</b>	8,270

### Numerical reconciliation between tax expense and pre-tax profit

	Consolidated 2017		Consolidated 2016	
	%	\$'000	%	\$'000
Accounting profit/(loss) before income tax		31,159		25,175
Income tax using the Company's domestic tax rate	30.00	9,348	30.00	7,553
Non-deductible expenses	1.32	410	1.58	397
Adjustments in respect of current income tax of previous year	0.01	2	0.96	241
Income tax credit not recognised/(utilised)	(0.14)	(44)	0.31	79
	<b>31.19</b>	<b>9,716</b>	32.85	8,270

### Tax consolidation

Bell Financial Group Ltd and its wholly owned Australian controlled entities are a tax-consolidated group.

### 12. Cash and cash equivalents

	Consolidated	
	2017	2016
	\$'000	\$'000
<b>Group cash reserves<sup>1</sup></b>		
Cash on hand	12	12
Cash at bank	84,962	69,418
	<b>84,974</b>	69,430
<b>Margin lending cash</b>		
Cash at bank	34,001	64,003
	<b>34,001</b>	64,003
<b>Client cash</b>		
Cash at bank (Trust account)	55,754	39,226
Segregated cash at bank (client)	23,247	17,171
	<b>79,001</b>	56,397
<b>Cash and cash equivalents in the Statement of Cash Flows</b>	<b>197,976</b>	189,830

Cash on hand and at bank earns interest at floating rates based on daily bank deposit rates.

Segregated cash and Trust bank balances earn interest at floating rates based on daily bank rates.

Segregated cash and Trust bank balances are client funds, and are not available for general use by the Group. A corresponding liability is recognised within trade and other payables (Note 20).

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in Note 30.

<b>1. Group cash reserves – summary of key movements</b>	<b>\$'000</b>
Group cash – 1 January 2017	<b>69,430</b>
Profit (before tax)	<b>31,759</b>
Tax instalments paid	<b>(7,647)</b>
Dividend paid	<b>(15,196)</b>
Capitalised software development costs (net)	<b>(1,931)</b>
Financial asset purchases (net)	<b>905</b>
General Working Capital movement	<b>7,654</b>
Group cash – 31 December 2017	<b>84,974</b>

Movement in Group cash reflects profit, offset by tax instalments paid and payment of the final 2016 and interim 2017 dividend.

### 13. Trade and other receivables

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade debtors	<b>70,071</b>	40,883
Less: provision for impairment	-	-
	<b>70,071</b>	40,883
Clearing house deposits	<b>4,420</b>	4,174
Segregated deposits with clearing brokers	<b>21,463</b>	22,311
Less: provision for impairment	-	-
	<b>25,883</b>	26,485
Sundry debtors	<b>5,406</b>	3,990
	<b>101,360</b>	71,358

The movement for the allowance in impairment in respect of loans and receivables during the year was as follows:

Balance at 1 January	-	-
Bad debts charged to profit or loss	-	-
Bad debts written off	-	-
Bad debts recovered	-	-
Balance at 31 December	-	-

### 14. Financial assets

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Held at fair value through profit or loss</b>		
Shares in listed corporations	<b>2,584</b>	508
Options held in listed corporations	<b>1,228</b>	2,507
	<b>3,812</b>	3,015

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 15. Property, plant and equipment

<b>Consolidated</b>	<b>Fixtures and Fittings \$'000</b>	<b>Office Equipment \$'000</b>	<b>Leasehold Improvements \$'000</b>	<b>Total \$'000</b>
<b>Cost</b>				
Balance at 1 January 2016	1,748	4,454	6,345	12,547
Additions	43	146	-	189
Disposals	-	-	-	-
Effect of movements in exchange rates	(15)	(8)	(22)	(45)
Balance at 31 December 2016	1,776	4,592	6,323	12,691
Balance at 1 January 2017	<b>1,776</b>	<b>4,592</b>	<b>6,323</b>	<b>12,691</b>
Additions	<b>104</b>	<b>194</b>	-	<b>298</b>
Disposals	-	-	-	-
Effect of movements in exchange rates	<b>2</b>	<b>2</b>	-	<b>4</b>
Balance at 31 December 2017	<b>1,882</b>	<b>4,788</b>	<b>6,323</b>	<b>12,993</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2016	(1,487)	(4,190)	(5,976)	(11,653)
Depreciation charge for the year	(74)	(170)	(94)	(338)
Disposals	-	-	-	-
Effect of movements in exchange rates	15	8	22	45
Balance at 31 December 2016	(1,546)	(4,352)	(6,048)	(11,946)
Balance at 1 January 2017	<b>(1,546)</b>	<b>(4,352)</b>	<b>(6,048)</b>	<b>(11,946)</b>
Depreciation charge for the year	<b>(84)</b>	<b>(159)</b>	<b>(69)</b>	<b>(312)</b>
Disposals	-	-	-	-
Effect of movements in exchange rates	<b>(1)</b>	<b>(3)</b>	-	<b>(4)</b>
Balance at 31 December 2017	<b>(1,631)</b>	<b>(4,514)</b>	<b>(6,117)</b>	<b>(12,262)</b>
<b>Carrying amount</b>				
At 1 January 2016	261	264	369	894
At 31 December 2016	230	240	275	745
At 31 December 2017	<b>251</b>	<b>274</b>	<b>206</b>	<b>731</b>

## 16. Goodwill and intangible assets

	Goodwill \$'000	Identifiable Intangibles \$'000	Total \$'000
<b>Consolidated 2017</b>			
<b>Year ended 31 December 2017</b>			
Balance at 1 January 2017	130,413	7,076	137,489
Additions	-	2,873	2,873
Amortisation	-	(1,211)	(1,211)
Impairment	-	-	-
<b>Balance at 31 December 2017</b>	<b>130,413</b>	<b>8,738</b>	<b>139,151</b>
Balance at 1 January 2017			
Cost (gross carrying amount)	130,413	8,579	138,992
Additions	-	2,661	2,661
Accumulated amortisation	-	(4,164)	(4,164)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>7,076</b>	<b>137,489</b>
Balance at 31 December 2017			
Cost (gross carrying amount)	130,413	11,240	141,653
Additions	-	2,873	2,873
Accumulated amortisation	-	(5,375)	(5,375)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>8,738</b>	<b>139,151</b>
<b>Consolidated 2016</b>			
Year ended 31 December 2016			
Balance at 1 January 2016	130,413	5,423	135,836
Additions	-	2,661	2,661
Amortisation	-	(1,008)	(1,008)
Impairment	-	-	-
<b>Balance at 31 December 2016</b>	<b>130,413</b>	<b>7,076</b>	<b>137,489</b>
Balance at 1 January 2016			
Cost (gross carrying amount)	130,413	5,960	136,373
Additions	-	2,619	2,619
Accumulated amortisation	-	(3,156)	(3,156)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>5,423</b>	<b>135,836</b>
Balance at 31 December 2016			
Cost (gross carrying amount)	130,413	8,579	138,992
Additions	-	2,661	2,661
Accumulated amortisation	-	(4,164)	(4,164)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>7,076</b>	<b>137,489</b>

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 17. Non-controlling interest (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations. In 2017, the non-controlling interest in Third Party Platform Pty Ltd was 43.37% (2016: 43.37%).

