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ANNUAL REPORT 2012

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**Bell Financial Group Ltd
(ASX: BFG) is one of Australia's
leading full service stock broking
and financial advisory firms with
a strong track record of providing
high quality, professional advice
to private, institutional and
corporate investors.**

**The business has over 300 private
client advisers, 12 offices nationally,
offices in London and Hong Kong,
and one of the largest distribution
networks in Australia.**

CHAIRMAN'S REPORT

FOR THE YEAR ENDED
31 DECEMBER 2012



CHAIRMAN'S REPORT

Market conditions in 2012 were about as bad as they could be for a company like ours. Even though the market was up 14% trading volumes were well down on the previous year and investor confidence at a very low ebb. Investors had little appetite for risk and therefore shied away from equities, preferring cash, fixed income securities and hybrids.

Our revenue was down 15% for the year and as a result we recorded a loss of \$2.8 million after tax and were unable to pay a dividend. As unpalatable as losses are – this was the first since we listed in 2007 – we were, believe it or not, reasonably happy with the result given the appalling market conditions. As it happened we were not too far into the 2012 year when it became clear that the rest of the period was unlikely to be any easier. By mid-year we thought that if we ended up somewhere close to break-even that would be an acceptable result.

Apart from our P&L the company got through the year in good shape. Our balance sheet is healthy and all businesses and services are robust and have been well maintained. Staff numbers are modestly lower, as are our costs. This has had no impact on the quality of our client services.

BFG has a very simple business model and it is easy to understand. 100% of our revenue is from commission income derived from equity market transactions and fees on services such as equity capital markets, portfolio administration, superannuation and margin lending. The model doesn't work well in terrible markets like the one we had last year but it performs very well in buoyant markets as we saw in 2007 and have got a glimpse of in recent months.

Of course there are many business risks that can impact on a modest result when market conditions are also bad. However because we have an excellent, long experienced team that takes care of the back end of our business, we have been able to safely navigate these risks during 2012. On that note I would like to pay tribute to all our administrative team including State Managers, our finance and accounting people and our compliance group. Even though we had a miserable year they did a great job to get us through it in one piece. Also we recognise that in a business like ours when it is bad, those that suffer most are our clients, our advisers and our shareholders. We thank them all for their support.

I generally make some comment at this time about the outlook for the upcoming year and why it will be better than the previous one. There is no reason for me not to do the same again. In fact today, the outlook is far better because most professional managers are very bullish on equities because the major central banks around the world have enticed investors to move out of cash by making it such an unrewarding asset class. Australia is a little behind in that switch but as interest rates dip further and the Australian dollar falls to a more sustainable level our equity market will readjust and the pace of the move from safe assets to more risky ones will speed up and lead to a significant improvement in business levels.

I like to think that when we look back on 2012, we will see it as the worst of 5 tough market years in a row which turned out to be great for stress testing all our businesses and placing us in a strong position to capitalize on the extraordinary leverage BFG has to good markets.

Yours sincerely



Colin Bell
Executive Chairman
Bell Financial Group Ltd

MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED
31 DECEMBER 2012

DEAR SHAREHOLDERS

Financial year 2012 has proved to be the most testing year the Group has experienced since listing in December 2007. Our full year after-tax loss of \$2.8 million was our first loss as a listed public company and is obviously disappointing.

Revenue was down by 15% for the year and despite an overall improvement in the market of 14% investor confidence was absent. Volumes remained low and equity capital market activity almost non-existent in the earlier part of the year. Cash, term deposits, fixed interest and hybrid securities were the investments of choice.

Our result was also adversely impacted by \$3.5 million in one-off and non-recurring items primarily associated with provisions following the collapse of MF Global, our primary clearing broker for international futures, and lease tails resulting from our relocation in Sydney following the full integration of Southern Cross Equities.

Despite the full result there are a number of positives we can take from the year.

We have a history of positioning ourselves well in poor markets. Firstly to survive any downturn intact and secondly to be in the strongest possible position to take full advantage of better markets when conditions improve.

Last year we opened a wholesale desk in Hong Kong. For some time now Hong Kong has been an obvious omission from our service offering. The key to opening any new office has always been finding the right people to do the job and timing. We believe we've got both right. As of October we have a fully licensed and functioning institutional equities desk staffed by experienced professionals who I have no doubt will make a strong contribution to the overall business.

The market received a boost from official interest rates which have fallen and could fall further. The Australian dollar which remains stubbornly high looks to have peaked and investor sentiment has changed to 'positive'. It has been a long time coming but we now see clear evidence of a shift back into equities. Since the end of July 2012, as a Group, we have been profitable (albeit modestly) every month, a trend that has continued through Christmas and New Year into 2013. Better trading conditions are being experienced by all our divisions.

Typically retail investors' risk appetite lags the institutional market. And while there was a marked increase in institutional activity towards the end of the year, retail investors are only now playing catch up. The combined effect is powerful and has been obvious in recent stock price increases and turnover. It is also very apparent in our business.

Bell Potter Capital, our margin lending and cash business, has once again produced a solid performance. The loan book has no bad debts, no outstanding arrears and remains conservatively geared.

The book size remained constant throughout the year, a good result given market conditions, and is currently seeing fresh demand in line with the improvement in the market.

BELL DIRECT

Bell Direct, our online broking business, continues its impressive growth in terms of client acquisition, sponsored holdings, and wholesale business. In 2012 it established its first White Label partnership agreement with HSBC Australia.

In the first quarter of 2013 BFG's ownership interest in Bell Direct will increase to 51.23% giving the Group effective control of the business.

BALANCE SHEET

We remain well capitalised, our cash position is strong and the business continues to operate without any debt other than in our margin lending book in Bell Potter Capital.

Net assets at 31 December 2012 were \$170 million (2011 - \$175 million) and net tangible assets were \$49 million (2011 - \$54 million). The reduction from the previous corresponding period is primarily due to the current year's operating loss and the payment of the final 2011 dividend.

OVERHEADS

In 2012 consolidated Group overheads (excluding commission paid to advisers) were \$68.5 million, down 3% from the previous year. An extensive review of our overheads was undertaken mid-way through the year which resulted in approximately \$5 million in annual savings.

I would like to acknowledge the exceptional contribution that our staff (front and back office) in all divisions have made over the course of what has been an extremely difficult 12 months. Their efforts have kept the company in good shape and well positioned to take advantage of the positive change in investor sentiment which is happening now.

Our leverage to that change is high.

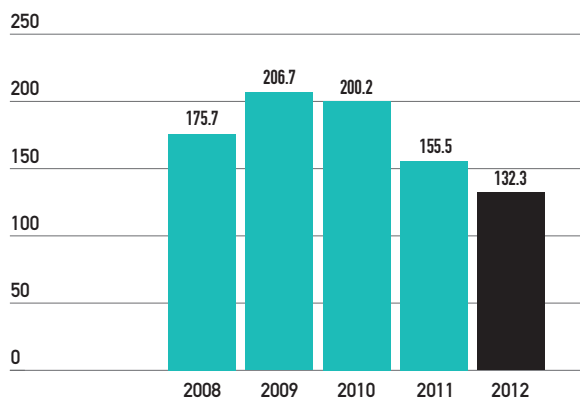
Yours sincerely



Alastair Provan
Managing Director
Bell Financial Group Ltd

REVENUE

(\$Am) 2008-2012

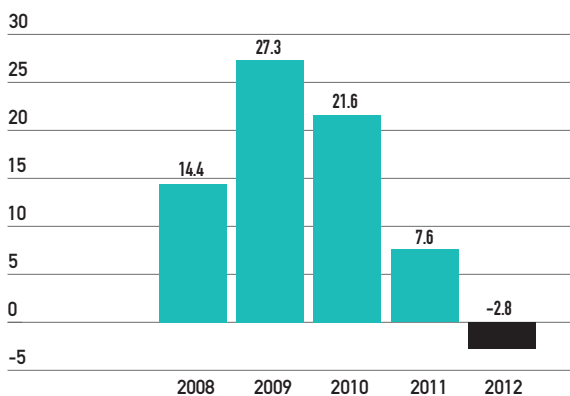


REVENUE

Group Revenue was \$132.3m for financial year 2012, down 15% on 2011. The decrease was due to a decline in both ECM and Equities execution revenue across both Retail and Wholesale businesses.