	Third Party Platform Pty Ltd	
	2017 \$'000	2016 \$'000
Assets	40,216	55,517
Liabilities	(26,784)	(43,947)
<b>Net assets</b>	<b>13,432</b>	<b>11,570</b>
Carrying amount of NCI	5,825	5,018
Revenue	22,352	19,934
Profit/(loss) after tax	1,863	1,214
<b>Total comprehensive income</b>	<b>1,863</b>	<b>1,214</b>
Profit allocated to NCI	808	527
Cash flows from operating activities	3,704	2,120
Cash flows from investing activities	(12)	(176)
Cash flows from financing activities	(2,000)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,692</b>	<b>1,944</b>

### 18. Deferred tax assets and liabilities

The movement in deferred tax balances are as follows:

	Balance as at 1 January \$'000	Recognised in Profit or Loss \$'000	Balance at 31 December \$'000
<b>Consolidated 2017</b>			
Property, plant and equipment	17	(9)	8
Employee benefits	2,837	244	3,081
Carry forward tax loss	5,920	(666)	5,254
Other items	830	319	1,149
	<b>9,604</b>	<b>(112)</b>	<b>9,492</b>

	Balance as at 1 January \$'000	Recognised in Profit or Loss \$'000	Balance at 31 December \$'000
<b>Consolidated 2016</b>			
Property, plant and equipment	24	(7)	17
Employee benefits	2,240	597	2,837
Carry forward tax loss	6,242	(322)	5,920
Other items	1,559	(729)	830
	<b>10,065</b>	<b>(461)</b>	<b>9,604</b>

Unrecognised deferred tax assets relating to tax losses at 31 December 2017: \$17,000 (2016: \$60,000).

Management has determined there is sufficient evidence that there will be profits available in future periods against which the tax losses will be utilised as set out in Note 2. The assessment was based on forward projections that indicate tax losses will be fully utilised against profits within a five-year period.

## 19. Loans and advances

	Consolidated	
	2017 \$'000	2016 \$'000
Margin lending	286,188	227,398
	<b>286,188</b>	227,398

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 31 December 2017 (2016: nil).

There is significant turnover in loans and advances. Based on historical experience the Group's expectation is all but approximately 8% of loans may be realised in the next 12 months (2016: 5%), with the balance being realised after 12 months. Refer to Note 30 for further detail on the margin lending loans.

## 20. Trade and other payables

	Consolidated	
	2017 \$'000	2016 \$'000
Settlement obligations	101,688	50,938
Sundry creditors and accruals	20,923	16,807
Segregated client liabilities	63,239	63,535
	<b>185,850</b>	131,280

Settlement obligations are non-interest bearing and are normally settled on 2-day terms. Sundry creditors are normally settled on 60-day terms.

## 21. Deposits and borrowings

This note provides information about the contractual terms of the Group's interest-bearing deposits and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 30.

	Consolidated	
	2017 \$'000	2016 \$'000
Deposits (cash account) <sup>1</sup>	3,806	42,894
Due to Bell Cash Trust <sup>2</sup>	313,574	246,073
Cash advance facility <sup>3</sup>	-	-
	<b>317,380</b>	288,967

1. Deposits relate to margin lending/cash account business (Bell Potter Capital), which are largely at call.

2. Represents funds held in the Bell Cash Trust which are held at call.

3. Represents drawn funds from the Bell Potter Capital cash advance facility of \$100 million (2016: \$100 million).

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 21. Deposits and borrowings (continued)

#### Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in Note 30.

#### Terms and debt repayment schedule

Terms and conditions of outstanding deposits and borrowings were as follows:

	Average Effective Interest Rate		2017		2016	
	2017 %	2016 %	Face Value \$'000	Carrying Amount \$'000	Face Value \$'000	Carrying Amount \$'000
<b>Consolidated</b>						
Cash advance facility	0.00	2.59	-	-	-	-
Deposits (cash account)	1.21	1.14	3,806	3,806	42,894	42,894
Bell Cash Trust	1.21	1.14	313,574	313,574	246,073	246,073
			<b>317,380</b>	<b>317,380</b>	<b>288,967</b>	<b>288,967</b>

	Liabilities			Derivatives (assets)/ Liabilities Held to Hedge Long-term Borrowings		Total \$'000
	Cash Advance Facility \$'000	Deposits (Cash Account) \$'000	Bell Cash Trust \$'000	Interest Rate Swap Contracts Used for Hedging		
				Assets \$'000	Liabilities \$'000	
<b>Balance at 1 January 2017</b>	-	42,894	246,073	-	48	289,015
<b>Changes from financing cash flows</b>						
Deposits/(withdrawals) from client cash balances	-	-	-	-	-	-
Drawdown/(repayment) of borrowings	-	(39,088)	67,501	-	-	28,413
<b>Total changes from financing cash flows</b>	-	(39,088)	67,501	-	-	28,413
<b>Changes in fair value</b>	-	-	-	-	(24)	(24)
<b>Other charges</b>						
<b>Liability related</b>						
Interest expense	-	537	3,201	-	-	3,738
Interest paid	-	(537)	(3,201)	-	-	(3,738)
<b>Total liability-related other changes</b>	-	-	-	-	-	-
<b>Balance at 31 December 2017</b>	-	3,806	313,574	-	24	317,404

## 22. Current tax liabilities

The current tax liability of the Group is \$2,682,269 (2016: \$724,913). This amount represents the amount of income taxes payable in respect of current and prior financial periods.

## 23. Provisions

	Consolidated	
	2017 \$'000	2016 \$'000
Legal provision	300	750
	<b>300</b>	750
Balance at 1 January	750	550
<b>Arising during the year:</b>		
Legal/other	20	310
<b>Utilised:</b>		
Legal/other	(470)	(110)
<b>Balance at 31 December</b>	<b>300</b>	750

### Legal provision

This amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measureable at 31 December 2017.

## 24. Employee benefits

	Consolidated	
	2017 \$'000	2016 \$'000
Salaries and wages accrued	22,987	15,105
Liability for annual leave	4,910	4,428
Total employee benefits	<b>27,897</b>	19,533
Liability for long-service leave	3,566	3,453
Total employee benefits	<b>31,463</b>	22,986

The present value of employee entitlements not expected to be settled within 12 months of balance date have been calculated using the following inputs or assumptions at the reporting date:

	Consolidated	
	2017	2016
Assumed rate of increase on wage/salaries	3.0%	5.5%
Discount rate	2.5%	2.0%
Settlement term (years)	7	7
Number of employees at year end	668	659

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 25. Reconciliation of cash flows from operating activities

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) after tax:	21,443	16,905
<b>Adjustments for:</b>		
Depreciation and amortisation	1,523	1,346
Net loss/(gain) on investments	110	(2,158)
Equity-settled share-based payments	400	844
	23,476	16,937
(Increase)/decrease client receivables	(22,886)	99,789
(Increase)/decrease other receivables	(7,116)	(834)
(Increase)/decrease derivative asset	(102)	-
(Increase)/decrease other assets	(52)	(99)
(Increase)/decrease deferred tax assets	112	461
(Increase)/decrease intangibles	(2,873)	(2,661)
Increase/(decrease) client payables	44,667	(92,008)
Increase/(decrease) other payables	9,714	3,420
Increase/(decrease) current tax liabilities	1,957	(1,540)
Increase/(decrease) provisions	8,027	(2,535)
Net cash from operating activities	54,924	20,930

#### Reconciliation of cash

For the purpose of the cash flow statement, cash and cash equivalents comprise:

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Group cash reserves</b>		
Cash on hand	12	12
Cash at bank	84,962	69,418
	84,974	69,430
<b>Margin lending cash</b>		
Cash at bank	34,001	64,003
	34,001	64,003
<b>Client cash</b>		
Cash at bank (Trust account)	55,754	39,226
Segregated cash at bank (client)	23,247	17,171
	79,001	56,397
	197,976	189,830

## 26. Capital and reserves

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Ordinary shares</b>		
On issue at 1 January	167,886	167,886
Share issue	-	-
On issue at 31 December	167,886	167,886

### Movements in ordinary share capital

Date	Detail	Number of shares
1 January 2016	Opening balance	267,286,480
31 December 2016	<b>Balance</b>	<b>267,286,480</b>
1 January 2017	Opening balance	267,286,480
31 December 2017	<b>Balance</b>	<b>267,286,480</b>

### Ordinary shares

The authorised capital of the Group is \$167,885,511 representing 267,286,480 fully paid ordinary shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All ordinary shares rank equally with regard to the Company's residual assets.

### Treasury shares

As at 31 December 2017, there were 3,004,922 treasury shares outstanding (2016: 4,088,255).

### Retained earnings

As at 31 December 2017, there were retained profits of \$27 million (2016: \$20 million).

### Non-controlling interests

The non-controlling interests relate to ownership of Third Party Platform Pty Ltd at 43.37% (2016: 43.37%).  
Balance at 31 December 2017: \$5.8 million (2016: \$5 million).

### Foreign currency reserve

The foreign currency reserve comprises any movements in the translation of foreign currency balances.  
Balance at 31 December 2017: \$340,000 (2016: \$529,000).

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 26. Capital and reserves (continued)

#### Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the interest rate swap related to hedged transactions. Balance at 31 December 2017: \$24,000 (2016: \$48,000).

#### Share-based payments reserve

The share-based payments reserve arises on the grant of options, performance rights and deferred share rights to select employees under the Company's equity-based remuneration plans. Balance at 31 December 2017: \$0.4 million (2016: \$2.3 million).

#### Treasury shares reserve

The treasury shares reserve represents the cost of shares held by the Employee Share Trust that the Group is required to include in the Consolidated Financial Statements. Balance at 31 December 2017: \$1.4 million (2016: \$2.1million).

### 27. Dividends

Dividends recognised in the current year by the Group are:

	Cents Per Share	Total Amount \$'000	Franked/ Unfranked	Date of Payment
<b>2017</b>				
Interim 2017 ordinary dividend	2.00	5,286	Franked	13 September 2017
Final 2017 ordinary dividend	-	-	-	-
<b>2016</b>				
Interim 2016 ordinary dividend	1.75	4,606	Franked	14 September 2016
Final 2016 ordinary dividend	3.75	9,910	Franked	22 March 2017

	Company	
	2017 \$'000	2016 \$'000
Dividend franking account		
30% franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	26,801	25,711

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

1. Franking credits that will arise from the payment of current tax liabilities.
2. Franking debits that will arise from payment of dividends recognised as a liability at year end.
3. Franking credits that will arise from the receipt of dividends recognised as receivable at year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends declared but not recognised as a liability is to reduce it by \$6.2 million (2016: \$4.2 million).

## 28. Earnings per share

Earnings per share at 31 December 2017 based on profit after tax and a weighted average number of shares outlined below was 7.8 cents (2016: 6.2 cents). Diluted earnings per share at 31 December 2017 was 7.8 cents (2016: 6.2 cents).

### Reconciliation of earnings used in calculating EPS

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Basic earnings per share</b>		
Profit/(loss) after tax	21,443	16,905
Profit attributable to ordinary equity holders used for basic EPS	20,635	16,378
<b>Adjustments for calculation of diluted earnings per share</b>		
Profit attributable to ordinary equity holders used to calculate basic EPS	20,635	16,378
Effect of stock options issued	-	-
Profit attributable to ordinary equity holders used for diluted EPS	20,635	16,378

### Weighted average number of ordinary shares used as the denominator

	Consolidated	
	2017 \$'000	2016 \$'000
Weighted average number of ordinary shares used to calculate basic EPS (net of treasury shares)	263,913,293	263,144,491
Weighted average number of ordinary shares at year end	263,913,293	263,144,491
Weighted average number of ordinary shares used to calculate diluted EPS	263,913,293	263,144,491

## 29. Share-based payments

### Long-Term Incentive Plan (LTIP)

The Board is responsible for administering the LTIP Rules and the terms and conditions of specific grants of options or performance rights to participants in the LTIP. The LTIP Rules include the following provisions:

- The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.
- A person participating in the LTIP ('Executive') may be granted options or performance rights on conditions determined by the Board.
- The options or performance rights will vest on, and become exercisable on or after, a date predetermined by the Board ('the Vesting Date'), provided that the Executive remains employed as an executive of the Company as at that date. These terms may be accelerated at the discretion of the Board under specified circumstances.
- An unvested option or performance right will generally lapse at the expiry of the exercise period applicable to that option or performance right.
- Following the Vesting Date, the vested option or performance right may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued shares on a one-for-one basis.
- The Company has established an Employee Share Trust for the purpose of acquiring and holding shares in the Company for the benefit of participants.