NET PROFIT/(LOSS) AFTER TAX

(\$Am) 2008-2012

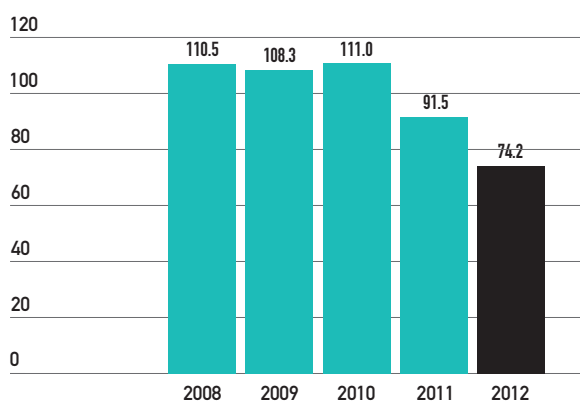


NET PROFIT/(LOSS) AFTER TAX

The Group recorded a full year loss after tax. The result includes approximately \$3.5m in one-off non-recurring expenditure and provisions.

EQUITIES EXECUTION REVENUE

(\$Am) 2008-2012

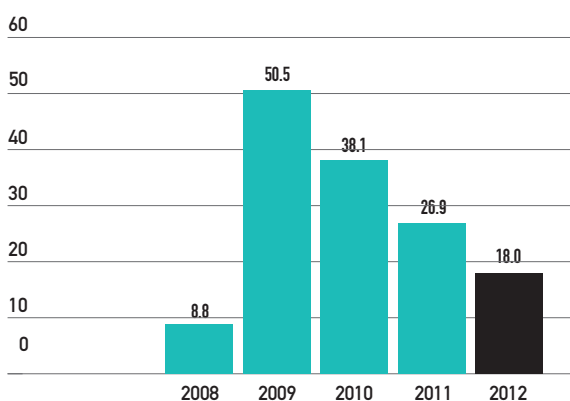


EQUITIES EXECUTION REVENUE

2012 consolidated revenue was \$74.2m, down 19% on the prior year. This was the 2nd consecutive year of revenue decline reflecting market sentiment and lack of investor confidence.

EQUITY CAPITAL MARKETS REVENUE

(\$Am) 2008-2012



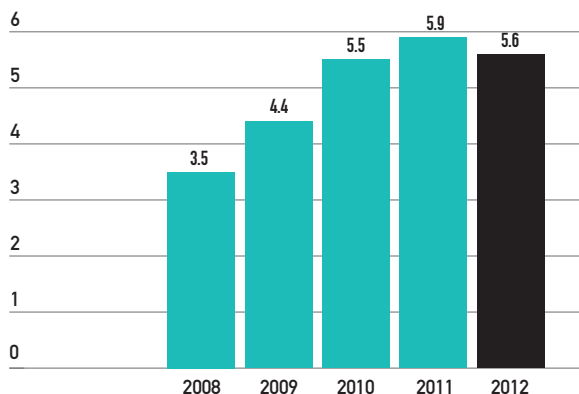
EQUITY CAPITAL MARKETS REVENUE

ECM Revenue was \$18m down 33% on the prior year, a reflection of lack of investor confidence and the inability of Corporates to raise equity capital.

The exception was debt / equity hybrid issuance by the banks where retail investor demand was strong.

MARGIN LENDING AND CASH REVENUE

(\$Am) 2008-2012

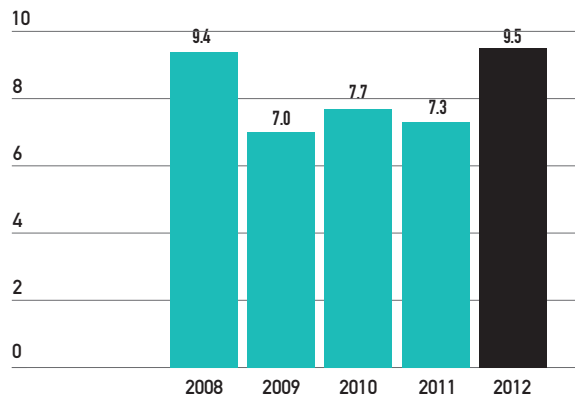


BELL POTTER CAPITAL MARGIN LENDING AND CASH REVENUE

- Net revenue decreased 5% over the 2012 financial year to \$5.6m
- Margin Lending loans were \$147m at December 2012, up 7% on the December 2011 balance of \$138m.
- Cash was \$176m at December 2012, down slightly on the \$182m December 2011 balance.

FUTURE AND FOREIGN EXCHANGE REVENUE

(\$Am) 2008-2012

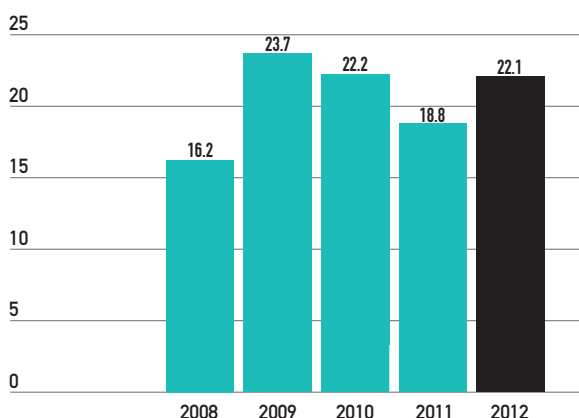


FUTURES AND FOREIGN EXCHANGE REVENUE

Futures and Foreign Exchange revenues increased 30% year on year benefiting from the addition of new Advisers to the broking team in late 2011. We expect the contribution from this business will continue to grow going forward.

FUNDS UNDER ADVICE

(\$Ab) 2008-2012



FUNDS UNDER ADVICE

- Funds under Advice (FUA) include Sponsored Holdings, Cash, Margin Loans, PAS and Superannuation.
- FUA increased 17% to \$22b by the end of 2012. The majority of the increase was attributable to sponsored holding values increasing in line with market indices which finished the 2012 year around 14% above December 2011 levels.

DIRECTORS' REPORT

FOR THE YEAR ENDED
31 DECEMBER 2012

DIRECTORS' REPORT *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors of Bell Financial Group Ltd ("Bell Financial" or the "Company") present their report, together with the financial statements of the Company, its controlled entities and associates (the "consolidated entity" or "Group") and the Auditor's Report thereon, for the financial year ended 31 December 2012.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr C Bell

Mr A Provan

Mr C Coleman

Mr G Cubbin

Mr B Wilson

Mr M Spry (resigned 5 June 2012)

Mrs B Shanahan (appointed 5 June 2012)

Particulars of the qualifications and experience of the Directors as at the date of this report are set out below.