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 29. Share-based payments continued

#### Fair value of options granted

There were no share options granted during the year to 31 December 2017 (2016: nil). The existing options have lapsed effective 28 May 2017. The number and weighted average exercise prices of share options is as follows:

	Weighted Average Exercise Price 2017	Number of Options 2017	Weighted Average Exercise Price 2016	Number of Options 2016
Outstanding 1 January	-	19,550,000	-	20,830,000
Granted during the year	-	-	-	-
Forfeited during period	-	-	-	(1,280,000)
Lapsed during the period	-	(19,550,000)	-	-
<b>Outstanding 31 December</b>	-	-	-	19,550,000
Exercised 31 December	-	-	-	-

#### Performance rights

Under the LTIP Rules, performance rights are deferred equity taken as 100% shares, with the conditions, including vesting and the period of deferral, governed by the terms of the grant. Unvested performance rights are forfeited in certain situations set out in the LTIP Rules. Ordinary shares allocated under the LTIP on exercise of performance rights may be held in trust beyond the deferral period. The issue price for the 2015 performance rights is based on the closing price of the shares traded on the ASX on the grant date and performance hurdles are time related.

Reconciliation of outstanding performance rights:

	Consolidated	
	2017 '000	2016 '000
Outstanding 1 January	667	1,000
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	(333)	(333)
Outstanding balance 31 December	334	667

#### Expenses arising from share-based payment transactions

	Consolidated	
	2017 \$'000	2016 \$'000
Employee share options	-	129
Performance rights	160	171
Employee share issue	240	544
Total expense recognised as employee costs	400	844

### 30. Financial instruments

Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Group's business.

#### Credit risk

Management has a process in place to monitor the exposure to credit risk on an ongoing basis. The Group requires collateral in respect of margin loans made in the course of business within Bell Potter Capital. This collateral is generally in the form of the underlying security the margin loan is used to invest in. A loan-to-value ratio (LVR) is determined for each security with regard to market weight, index membership, liquidity, volatility, dividend yield, industry sector and advice from Bell Financial's research department. A risk analyst performs a review of the LVR and the recommendation is submitted to management. Management does not expect any counterparty to fail to meet its obligations.

Advisers and clients are provided with early warning of accounts in deficit from 5% up to 10% and clients receive a margin call if their account is in deficit by more than 10%. Margin calls are made based on the end-of-day position, but can be made intraday at management's discretion.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position as outlined below:

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Trade debtors	13	70,071	40,883
Clearing house deposits	13	4,420	4,174
Segregated deposits with clearing brokers	13	21,463	22,311
Loans and advances	19	286,188	227,398
Sundry debtors	13	5,406	3,990

The ageing of trade receivables at reporting date is outlined below:

#### Consolidated

Ageing of receivables	Gross 2017 \$'000	Impairment 2017 \$'000	Gross 2016 \$'000	Impairment 2016 \$'000
	Not past due	69,939	-	40,377
Past due 0-30 days	122	-	496	-
Past due 31-365 days	10	-	10	-
More than one year	-	-	-	-

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments (for amounts greater than 30 days overdue) are considered indicators that the trade receivable is impaired.

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 30. Financial instruments continued

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest and excluding the impact of netting agreements.

	Carrying Amount \$'000	Contracted Cash Flow \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
<b>Consolidated 2017</b>							
<b>Non-derivative liabilities</b>							
Trade and other payables	185,850	(185,850)	(185,850)	-	-	-	-
Cash deposits	3,806	(3,806)	(3,806)	-	-	-	-
Cash advance facilities	-	-	-	-	-	-	-
Bell Cash Trust	313,574	(313,574)	(313,574)	-	-	-	-
<b>Derivative liabilities</b>							
Hedging derivative	24	(24)	(24)	-	-	-	-
	Carrying Amount \$'000	Contracted Cash Flow \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
<b>Consolidated 2016</b>							
<b>Non-derivative liabilities</b>							
Trade and other payables	131,280	(131,280)	(131,280)	-	-	-	-
Cash deposits	42,894	(42,894)	(42,894)	-	-	-	-
Cash advance facilities	-	-	-	-	-	-	-
Bell Cash Trust	246,073	(246,073)	(246,073)	-	-	-	-
<b>Derivative liabilities</b>							
Hedging derivative	48	(48)	(48)	-	-	-	-

The Group manages liquidity by maintaining reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching up maturity profiles of financial assets and liabilities. Rolling cash projections are used to monitor cash flow requirements and optimise cash returns on investments. A bank facility is also available to be drawn upon in order to meet both short and long-term liquidity requirements.

## Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures within acceptable parameters, while optimising returns.

### Interest rate risk

The Group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Interest rate swaps are used to hedge exposure to fluctuations in interest rates. Changes in the fair value of these derivative hedging instruments are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in the fair value are recognised in profit or loss.

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

### Equity price risk

All instruments are subject to the risk that future changes in market conditions may make an instrument less valuable. As trading instruments are valued with reference to the market or Black Scholes model, changes in equity prices directly affect reported income each period. The Group monitors equity price movements to ensure there is no material impact on the Group's activities.

The Group is exposed to equity price risks through its listed and unlisted investments. These investments are classified as financial assets or liabilities at fair value through the profit or loss.

### Foreign currency risk

The Group is exposed to insignificant currency risk on monetary assets and liabilities held in a currency other than the respective functional currency of the Group. The Group ensures the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

## Sensitivity analysis

### Interest rate risk

At 31 December 2017, it is estimated that a general decrease of one-percentage point in interest rates would decrease the Group's profit before income tax by approximately \$1,600,000 (2016: \$1,300,000 decrease to profit) and would decrease equity by approximately \$1,120,000 (2016: \$910,000 decrease to equity). Interest rate swaps have been included in this calculation. A general increase of one-percentage point in interest rates would have an equal but opposite effect.

### Equity price risk

At 31 December 2017, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately \$380,000 (2016: \$300,000 decrease to profit) and would decrease equity by approximately \$266,000 (2016: \$210,000 decrease to equity). A 10% increase in equity prices would have an equal but opposite effect.

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 30. Financial instruments continued

#### Effective interest rates

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature.

Consolidated	Note	Average Effective Interest Rate %	2017					
			Total \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
<b>Fixed rate instruments</b>								
Loans and advances	19	4.35	98,759	89,614	2,070	7,075	-	-
Deposits and borrowings	21	0.0	-	-	-	-	-	-
Cash advance facility	21	0.0	-	-	-	-	-	-
			98,759	89,614	2,070	7,075	-	-
<b>Variable rate instruments</b>								
Cash and cash equivalents	12	1.50	197,976	197,976	-	-	-	-
Loans and advances	19	4.53	187,429	187,429	-	-	-	-
Deposits and borrowings	21	1.21	(3,806)	(3,806)	-	-	-	-
Bell Cash Trust	21	1.21	(313,574)	(313,574)	-	-	-	-
			68,025	68,025	-	-	-	-

#### Fair value measurements

##### (a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 December 2017	Note	Carrying Amount				Total \$'000
		Designated at Fair Value \$'000	Fair Value Hedging Instruments \$'000	Loans and Receivables \$'000	Other Financial Liabilities \$'000	
<b>Financial assets measured at fair value</b>						
Equity securities/unlisted options	14	3,812	-	-	-	3,812
Currency swaps		102	-	-	-	102
		3,914	-	-	-	3,914
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	13	-	-	101,360	-	101,360
Cash and cash equivalents	12	-	-	197,976	-	197,976
Loans and advances	19	-	-	286,188	-	286,188
		-	-	585,524	-	585,524
<b>Financial liabilities measured at fair value</b>						
Interest rate swaps used for hedging		-	24	-	-	24
		-	24	-	-	24
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	20	-	-	-	174,982	174,982
Deposits and borrowings	21	-	-	-	317,380	317,380
		-	-	-	492,362	492,362

Average Effective Interest Rate %	2016					
	Total \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
4.35	84,826	80,114	1,088	3,624	-	-
0.25	-	-	-	-	-	-
2.59	-	-	-	-	-	-
	84,826	80,114	1,088	3,624	-	-
1.73	189,830	189,830	-	-	-	-
4.98	142,572	142,572	-	-	-	-
1.14	(42,894)	(42,894)	-	-	-	-
1.14	(246,073)	(246,073)	-	-	-	-
	43,435	43,435	-	-	-	-

#### Fair Value

Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2,584	1,228	-	3,812
-	102	-	102
2,584	1,330	-	3,914
-	101,360	-	101,360
-	197,976	-	197,976
-	286,188	-	286,188
-	585,524	-	585,524
-	24	-	24
-	24	-	24
-	174,982	-	174,982
-	317,380	-	317,380
-	492,362	-	492,362

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 30. Financial instruments continued

#### Fair value measurements continued

##### (a) Accounting classifications and fair values continued

31 December 2016	Note	Carrying Amount				Total \$'000
		Designated at Fair Value \$'000	Fair Value Hedging Instruments \$'000	Loans and Receivables \$'000	Other Financial Liabilities \$'000	
<b>Financial assets measured at fair value</b>						
Equity securities/unlisted options	14	3,015	-	-	-	3,015
		3,015	-	-	-	3,015
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	13	-	-	71,358	-	71,358
Cash and cash equivalents	12	-	-	189,830	-	189,830
Loans and advances	19	-	-	227,398	-	227,398
		-	-	488,586	-	488,586
<b>Financial liabilities measured at fair value</b>						
Interest rate swaps used for hedging		-	48	-	-	48
		-	48	-	-	48
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	20	-	-	-	122,447	122,447
Deposits and borrowings	21	-	-	-	288,967	288,967
		-	-	-	411,414	411,414

##### (b) Accounting classifications and fair values

The following shows the valuation techniques used in measuring Level 1, 2 and 3 values, as well as the significant unobservable inputs used.

Level 1 – Equity securities – the valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Unlisted options – the valuation technique uses observable inputs. The observable inputs include strike price, expiry date and market price. The valuation is based on Black Scholes model.

Level 2 – Interest rate swaps – the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Level 2 – Currency swaps – the fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high quality yield curves in the respective currencies.

##### Financial instruments not held at fair value

All financial instruments not held at fair value are classified as Level 2.

Carrying amounts of financial instruments are deemed to be a reasonable approximation of fair value due to their short-term nature.

### Fair Value

Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
508	2,507	-	3,015
508	2,507	-	3,015
-	71,358	-	71,358
-	189,830	-	189,830
-	227,398	-	227,398
-	488,586	-	488,586
-	48	-	48
-	48	-	48
-	122,447	-	122,447
-	288,967	-	288,967
-	411,414	-	411,414

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 31. Operating lease commitments

#### Leases as lessee

Future minimum rental payments under the non-cancellable operating leases at 31 December are as follows:

	Consolidated	
	2017 \$'000	2016 \$'000
Less than one year	8,894	6,823
Between one and five years	32,847	36,924
More than five years	8,032	10,624
	<b>49,773</b>	54,371

The Group has entered into commercial property leases for its office accommodation. These leases have a remaining life of up to 10 years. The Group has no other capital or lease commitments.

### 32. Parent entity disclosures

As at, and throughout the financial year ending 31 December 2017 the parent company of the Group was Bell Financial Group Ltd.

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Results of the parent entity</b>		
Profit for the year	15,379	11,942
Total comprehensive income for the year	15,379	11,942

#### Financial position of parent entity at year end

Current assets	-	42
Non-current assets	169,918	171,712
Total assets	169,918	171,754
Current liabilities	17,456	19,874
Total liabilities	17,456	19,874

#### Total equity of the parent entity comprising of:

Contributed equity	167,886	167,886
Reserves	(1,018)	209
Retained earnings/(losses)	(14,406)	(16,215)
Total equity	152,462	151,880

There are currently no complaints or claims made against the parent entity.