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Mr Colin Bell Executive Chairman <i>BEcon (Hons), Monash University</i>	<p>Colin Bell founded Bell Commodities in 1970 after working with the International Bank for Reconstruction and Development in Washington DC, USA.</p> <p>He is the Executive Chairman of Bell Financial and has responsibility for the business development of the Company and all associated businesses within the Group.</p>
Mr Alastair Provan Managing Director	<p>Alastair Provan joined Bell Commodities in 1983 and held a number of dealing and management roles prior to becoming Managing Director in 1989.</p> <p>He is Managing Director of Bell Financial and is responsible for the day-to-day management of all businesses within the Group. He is also a director of Third Party Platform Pty Ltd (Bell Direct).</p> <p>Alastair is a member of the Remuneration Committee.</p>
Mr Craig Coleman Non-Executive Director <i>BComm, University of Western Australia</i>	<p>Appointed 12 July 2007. He is also the Chairman of Bell Direct and a member of the Group Risk and Audit Committee and the Remuneration Committee.</p> <p>Craig is a Senior Advisor and Non-Executive Director of private investment company, Wyllie Group Pty Ltd. Previously, he was Managing Director and a Non-Executive Director of Home Building Society Limited. Prior to joining Home Building Society, Craig 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 E*Trade Australia Limited.</p> <p>His other current public company directorships include Chairman of Rubik Financial Ltd and Amadeus Energy Limited and Non-Executive Director of Amcom Limited and Pulse Health Limited.</p>
Mr Graham Cubbin Independent Non-Executive Director <i>BEcon (Hons), Monash University</i> <i>Fellow of the Australian Institute of Company Directors</i>	<p>Appointed 12 September 2007, 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.</p> <p>Graham has over 20 years' experience as a director and audit committee member of public companies in Australia and the US. Graham is a Director of the ASX listed Challenger Limited, STW Communications Group Limited, White Energy Company Limited and McPherson's Limited.</p> <p>Graham is the Chairman of the Group Risk and Audit Committee and the Chairman of the Remuneration Committee.</p>
Mr Brian Wilson Non-Executive Director <i>MComm (Hons), Auckland</i>	<p>Mr Wilson was appointed to the board on 28 October 2009.</p> <p>He is also Chairman of Australia's Foreign Investment Review Board, Deputy Chancellor of University of Technology, Sydney, and a member of the Payments System Board of the Reserve Bank of Australia. He was a member of the Commonwealth Government Review of Australia's Superannuation System and is currently a member of the ATO Superannuation Reform Steering Committee.</p> <p>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 was previously a Vice-Chairman of Citigroup Australia and its predecessor companies.</p>

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
Mrs Brenda Shanahan FAICD Independent Non-Executive Director <i>B.Comm, Melbourne University</i>	<p>Appointed 5 June 2012, Mrs Shanahan has served in senior executive and Board roles in Australia and overseas, primarily in the finance and stock broking industries, during a career spanning more than 30 years.</p> <p>Brenda was previously an executive director of JM Financial Group Limited, May Mellor, Equitlink Limited and William M Mercer. She is currently a non-executive director of Challenger Limited, Clinuvel Pharmaceuticals Limited and DMP Asset Management Limited. Brenda also chairs the St Vincent's Medical Research Institute and The Aikenhead Centre for Medical Discovery and is a director of the Kimberley Foundation Australia.</p> <p>Brenda is a member of the Group Risk and Audit Committee and the Remuneration Committee.</p>

PRINCIPAL ACTIVITIES

Bell Financial is an Australian based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. Operating across a network of 12 offices in Australia plus offices in London and Hong Kong, Bell Financial has over 590 employees, including more than 300 experienced advisers, serving over 125,000 active clients with funds under advice exceeding \$22 billion.

Bell Financial has a 49.83% holding in Third Party Platform Pty Ltd (Bell Direct) an online stockbroking business.

OPERATIONS

The Group's consolidated operating result after income tax attributable to members was a loss of \$2.8 million (2011: \$7.6 million profit). A review of the operations of the Group is set out in the Managing Director's Report on pages 4 to 7 of this Annual Report.

OPTION TO ACQUIRE SHARES IN BELL DIRECT

(A) SUMMARY

The terms of the call option to acquire shares in Bell Direct, as reported in the Company's 2011 Annual Report, did not change in 2012 and are summarised in section (b) below.

(B) DETAILS OF CALL OPTION

Prior to listing in December 2007, the Company was granted a call option to acquire 25% of the issued capital of Bell Direct (Bell Direct Call Option). The Company was entitled to exercise the Bell Direct Call Option in a period of 30 days after the second anniversary of listing in consideration of the issue of \$17,500,000 worth of shares.

In September 2008, the Company participated in a rights issue increasing its stake in Bell Direct from 25% to 36%. The contribution of additional capital was made on the basis that the Bell Direct Call Option was renegotiated.

Under the renegotiated arrangements (New Call Option), the Company has a call option to purchase all the shares in Bell Direct it does not own, taking its holding to 100%. The exercise price of the New Call Option is to be satisfied by Bell Financial issuing new shares and values all of Bell Direct's existing share capital at \$70 million, which is the same valuation used in the original Bell Direct Call Option. The right to exercise the New Call Option was extended under the renegotiation by 12 months to 31 January 2011.

In July 2010 the Company participated in a further rights issue increasing its stake in Bell Direct from 36% to 40%. In January 2011, the Company and the other Bell Direct shareholders agreed further amendments to the New Call Option whereby the exercise period was extended to 31 January 2015. The Company also granted a put option in favour of certain Bell Direct management shareholders (who together hold approximately 4.5% of the shares in Bell Direct) permitting them to sell their Bell Direct shares to the Company. This put option values Bell Direct at \$35 million and is exercisable at any time between 31 December 2012 and 31 January 2015.

In May 2012, the Company participated in a purchase of existing shares from an exiting shareholder, increasing its stake in Bell Direct from 44.97% to 49.83%.

Issue of shares under the New Call Option is subject to shareholder approval, which the Company will seek at the appropriate time in accordance with *Corporations Act 2001* and ASX Listing Rule requirements and prior to the exercise of the option. Bell Financial is under no obligation to exercise the New Call Option and any decision whether or not to exercise this option will be made by the Company's independent non-executive Directors at the relevant time.

As noted in the Company's previous Annual Reports, the proposed issue of Bell Financial shares to the grantors of the Bell Direct Call Option will be subject to obtaining relevant ASIC relief or shareholder approval.

UBS

(A) SUMMARY

As at the date of this report, UBS owns 16.27% of the Ordinary shares in the Company. It has certain non-dilution rights with respect to its shareholding in the Company, summarised in section (b) below.

UBS and the Company are parties to a Strategic Alliance Agreement, summarised in section (c) below, which expires on 12 December 2013.

(B) NON-DILUTION RIGHTS

UBS has certain non-dilution rights with respect to its shareholding in the Company. In summary, if immediately following the issue of new shares in the Company the UBS shareholding percentage is less than its percentage at the time of the Company's listing, then UBS will have the right, but not the obligation, to subscribe for up to that number of further shares so that following that subscription the UBS shareholding percentage will equal the UBS listing percentage.

Save where UBS terminates the Strategic Alliance Agreement described below for cause, the non-dilution rights will cease on the termination of the Strategic Alliance Agreement.

(C) STRATEGIC ALLIANCE AGREEMENT

Under this agreement, UBS will supply to the Company for no fee a selection of research it produces relating to ASX listed entities which can be re-branded and given to the Company's retail clients. UBS may also supply research relating to entities listed on securities exchanges other than ASX for the Company's internal use only.