### 33. Related parties

The following were KMP of the Group at any time during the reporting period:

Executive Directors	Senior Executives	Non-Executive Directors
C Bell	L Bell	C Coleman
A Provan	A Bell	G Cubbin
	R Fell	B Wilson AO
	D Davenport	B Shanahan

#### KMP compensation

The KMP compensation comprised:

	Consolidated	
	2017 \$'000	2016 \$'000
Short-term employee benefits	3,933,282	3,396,009
Other long-term benefits	47,652	47,384
Post-employment benefits	169,032	191,321
Termination benefits	-	-
Share-based payments	-	6,808
	<b>4,149,966</b>	<b>3,641,522</b>

#### Loans to KMP and their related parties

Details regarding loans outstanding at the reporting date to KMP and their related parties at any time in the reporting period, are as follows:

	Opening Balance \$	Closing Balance \$	Interest Paid and Payable in the Reporting Period \$	Number in Group at 31 December*
<b>Total for KMP 2017</b>	<b>5,155,432</b>	<b>3,808,983</b>	<b>160,663</b>	<b>32</b>
Total for KMP 2016	3,582,074	5,155,432	201,350	31
<b>Total for other related parties 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total for other related parties 2016	-	-	-	-
<b>Total for KMP and their related parties 2017</b>	<b>5,155,432</b>	<b>3,808,983</b>	<b>160,663</b>	<b>32</b>
Total for KMP and their related parties 2016	3,582,074	5,155,432	201,350	31

\* Number in group includes KMP and other related parties with loans at any time during the year.

Interest is payable at prevailing market rates on all loans to key management persons and their related entities. These rates are available to all clients and may vary marginally depending on individual negotiations. The principal amounts are repayable per terms agreed on an individual basis. Interest received on the loans totalled \$160,663 (2016: \$201,350). No amounts have been written down or recorded as allowances for impairment, as the balances are considered fully collectable.

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 33. Related parties continued

#### Movements in shares 2017

The movement during the reporting period in the number of ordinary shares in Bell Financial Group Ltd held, directly, indirectly or beneficially, by each Director and key management person, including their related parties, is as follows:

	Held at 1 January 2017	Purchases	Received on Exercise of Options	Sales	Held at 31 December 2017
<b>Directors</b>					
C Bell*	34,215,800	1,148,430	-	-	35,364,230
A Provan*	34,528,058	1,148,430	-	-	35,676,488
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
B Wilson AO	1,000,000	-	-	-	1,000,000
B Shanahan	250,000	151,000	-	-	401,000
<b>Senior Executives</b>					
LM Bell*	33,502,635	1,299,430	-	-	34,802,065
AG Bell*	25,710,843	614,711	-	-	26,325,554
R Fell	610,000	90,000	-	-	700,000
D Davenport	184,949	-	-	-	184,949

\* The number of shares held by Colin Bell, Alastair Provan, Lewis Bell and Andrew Bell includes those held indirectly through Bell Group Holdings Pty Limited and Bell Securities Pty Ltd.

#### Movements in shares 2016

	Held at 1 January 2016	Purchases	Received on Exercise of Options	Sales	Held at 31 December 2016
<b>Directors</b>					
C Bell*	34,213,091	2,709	-	-	34,215,800
A Provan*	34,425,349	102,709	-	-	34,528,058
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
B Wilson AO	1,000,000	-	-	-	1,000,000
B Shanahan	250,000	-	-	-	250,000
<b>Senior Executives</b>					
LM Bell*	33,390,426	112,209	-	-	33,502,635
AG Bell*	25,578,748	132,095	-	-	25,710,843
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949

\* The number of shares held by Colin Bell, Alastair Provan, Lewis Bell and Andrew Bell includes those held indirectly through Bell Group Holdings Pty Limited and Bell Securities Pty Ltd.

## Other KMP transactions

Craig Coleman, currently a Non-Executive Director, provided consultancy services to a Group company and was paid \$75,000 for those services (2016: nil).

There are no other transactions with key management persons or their related parties other than those that have been disclosed in this report.

## Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group Ltd. There are no outstanding amounts owed by or to the ultimate parent entity at 31 December 2017 (2016: nil). There is no interest receivable or payable at 31 December 2017 (2016: nil).

## Subsidiaries

The table below outlines loans made by the Company to wholly owned subsidiaries.

	2017 \$	2016 \$
<b>Subsidiary</b>		
Bell Potter Financial Planning Limited <sup>1</sup>	232	346
Third Party Platform Pty Limited <sup>2</sup>	1,000,000	3,000,000
Bell Potter Capital Limited <sup>3</sup>	8,078,137	8,095,463
Bell Potter (US) Holdings Inc <sup>1</sup>	456,734	-
	<b>9,535,103</b>	<b>11,095,809</b>

1. Loan is interest free and unsecured.

2. The loan from the parent entity to Third Party Platform Pty Limited represents a subordinated loan that attracts interest at 3.21% per annum (2016: 3.14% per annum).

3. The loan from the parent entity to Bell Potter Capital Limited represents a subordinated loan that attracts interest at 3.00% per annum (2016: 3.00% per annum).

Loans made by wholly owned subsidiaries to the Company: \$15,200,378 (2016: \$18,665,069).

During the course of the financial year subsidiaries conducted transactions with each other on terms equivalent to those on an arm's length basis. They are fully eliminated on consolidation. As at 31 December 2017, all outstanding amounts are considered fully collectable.

## 34. Group entities

	Incorporation	Consolidated	
		2017	2016
<b>Bell Financial Group Ltd</b>			
<b>Significant subsidiaries</b>			
Bell Potter Securities Limited	Australia	100%	100%
Bell Potter Capital Limited	Australia	100%	100%
Third Party Platform Pty Ltd	Australia	56.63%	56.63%
Bell Potter Securities Limited (UK)	United Kingdom	100%	100%
Bell Potter Securities Limited (HK)	Hong Kong	100%	100%
Bell Potter (US) Holdings Inc	United States	100%	-

## Notes to the Financial Statements continued

For the year ended 31 December 2017

### 35. Guarantees

From time to time Bell Financial has provided financial guarantees in the ordinary course of business that amount to \$6.6 million (2016: \$5.9 million) and are not recorded in the Statement of Financial Position as at 31 December 2017.

### 36. Contingent liabilities and contingent assets

The Company has agreed to indemnify its wholly owned subsidiary, Bell Potter Securities Limited, in the event that any contingent liabilities of Bell Potter Securities Limited results in a loss.

### 37. Subsequent events

There were no significant events from 31 December 2017 to the date of this report.

### Final Dividend

On 21 February 2018, the Directors resolved to pay a fully franked final dividend of 5.50 cents per share.