UBS will also give the Company a priority broker firm allocation with respect to certain securities offerings and UBS derivative products offerings. The Company will make available to UBS its retail investor distribution capabilities in certain situations and has also given certain undertakings in relation to UBS competitors.

The Strategic Alliance Agreement had an initial term of three years from 12 December 2007. Either party had the right to extend the term for a further three years, which occurred in 2010. The further three-year term of the Strategic Alliance Agreement expires on 12 December 2013.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In late January 2013, two Bell Direct shareholders exercised their Put Options summarised on page 10, which will result in Bell Financial's ownership interest in Bell Direct increasing from 49.83% to 51.23%. The increased shareholding will give Bell Financial effective control over Bell Direct, therefore Bell Direct will be consolidated in Bell Financial's financial statements going forward. Other than those transactions, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect:

- (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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2012, and the number of meetings attended by each Director, are set out below.

DIRECTOR	BOARD MEETINGS		GROUP RISK AND AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr C Bell (Director for the full year)	6	7	-	-	-	-
Mr A Provan (Director for the full year)	7	7	-	-	2	2
Mr G Cubbin (Director for the full year)	7	7	7	7	2	2
Mr C Coleman (Director for the full year)	6	7	7	7	2	2
Mr B Wilson (Director for the full year)	7	7	-	-	-	-
Mr M Spry (resigned 5 June 2012)	3	3	3	3	1	1
Mrs B Shanahan (appointed 5 June 2012)	4	4	4	4	1	1

A – Number of meetings attended

B – Number of meetings held during the period in which person was a Director in the company

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the Company as of the date of this report is as follows:

Bell Financial Group Ltd	ORDINARY SHARES		
	Direct	Indirect	TOTAL
Name			
Colin Bell	2,409,683	31,264,919	33,674,602
Alastair Provan	2,368,426	31,264,919	33,633,345
Graham Cubbin	130,000	50,000	180,000
Craig Coleman	39,264	1,733,019	1,772,283
Brian Wilson	-	1,000,000	1,000,000
Brenda Shanahan	-	250,000	250,000

There were no changes to Directors' interests in the Company's shares between 31 December 2012 and the date of this report. There are no options on issue to Directors at the date of this report.

DIVIDENDS

Dividends paid or declared by the Company to members during the financial year were as follows:

	DIVIDENDS			
	Cents per share	Total amount \$'000	Franked/ unfranked	Date of payment
Declared and paid during the year				
Final 2011 ordinary	1.0	2,596	Franked	23 March 2012
Interim 2012 ordinary	-	-	-	-

There were no dividends declared during the year 2012.

All dividends declared were fully franked at the tax rate of 30%.

COMPANY SECRETARY

The Company Secretary is Mr A Paul M Vine LLB (European) Hons, CSA (Affiliate). Mr Vine was appointed to the position in 2007 and is also the Company's General Counsel, with over 20 years' experience in legal practices in public companies and leading law firms.

CORPORATE GOVERNANCE

Bell Financial recognises the importance of good corporate governance practices. This section outlines key aspects of its corporate governance policies and frameworks.

Bell Financial developed its corporate governance framework by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd ed.) released in August 2007 ("ASX Recommendations"). The ASX Recommendations are guidelines of practices designed to optimise corporate performance and accountability. The commentary below is based on the 2nd edition of the Corporate Governance Principles and Recommendations, including the 2010 amendments.

Having regard to the structure, size and nature of operations of Bell Financial, the Board considers that certain ASX Recommendations are not appropriate to its particular circumstances at present. Departures from the ASX Recommendations are identified in the discussion below.

1. BOARD OF DIRECTORS

1.1 COMPOSITION OF THE BOARD

The members of the Board and their experience and qualifications are set out on pages 9 to 10.

1.2 CHAIRMAN

The Chairman of the Board is not an independent Director. This represents a departure from the ASX Recommendations. Mr Colin Bell serves as the Executive Chairman. The Board considers that this is in the best interests of Bell Financial given his experience, expertise and understanding of the business. Mr Alastair Provan, the Managing Director, has the primary responsibility for the discharge of the chief executive function including the day-to-day management of Bell Financial. In this way, the Executive Chairman is not distracted in performing the role of chair effectively.

1.3 DIRECTORS' INDEPENDENCE

Directors are considered independent if they are a non-executive Director who is not a member of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or be perceived to do so. The Board Charter contains the principles used by the Board in assessing independence.

During 2012 there were five non-executive Directors on the Board - Mr Graham Cubbin, Mr Craig Coleman, Mr Brian Wilson, Mr Malcolm Spry (until 5 June 2012) and Mrs Brenda Shanahan (from 5 June 2012). Mr Cubbin and Mrs Shanahan are independent non-executive directors, as was Mr Spry. The Board did not consider that Mr Craig Coleman was an "independent" Director during 2012 due to his pre-existing role as a consultant to Bell Potter Securities, including his involvement with the listing of the Company in 2007 and various consultant roles performed since then. Further, the Board did not consider that Mr Brian Wilson was an "independent" Director during 2012 due to his pre-existing role as a principal of a material professional adviser to the Company. Their status may change over time and this will be disclosed to the market in a timely manner. As at the date of this report the Board does not have a majority of independent Directors.

The Board considers that it has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

1.4 INDEPENDENT PROFESSIONAL ADVICE

Directors are, after consultation with the Chairman, able to seek independent professional advice at the Company's expense. Where appropriate, the advice may be made available to the Board.

1.5 DIRECTOR EDUCATION

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

2. BOARD RESPONSIBILITIES

The Board is responsible for the overall corporate governance of Bell Financial, which includes effective oversight of management. The Board has adopted a Board Charter, a copy of which is available on Bell Financial's website, www.bellfg.com.au. The Board Charter includes a description of the specific responsibilities reserved to the Board.

The Board Charter also describes the nature of matters delegated to the senior executives, and includes a description of the respective roles of the Executive Chairman and the Managing Director. This description is designed to clearly identify the division of responsibility at the senior executive level of Bell Financial. The Managing Director has authority to sub-delegate to the senior executive team. Whilst the appointment of an Executive Chairman represents a departure from the ASX Recommendations, the Board is satisfied that the division of responsibility is clearly articulated to ensure appropriate accountability.

The Board is responsible for monitoring the senior executive team's performance. As part of the delegation of authority to manage the day-to-day affairs of the Company, the Managing Director carried out a performance evaluation for senior executives in late 2012.

3. BOARD COMMITTEES

The Board Charter contemplates that the Board may delegate certain functions to Board committees to assist the Board in the discharge of its oversight role. These committees are required to consider particular issues in detail and then report back to and advise the Board. The Board has established two standing committees, the functions of which are discussed below. A copy of the Board committee charters are also available on Bell Financial's website, www.bellfg.com.au.

3. BOARD COMMITTEES CONTINUED

3.1 GROUP RISK AND AUDIT COMMITTEE

The Group Risk and Audit Committee (GRAC) assists the Board to carry out its oversight role in relation to risk management, accounting, auditing and financial reporting. The core responsibilities of the GRAC include reviewing and, where required, providing recommendations to the Board on:

- the effectiveness of Bell Financial's risk management and internal control systems;
- external financial reporting and financial statements;
- the discharge of the internal audit function; and
- matters relating to the appointment, independence and performance of the external auditor.

The GRAC charter stipulates that the chair of the Committee must be an independent non-executive Director, who is not the chair of the Board. The GRAC Charter also stipulates that the Committee must be comprised of only non-executive Directors, a majority of independent directors and have at least three members.

During 2012 the members of the GRAC were Graham Cubbin (Chairman), Craig Coleman, Malcolm Spry (until 5 June 2012) and Brenda Shanahan (from 5 June 2012). The composition of the Committee during 2012 and at the date of this report follows the ASX Recommendations. A copy of the GRAC charter is available on Bell Financial's website, www.bellfg.com.au.

3.2 REMUNERATION COMMITTEE

The Remuneration Committee assists and advises the Board on remuneration matters. The role of the Remuneration Committee is to develop, review and make recommendations to the Board on the remuneration framework for the non-executive Directors, the executive Directors and other senior executives. This includes the recommendations in relation to incentive schemes and equity based plans where appropriate. Bell Financial's remuneration policy is set out in section 1 of the Remuneration Report.

The members of the Remuneration Committee during 2012 were Graham Cubbin (Chairman), Craig Coleman, Alastair Provan, Malcolm Spry (until 5 June 2012) and Brenda Shanahan (from 5 June 2012). The composition of the Committee represents a departure from the ASX Recommendations that propose that a majority of members should be independent Directors. However, the Board is satisfied that, given the majority of non-executive Directors, the Remuneration Committee has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

A copy of the Remuneration Committee Charter is available on Bell Financial's website, www.bellfg.com.au

4. BOARD NOMINATIONS AND RENEWAL

In 2007 the Board determined not to establish a separate Nominations Committee and this is the position as at the date of this report. This is a departure from the ASX Recommendations. The Board does not consider that delegating the Board selection and appointment practices of Bell Financial to a separate committee would enhance efficiency. Instead, the Board has reserved to itself relevant responsibilities, including appointing and removing the Managing Director, developing and approving succession plans for the Board and key senior executives and overseeing that membership of the Board is skilled and appropriate for Bell Financial's needs, as identified in the Board Charter. A performance evaluation in accordance with the Board Charter was carried out in 2012 in relation to the Directors and the two Board committees.

There must be an election of Directors at each annual general meeting.

The constitution of the Company provides, amongst other things, for a process of retirement of Directors by rotation (which will occur for each Director approximately every three years except for the Managing Director, Alastair Provan).

Directors who retire from office are eligible to stand for re-election.

5. COMPANY POLICIES

5.1 ONGOING DISCLOSURE

With a view to ensuring that investors are informed of all major developments affecting Bell Financial and its businesses, the Board has adopted policies designed to ensure that Bell Financial meets its continuous disclosure obligations imposed by the ASX Listing Rules and the *Corporations Act*.

Information is communicated to shareholders through ASX announcements, annual reports and half yearly updates which are accessible on Bell Financial's website, www.bellfg.com.au

A copy of the Disclosure and Communications Policy and Guidelines is available on Bell Financial's website, www.bellfg.com.au

5.2 SECURITIES TRADING GUIDELINES

Bell Financial has adopted a Trading Policy that applies to the Directors, executives and employees of Bell Financial.

The Trading Policy is intended to explain the type of conduct in relation to dealings in the Company's securities that is prohibited under the *Corporations Act*, and establish procedures in relation to Directors, executives or employees dealing in securities of the Company. Under the Trading Policy, Directors and other designated employees may not deal in securities of the Company during the following "black-out periods" (subject to limited exceptions):

- from the end of the Company's financial year (31 December) until release of its full year results in February; and
- from the end of the Company's half-year (30 June) until release of its half-year results in August.

Other "black-out periods" may be declared from time to time. The policy also contains an approval process to be followed by Directors and other designated employees if they propose to deal in the Company's securities. A copy of the Trading Policy is available on Bell Financial's website, www.bellfg.com.au.

5.3 CODE OF CONDUCT

Bell Financial has developed a Code of Conduct (Code), which applies to all Directors, officers and employees. Bell Financial is committed to honesty and integrity in all its dealings, as well as ensuring the highest quality of service is provided to customers and clients at all times. The Code sets out the ethical standards, values and policies of the Company and provides a framework to guide compliance with legal and other obligations to stakeholders, commitment to which the Board believes will maintain the confidence of the Company's key stakeholders.

The Code provides that all potential or actual conflicts of interest must be avoided or disclosed. Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned would not receive the relevant board papers and would not be present at the meeting whilst the item is considered. Details of the Director related entity transactions with the Company and the Group are set out in note 33 of the financial statements.

5.4 DIVERSITY

Considerable diversity exists throughout the Bell Financial Group, in terms of age, culture and gender. The Company values diversity in the workplace and is committed to employing people on the basis of the "best fit" for the job, based on relative ability, performance or potential. Bell Financial has established a Diversity Policy, which is available on the Company's website, www.bellfg.com.au

5.5 RISK ASSESSMENT AND MANAGEMENT

The Board understands that the management of risk is a continuous process and an integral part of good business management and corporate governance. The GRAC plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices, risk management and ensuring the independence of the company's external auditors.

The Company has implemented a Risk Management Policy and Framework based on Australian/New Zealand standard AS/NZ ISO 3100:2009 Risk Management Standard. A summary of the Risk Management Policy and Framework is available from Bell Financial's website, www.bellfg.com.au.

The GRAC reviewed and approved the Company's Risk Management Policy and its Risk Management Plan in 2012. The GRAC reported to the Company's Board on these matters and the Board is satisfied that the Company's risk management and internal control system is appropriate.

The Group's principal financial instruments comprise listed securities, derivatives, term deposits and cash. The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. These are examined in more detail in Note 3, Financial Risk Management.

5.6 FINANCIAL REPORTING

The Managing Director and Chief Financial Officer have declared in writing to the Board that the declaration provided to the Board in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

5.7 EXTERNAL AUDITORS

The Company policy is to appoint external auditors who demonstrate quality and independence. The performance of the auditor is reviewed annually. KPMG is Bell Financial's external auditor.

An analysis of fees paid to the external auditors is provided in note 37 of the financial report.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise in relation to the Group is important. The Board has considered the position and, in accordance with the advice from the GRAC, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors outlined by the *Corporations Act 2001*. The Directors are satisfied that the auditor's independence is not compromised in relation to non-audit services for the following reasons:

- all non-audit services have been reviewed by the GRAC to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1.

5.8 INTERNAL AUDIT

The internal auditors assist the GRAC in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of Company's internal controls and systems. The GRAC is responsible for approving the program of internal audit visits to be conducted each financial year and for the scope of the work to be performed. The GRAC is responsible for recommending to the Board the appointment and dismissal of the Internal Audit and Risk Manager.

6. ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The ASX Listing Rules require listed entities to include in their annual report a statement disclosing the extent to which they have followed the 30 ASX corporate governance recommendations during the reporting period, identifying the recommendations that have not been followed and providing reasons for that variance. The statement below is based on the 2nd edition of the Corporate Governance Principles and Recommendations, including the 2010 amendments.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