### 38. Auditor's remuneration

	Consolidated	
	2017	2016
	\$	\$
<b>Audit services</b>		
Auditors of the Company		
<b>KPMG Australia:</b>		
Audit and review of financial reports	412,750	425,000
Total remuneration for audit services	412,750	425,000
<b>Audit related services</b>		
Auditors of the Company		
<b>KPMG Australia:</b>		
Other regulatory audit services	117,500	106,500
Total remuneration for audit related services	117,500	106,500
Non-audit related services	30,000	-
	560,250	531,500

## Directors' Declaration

1. In the opinion of the Directors of Bell Financial Group Limited ('the Company'):
  - (a) the Consolidated Financial Statements and notes that are set out on pages 24 to 58 and the Remuneration Report on pages 12 to 17 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2017.
3. The Directors draw attention to Note 1(a) of the Consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 21st day of February 2018.



**Colin Bell**  
Executive Chairman  
21 February 2018



## Independent Auditor's Report

To the shareholders of Bell Financial Group Ltd

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Financial Report** of Bell Financial Group Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

#### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Group in accordance with *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 fulfilled our other ethical responsibilities in accordance with the Code.

#### 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 of the current period.

This matter was 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 this matter.



**Valuation of Goodwill (\$130,413,000)**

Refer to Note 16 to the financial report

**The key audit matter**

A key audit matter for us was the Group’s annual testing of goodwill for impairment given the size of the balance (being 18% of total assets). We focused on the significant forward-looking assumptions the Group applied in their value in use model, including:

- forecast cash flows – the Group has continued to experience competitive market conditions in the current year as a result of volatility in the global investment market. This increases the risk of inaccurate forecasts for us to consider and goodwill being impaired.
- forecast growth rates and terminal multiples – In addition to the uncertainties described above, the Group’s models are highly sensitive to small unfavourable changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group’s strategy.
- discount rates - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group’s modelling is highly sensitive to small changes in the discount rate. We involved our valuation specialists with the assessment.

In addition to the above, the carrying amount of the net assets of the Group exceeded the Group’s market capitalisation at year end, increasing the possibility of goodwill being impaired. This further increased our audit effort in this key audit area.

The Group uses a complex model to perform their annual testing of goodwill for impairment. The model uses historical performance adjusted for a range of internal and external sources as inputs to the assumptions. Certain CGU’s of the Group have not met prior forecasts in some instances historically, increasing our audit effort in assessing the reliability of current forecasts for each CGU. Complex modelling, using forward-looking assumptions tends to be prone to greater risk for

**How the matter was addressed in our audit**

Working with our valuation specialists, our procedures included:

- We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.
- We assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas.
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. We noted previous trends where forecasts for certain CGU’s were not achieved and how they impacted the business, for use in our testing.
- We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal multiples and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures.
- We challenged the Group’s significant forecast cash flow and growth assumptions in light of competitive market conditions. We applied increased scepticism to forecasts in the CGU’s where previous forecasts were not achieved. We compared forecast growth rates to published studies of industry trends and expectations, and considered differences for the Group’s operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.
- We checked the consistency of the growth rate to the past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate



<p>potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.</p> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p>	<p>and compared the forecast cash flows contained in the value in use model to those contained within the Board reviewed goodwill impairment assessment memo.</p> <ul style="list-style-type: none"> <li>• We compared the Group's terminal multiples to comparable market transactions.</li> <li>• We independently developed a discount rate range considered comparable using publicly available market data for comparable entities to the Group and the industry it operates in.</li> <li>• We assessed the Group's analysis of the market capitalisation shortfall versus the net assets of the Group. This included consideration of the market capitalisation range implied by recent share price trading ranges to the Group's net assets.</li> <li>• We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.</li> </ul>
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### Other Information

Other Information is financial and non-financial information in Bell Financial Group Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 this 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/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Bell Financial Group Ltd for the year ended 31 December 2017, complies with *Section 300A of the Corporations Act 2001*.

### Directors' 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 responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 31 December 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Darren Scammell'.

Darren Scammell  
*Partner*

Melbourne  
21 February 2018

## Shareholder Information

The shareholder information set out below was applicable as at 31 January 2018.

### Distribution of shares

Range	Number of Shareholders	Number of Shares	% of Issued Capital
1–1,000	272	157,528	0.06
1,001–5,000	618	1,974,422	0.74
5,001–10,000	368	3,050,611	1.14
10,001–100,000	916	32,400,176	12.12
100,001 and over	168	229,703,743	85.94
<b>Rounding</b>			0.00
<b>Total</b>	<b>2,342</b>	<b>267,286,480</b>	<b>100.00</b>

Unmarketable parcels	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$ 0.7850 per unit	637	160	52,180

### Twenty largest shareholders

Rank	Name	Number of Shares	% of Issued Capital
1	BELL GROUP HOLDINGS PTY LIMITED	117,967,345	44.14
2	EQUITAS NOMINEES PTY LIMITED	17,000,000	6.36
3	NATIONAL NOMINEES LIMITED	5,849,549	2.19
4	CITICORP NOMINEES PTY LIMITED	4,996,642	1.87
5	BELL POTTER NOMINEES LTD	4,894,922	1.83
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,733,062	1.77
7	MR ANAND SELVARAJAH	3,660,477	1.37
8	MR LEE WILLIAM MUCO	2,897,776	1.08
9	COLIN BELL PTY LTD	2,345,522	0.88
10	MR JAMES GORDON MAXWELL MOFFATT	2,250,000	0.84
11	MERIVALE INVESTMENTS PTY LTD	2,240,000	0.84
12	MORSON HOLDINGS PTY LTD	2,174,749	0.81
13	MR ALASTAIR PROVAN & MRS JANIS PROVAN <A & J PROVAN SUPER FUND A/C>	2,000,000	0.75
14	BELL SECURITIES PTY LIMITED	1,860,000	0.70
15	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,744,088	0.66
16	CERTUS CAPITAL PTY LTD	1,733,019	0.65
17	MR LIONEL ALEXANDER MCFADYEN	1,687,480	0.63
18	UBS NOMINEES PTY LTD	1,505,862	0.56
19	BOND STREET CUSTODIANS LIMITED	1,390,914	0.52
20	MR ALASTAIR PROVAN & MRS JANIS PROVAN <ALASTAIR & JANIS PROVAN A/C>	1,300,730	0.49

## Shareholder Information continued

### Substantial shareholdings

The following shareholders were registered by the Company as substantial shareholders, having declared a relevant interest in accordance with the Corporations Act:

Substantial shareholder	Number of Shares	% of Issued Capital
BELL GROUP HOLDINGS PTY LIMITED	119,827,345	44.83 <sup>1</sup>
COLIN BELL	123,430,978	46.18 <sup>1,2</sup>
ALASTAIR PROVAN	123,743,236	46.30 <sup>1,3</sup>
LEWIS BELL	122,668,813	45.89 <sup>1,4</sup>
AHMED FAHOUR	17,000,000	6.36

1. Bell Group Holdings Pty Limited (BGH) holds 117,967,345 BFG ordinary shares. BGH's wholly owned subsidiary, Bell Securities Pty Limited (BSPL) holds 1,860,000 BFG ordinary shares. Colin Bell, Alastair Provan and Lewis Bell each hold more than 20% of BGH and therefore under the Corporations Act they are each deemed to have a relevant interest in the 119,827,345 BFG ordinary shares held by BGH and BSPL.
2. Colin Bell has a relevant interest in 3,603,633 BFG ordinary shares.
3. Alastair Provan has a relevant interest in 3,915,891 BFG ordinary shares.
4. Lewis Bell has a relevant interest in 2,841,468 BFG ordinary shares.

### Ordinary shares

Refer to Note 26 in the Financial Statements.

### Voting rights

Bell Financial has one class of fully paid ordinary shares. On a show of hands, every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. There are no voting rights attached to the options or performance rights.

### On-market buy-back

There is no current on-market buy-back.

### Voluntary restrictions

Details of the shares that are currently held in voluntary escrow are as follows: None.

# Directory

## Bell Financial Group Ltd

Incorporated in Victoria on 30 June 1998

### ABN

59 083 194 763

### Directors

Colin Bell – Executive Chairman  
Alastair Provan – Managing Director  
Craig Coleman – Non-Executive Director  
Graham Cubbin – Non-Executive Director  
Brian Wilson AO – Non-Executive Director  
Brenda Shanahan – Non-Executive Director

### Company Secretary

Cindy-Jane Lee

### Registered Office

Level 29, 101 Collins Street  
Melbourne VIC 3000  
Telephone 03 9256 8700

### Share Registry

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford VIC 3067  
Telephone 03 9415 5000

### ASX Code

#### **BFG**

Shares are listed on the Australian Securities Exchange

### Banker

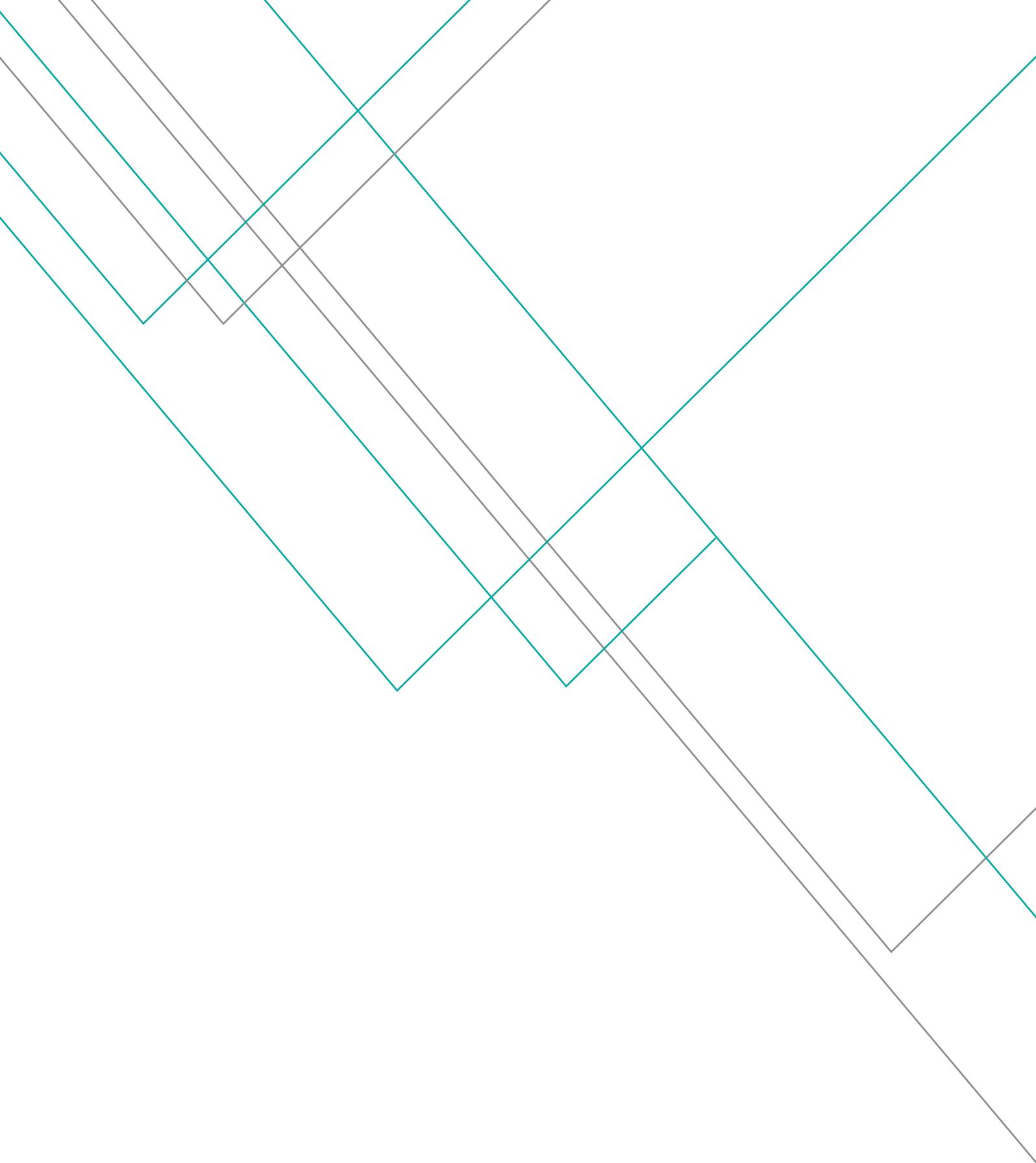
Australia and New Zealand Banking Group Limited

### Auditor

KPMG

### Website Address

[www.bellfg.com.au](http://www.bellfg.com.au)



**Bell Financial Group Limited**

Level 29, 101 Collins Street  
Melbourne VIC 3000  
Australia

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Melbourne VIC 3001  
Australia

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