6. ASX CORPORATE GOVERNANCE RECOMMENDATIONS CONTINUED

	ASX 'BEST PRACTICE' CORPORATE GOVERNANCE RECOMMENDATION	REFERENCE ¹	COMPLY
Principle 1:	Lay solid foundations for management and oversight		
1.1	Establish and disclose the functions reserved to the Board and those delegated to management	2	✓
1.2	Disclose the process for evaluating the performance of senior executives	2	✓
1.3	Provide the information indicated in the Guide to reporting on Principle 1	2	✓
Principle 2:	Structure the Board to add value		
2.1	A majority of the Board should be independent Directors	1.3	Non-comply
2.2	The chair should be an independent Director	1.2	Non-comply
2.3	The roles of chair and Managing Director should not be exercised by the same individual	1.2, 2	✓
2.4	The Board should establish a nomination committee	4	Non-comply
2.5	Disclose the process for evaluating the performance of the Board, committees and individual directors	4	✓
2.6	Provide the information indicated in the Guide to reporting on Principle 2	1, Directors' report	✓
Principle 3:	Promote ethical and responsible decision making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity the practices necessary to take into account the Company's legal obligations and the reasonable expectations of stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	5.3	✓
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress for achieving them.	5.4	✓
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	5.4	✓
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	5.4	Non-comply
3.5	Provide the information indicated in the Guide to reporting on Principle 3	5.4	✓
Principle 4:	Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee	3.1	✓
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> consists of only non-executive Directors consists of a majority of independent Directors is chaired by an independent chair, who is not chair of the Board has at least three members 	3.1	✓
4.3	The audit committee should have a formal charter	3.1	✓
4.4	Provide the information indicated in the Guide to reporting on Principle 4	3.1, 5.6, Directors' Report	✓

1. Cross references to the relevant sections of this Corporate Governance Statement, the Directors' Report or the Remuneration Report in the 2012 Annual Report

6. ASX CORPORATE GOVERNANCE RECOMMENDATIONS *CONTINUED*

	ASX 'BEST PRACTICE' CORPORATE GOVERNANCE RECOMMENDATION	REFERENCE ²	COMPLY
Principle 5:	Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	5.1	✓
5.2	Provide the information indicated in the Guide to reporting on Principle 5	5.1	✓
Principle 6:	Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose the policy or a summary of that policy	5.1	✓
6.2	Provide the information indicated in the Guide to reporting on Principle 6	5.1	✓
Principle 7:	Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	5.5	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	5.5	✓
7.3	The Board should disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to financial reporting risks	5.6, Directors' Report	✓
7.4	Provide the information indicated in the Guide to reporting on Principle 7	5.5, Directors' Report	✓
Principle 8:	Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee	3.2, Remuneration Report	✓
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> consists of a majority of independent directors is chaired by an independent director has at least 3 members 	3.2 3.2, Remuneration Report 3.2, Remuneration Report	Non-comply ✓ ✓
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Remuneration Report	✓
8.4	Provide the information indicated in the Guide to reporting on Principle 8	3.2, Remuneration Report, Directors' Report	✓

2. Cross references to the relevant sections of this Corporate Governance Statement, the Directors' Report or the Remuneration Report in the 2012 Annual Report

REMUNERATION REPORT (AUDITED)

1. REMUNERATION POLICY

Bell Financial remunerates key executives, management and advisers by a combination of fixed salary, commission entitlements and other short and long-term incentives.

The Company has established two equity-based plans to assist in the attraction, retention and motivation of Directors, management and employees of the Company, the Long Term Incentive Plan and the Employee Share Acquisition (Tax Exempt) Plan.

Each plan contains customary and standard terms for dealing with the administration of the plan, and the termination and suspension of the plan. Participants in the Long Term Incentive Plan must not enter into a transaction or arrangement or otherwise deal in financial products which operate to limit the economic risk of the unvested Company securities issued under that plan.

Compensation packages include a combination of fixed and variable compensation and short-term and long-term performance-based incentives.

2. 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.

3. COMMISSION

Commission entitlements are determined by the Board from time to time and aim to align the remuneration of key executives and advisers with the Company's performance. In general, 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 revenues and performance.

4. PERFORMANCE LINKED COMPENSATION

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal 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.

5. SHORT-TERM INCENTIVE BONUS

The Company pays its key executives, including the Executive Chairman and Managing Director, a short-term incentive (STI) payable 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:

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

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

6. LONG-TERM INCENTIVE (LTIP)

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's Directors, executives and advisers with the interests of Shareholders to assist the Company in the attraction, motivation and retention of Directors, executives and advisers. In particular, the LTIP is designed to provide relevant 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 those Directors, executives and advisers to remain with the Company and contribute to its future performance.

Under the LTIP eligible persons participating may be granted options or performance rights on terms and conditions 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 Listing Rules, they will not participate in the LTIP until shareholder approval is received pursuant to Listing Rule 10.4.

7. SERVICE AGREEMENTS

7.1 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 the appointment, including responsibilities, duties, rights and remuneration.

A summary of the remuneration packages including benefits under the short and long-term incentive plans for each of Colin Bell and Alastair Provan is set out in the following section of this report.

7.1 EXECUTIVE CHAIRMAN AND MANAGING DIRECTOR *CONTINUED*

Bell Financial may terminate the service agreements on twelve (12) months' notice, or immediately for cause. If those agreements are terminated on 12 months' notice, Bell Financial has agreed to vest early any unvested options under the LTIP and to allow their early exercise. Colin Bell and Alastair Provan may terminate their respective service agreements on six (6) months' notice. Each of Colin Bell and Alastair Provan have entered into non-competition covenants with Bell Financial which operate for six (6) months from termination of their respective service agreements.

7.2 CRAIG COLEMAN

Craig Coleman is currently a non-executive Director of the Company. Before he was appointed to that role, he served as an executive director of Bell Financial from 6 June 2007 to 29 October 2007. During 2012 Craig Coleman provided consultancy services to Bell Financial and was paid \$165,000 (2011: \$200,000) in relation to those services.

Mr Coleman is the Chairman of Bell Direct.

7.3 BRIAN WILSON

Brian Wilson is currently a non-executive Director of the Company. Before appointment to that role, he was Managing Director of the global investment bank Lazard, which was a professional adviser to Bell Financial. During 2012 Mr Wilson provided consultancy services to the Company and was paid \$100,000 (2011: \$75,000) in relation to those services.

7.4 NON-EXECUTIVE DIRECTORS

On appointment to the Board, all the non-executive Directors (Mr Coleman, Mr Cubbin, Mr Wilson, Mr Spry and Mrs 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
	\$	\$	\$
Mr C Coleman	91,743	8,257	100,000
Mr M Spry	91,743	8,257	100,000
Mr B Wilson	91,743	8,257	100,000
Mr G Cubbin	91,743	8,257	100,000
Mrs B Shanahan	91,743	8,257	100,000

7.5 EXECUTIVES

All of the 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.

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

REMUNERATION REPORT (AUDITED) CONTINUED

8. DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (COMPANY AND CONSOLIDATED)

Details of the nature and amount of each major element of remuneration of each Director of the Company Group and other key management personnel are:

IN AUD		SHORT-TERM				
		SALARY & FEES	STI CASH BONUS \$	NON-MONETARY BENEFITS \$	TOTAL	
Directors						
Executive Directors						
Colin Bell, Executive Chairman ¹	2012	582,345	-	-	582,345	
	2011	569,794	-	-	569,794	
Alastair Provan, Managing Director ¹	2012	528,153	-	-	528,153	
	2011	528,789	-	-	528,789	
Brent Potts, Director ³	2012	-	-	-	-	
	2011	259,604	-	-	259,604	
Non-executive Directors						
Graham Cubbin	2012	91,743	-	-	91,743	
	2011	91,743	-	-	91,743	
Craig Coleman	2012	256,743	-	-	256,743	
	2011	291,743	-	-	291,743	
Brian Wilson	2012	183,935	-	-	183,935	
	2011	161,248	-	-	161,248	
Malcolm Spry ⁵	2012	55,810	-	-	55,810	
	2011	91,743	-	-	91,743	
Brenda Shanahan ⁵	2012	52,576	-	-	52,576	
	2011	-	-	-	-	
Total compensation: Directors (consolidated)	2012	1,751,305	-	-	1,751,305	
	2011	1,994,664	-	-	1,994,664	
Executives						
Lewis Bell, Head of Compliance	2012	352,002	-	-	352,002	
	2011	339,502	-	-	339,502	
Andrew Bell, Executive Director of Bell Potter Securities	2012	328,047	-	-	328,047	
	2011	310,203	-	-	310,203	
Dean Davenport, Chief Financial Officer and Chief Operating Officer	2012	291,765	50,000	-	341,765	
	2011	284,513	125,000	-	409,513	
Rowan Fell, Director – Investment Services	2012	313,877	55,000	-	368,877	
	2011	280,866	110,000	-	390,866	
Paul Vine, General Counsel and Company Secretary	2012	233,877	-	-	233,877	
	2011	234,513	10,000	-	244,513	
Total compensation: key management personnel (consolidated)	2012	1,519,568	105,000	-	1,624,568	
	2011	1,449,597	245,000	-	1,694,597	

- Colin Bell and Alastair Provan volunteered to forego any discretionary annual cash bonus in 2012.
- Voluntary super contributions above the minimum legislative requirements are classified as post-employment benefits.
- Brent Potts resigned on 1 December 2011. Amounts shown above are for the period 1 January 2011 to 30 November 2011.
- Termination benefits paid to Brent Potts include long service leave and annual leave accrued.
- Malcolm Spry resigned on 5 June 2012. Brenda Shanahan was appointed on 5 June 2012.

	POST- EMPLOYMENT SUPERANNUATION BENEFITS ² \$	OTHER LONG TERM \$	TERMINATION BENEFITS ⁴ \$	SHARE-BASED PAYMENTS TOTAL AMORTISATION VALUE OF LTI OPTIONS \$	TOTAL \$	PROPORTION OF REMUNERATION PERFORMANCE RELATED %	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
	37,655	-	-	-	620,000	0%	0%
	50,206	-	-	-	620,000	0%	0%
	16,123	-	-	-	544,276	0%	0%
	15,487	-	-	-	544,276	0%	0%
	-	-	-	-	-	0%	0%
	40,396	-	112,258	-	412,258	0%	0%
	8,257	-	-	-	100,000	0%	0%
	8,257	-	-	-	100,000	0%	0%
	8,257	-	-	-	265,000	0%	0%
	8,257	-	-	-	300,000	0%	0%
	16,065	-	-	-	200,000	0%	0%
	13,752	-	-	-	175,000	0%	0%
	5,023	-	-	-	60,833	0%	0%
	8,257	-	-	-	100,000	0%	0%
	4,732	-	-	-	57,308	0%	0%
	-	-	-	-	-	0%	0%
	96,112	-	-	-	1,847,417	0%	0%
	144,612	-	112,258	-	2,251,534	0%	0%
	37,500	-	-	-	389,502	0%	0%
	50,000	-	-	-	389,502	0%	0%
	50,169	-	-	-	378,216	0%	0%
	48,125	-	-	-	358,328	0%	0%
	8,235	-	-	-	350,000	14%	0%
	15,487	-	-	-	425,000	29%	0%
	16,123	-	-	-	385,000	14%	0%
	49,134	-	-	-	440,000	25%	0%
	16,123	-	-	-	250,000	0%	0%
	15,487	-	-	-	260,000	4%	0%
	128,150	-	-	-	1,752,718	6%	0%
	178,233	-	-	-	1,872,830	13%	0%

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

REMUNERATION REPORT (AUDITED) CONTINUED

8. DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (COMPANY AND CONSOLIDATED) CONTINUED

Notes in relation to the table of Directors' and executive officers' remuneration

In relation to the executive officers, the short-term incentive bonus is for performance during the financial year ended 31 December 2012 using the criteria set out in section 5 of the Remuneration Report.

9. OPTIONS GRANTED AS COMPENSATION

No options were granted in 2012.

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 key management personnel) have been altered or modified by the issuing entity during the reporting period.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

INDEMNIFICATION

The Company has agreed to indemnify the Directors against all liabilities to another person (other than the Company or related entity) that may arise from their position as Directors of the Company or its controlled entities, except where the liability arises out of conduct including a lack of good faith.

Except for the above, neither the Company nor its controlled entities has indemnified any person who is or has been an officer or auditor of the Company or its controlled entities.

INSURANCE PREMIUMS

Since the end of the previous financial year the Company has paid a premium for an insurance policy for the benefit of the Directors, officers, secretaries and senior executives of the Company. In accordance with commercial practice, the policy prohibits disclosure of the nature of insurance or amount of the premium.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth of a State or Territory. To the best of the Company's knowledge no member of the Group has incurred any material environmental liability during the year.

NON-AUDIT SERVICES

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Group is important. The provision of these services and the auditor's independence are discussed in the Corporate Governance Statement.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set in note 37.

LIKELY DEVELOPMENTS

Further details of likely developments in the operations of the Group and its prospects in future financial years are contained in the Chairman's and the Managing Director's Reports set out on pages 2 to 7. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' report for the financial year ended 31 December 2012.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 January 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.



Colin Bell

Executive Chairman

21 February 2013



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 for the financial year ended 31 December 2012 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.

KPMG

KPMG

Dean M Waters
Partner

Melbourne
21 February 2013

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.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED \$ '000	
	Note	2012	2011
Rendering of services	6.	115,035	140,540
Finance income	9.	16,008	19,837
Investing income / (expense)	7.	513	(5,646)
Other income	8.	773	816
Total revenue		132,329	155,547
Employee expenses	10.	(86,562)	(94,383)
Depreciation and amortisation expenses	15.16.	(1,450)	(1,398)
Occupancy expenses		(14,815)	(9,646)
Systems and communication expenses		(13,874)	(14,580)
Professional expenses		(2,461)	(3,043)
Finance expenses	9.	(7,398)	(9,527)
Other expenses		(8,595)	(10,136)
Total expenses		(135,155)	(142,713)
Results from operating activities		(2,826)	12,834
Share of profit / (loss) of equity accounted investments, net of income tax	17.	(681)	(1,134)
Profit / (loss) before income tax		(3,507)	11,700
Income tax (expense) / benefit	11.	750	(4,061)
Profit / (loss) for the year		(2,757)	7,639
Attributable to:			
Equity holders of the Company		(2,757)	7,639
Profit / (loss) for the year		(2,757)	7,639
Earnings per share:		Cents	Cents
Basic earnings per share (AUD)	28.	(1.1)	3.0
Diluted earnings per share (AUD)	28.	(1.1)	3.0

The notes on pages 29 to 59 are an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED \$ '000	
	2012	2011
Profit / (loss) for the year	(2,757)	7,639
Other comprehensive income		
Change in fair value of cash flow hedge	170	(220)
Other comprehensive income for the year, net of tax	170	(220)
Total comprehensive income for the year	(2,587)	7,419
Attributable to:		
Equity holders of the Company	(2,587)	7,419
Total comprehensive income for the year	(2,587)	7,419

Other movements in equity arising from transactions with owners as owners are set out in note 26.
The notes on pages 29 to 59 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		CONSOLIDATED \$ '000	
	Note	2012	2011
Assets			
Cash and cash equivalents	12.	104,560	109,933
Trade and other receivables	13.	46,800	52,411
Loans and advances	19.	147,120	138,498
Financial assets	14.	2,247	2,088
Prepayments		488	542
Total current assets		301,215	303,472
Investments in equity accounted investees	17.	12,750	11,068
Deferred tax assets	18.	3,199	2,298
Property, plant and equipment	15.	2,243	3,111
Goodwill	16.	118,819	118,819
Intangible assets	16.	1,446	1,741
Total non-current assets		138,457	137,037
Total assets		439,672	440,509
Liabilities			
Trade and other payables	20.	81,910	72,351
Deposits and borrowings	21.	175,768	182,402
Current tax liabilities	22.	495	1,020
Derivatives	30.	58	228
Employee benefits	24.	9,175	6,670
Provisions	23.	450	750
Total current liabilities		267,856	263,421
Deferred tax liability	18.	-	3
Employee benefits	24.	2,330	2,444
Total non-current liabilities		2,330	2,447
Total liabilities		270,186	265,868
Net assets		169,486	174,641
Equity			
Contributed equity	26.	164,284	164,284
Reserves	26.	20,581	25,736
Retained earnings / (losses)	26.	(15,379)	(15,379)
Total equity attributable to equity holders of the Company		169,486	174,641

The notes on pages 29 to 59 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	SHARE CAPITAL	TREASURY SHARES RESERVE	SHARE BASED PAYMENTS RESERVE	DISTRIBUTABLE PROFITS RESERVE	CASH FLOW HEDGE RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 January 2011	157,666	-	-	34,062	(8)	(15,379)	176,341
Total comprehensive income							
Profit for the year	-	-	-	-	-	7,639	7,639
Other comprehensive income							
Change in fair value of cash flow hedges	-	-	-	-	(220)	-	(220)
Total other comprehensive income	-	-	-	-	(220)	-	(220)
Total comprehensive income for the year	-	-	-	-	(220)	7,639	7,419
Transactions with owners, directly in equity							
Transfer of retained earnings	-	-	-	7,639	-	(7,639)	-
New equity issue	6,618	-	-	-	-	-	6,618
Purchase of treasury shares	-	(863)	-	-	-	-	(863)
Share based payments	-	-	8	-	-	-	8
Dividends	-	-	-	(15,159)	-	-	(15,159)
Other	-	-	-	277	-	-	277
Balance at 31 December 2011	164,284	(863)	8	26,819	(228)	(15,379)	174,641
Balance at 1 January 2012	164,284	(863)	8	26,819	(228)	(15,379)	174,641
Total comprehensive income							
Profit for the year	-	-	-	-	-	(2,757)	(2,757)
Other comprehensive income							
Change in fair value of cash flow hedges	-	-	-	-	170	-	170
Total other comprehensive income	-	-	-	-	170	-	170
Total comprehensive income for the year	-	-	-	-	170	(2,757)	(2,587)
Transactions with owners, directly in equity							
Transfer of retained earnings	-	-	-	(2,757)	-	2,757	-
Share based payments	-	-	839	-	-	-	839
Purchase of treasury shares	-	(811)	-	-	-	-	(811)
Employee share awards exercised	-	240	(240)	-	-	-	-
Dividends	-	-	-	(2,596)	-	-	(2,596)
Balance at 31 December 2012	164,284	(1,434)	607	21,466	(58)	(15,379)	169,486

The notes on pages 29 to 59 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED \$ '000	
	Note	2012	2011
Cash flows from / (used in) operating activities			
Cash receipts from customers and clients		141,362	163,012
Cash paid to suppliers and employees		(133,359)	(176,863)
Cash generated from operations ¹		8,003	(13,851)
Dividends received		21	146
Interest received		15,658	19,543
Interest paid		(7,398)	(9,527)
Income taxes paid		(678)	(7,189)
Net cash from operating activities	25.	15,606	(10,878)
Cash flows from / (used in) investing activities			
Net proceeds from sale of investments		840	8,031
Southern Cross consideration		-	(8,705)
Acquisition of property, plant and equipment		(287)	(1,684)
Acquisition of other investments		(2,867)	(2,079)
Net cash from / (used in) investing activities		(2,314)	(4,437)
Cash flows from / (used in) financing activities			
Dividends paid		(2,596)	(15,159)
On market share purchases		(811)	(863)
<i>Bell Potter Capital (Margin Lending)</i>			
Deposits		(6,635)	(6,730)
Loans		(8,623)	36,409
Repayment of borrowings		-	(15,083)
Net cash from / (used in) financing activities		(18,665)	(1,426)
Net increase / (decrease) in cash and cash equivalents		(5,373)	(16,741)
Cash and cash equivalents at 1 January		109,933	126,674
Cash and cash equivalents at 31 December	12. 25.	104,560	109,933

The notes on pages 29 to 59 are an integral part of these consolidated financial statements.

1. 'Cash generated from operations' relates to 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 2012

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, its subsidiaries and associates (the "Group" or "Consolidated Entity") and the Group's interest in associates.

1. SIGNIFICANT ACCOUNTING POLICIES

Set out below is a summary of significant accounting policies adopted by the Company, its subsidiaries and associates 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 2013.

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 and 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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 has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring before this date are accounted for by applying the acquisition method.

SUBSIDIARIES

Subsidiaries are all entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. 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.

INVESTMENTS IN ASSOCIATES

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

SPECIAL PURPOSE ENTITIES

The Group has established a special purpose entity (SPE) to manage margin loans. The Group does not have direct or indirect shareholdings in this entity. The SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

SPE's consolidated by the Group were established under terms that impose strict limitations on the decision making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities and retaining the majority of the residual or ownership risks related to the SPE or its assets.

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, net of the amount of goods and services tax (GST). Provision is made for uncollectible debts arising from such services. Securities held at balance date are valued by directors at market value at each balance date, with any unrealised gains and losses being taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

C) REVENUE RECOGNITION *CONTINUED*

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 3 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 revenue for the period comprises current and deferred tax. Income tax is recognised in the Income Statement 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.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

TAX CONSOLIDATION

Effective 1st 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.

H) DERIVATIVES

Derivative financial instruments are contracts whose value is derived from one or more underlying price indices or other variable. 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 and Scholes model. On disposal of options any realised gains/losses are taken to the Income Statement. 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 dependant 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:

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 and 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 Income Statement.

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.

For available-for-sale financial assets that are equity securities, the reversal is recognised in equity. Impairment losses on goodwill are not reversed.

J) TRADE AND OTHER RECEIVABLES

Trade debtors to be settled within 3 trading days are carried at amounts due. Term debtors are carried at the amount due. 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 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 of goodwill is not reversed.

OTHER INTANGIBLE ASSETS

Other intangible assets 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 and loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

	2012	2011
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, which are classified as financial assets are measured as described below.

FAIR VALUE ESTIMATION

For investments actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price and a reliable estimate of fair value is not available the security is recorded at the lower of cost and recoverable amount, being a Directors' valuation, by reference to the current market value of another instrument that is substantially the same. Realised and unrealised gains and losses are included in the income statement. Dividends are brought to account when declared.

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 Income Statement in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

Q) FINANCIAL INSTRUMENTS *CONTINUED*

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:

	2012	2011
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, which are not expected to be settled within twelve months, are discounted using the rates attaching to national government securities at balance date, which 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 and 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.

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 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.

V) SEGMENT REPORTING

The Group determines and presents operating segments based on the information that is internally provided to the Chief Decision Maker 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 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 *Financial Instruments* (2010), AASB 9 *Financial Instruments* (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities* (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (Refer note 1(b)).

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

AASB 13 *Fair Value Measurement* (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (Refer note 1(q)). AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

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 (If the loan exceeds the value of securities held by greater than 10%). In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2012. (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 2012, a provision has been accrued to reflect potential claims. In the Directors' opinion, the outcome of these legal claims is unlikely to give rise to any significant loss beyond the amounts provided at 31 December 2012. (Refer to note 23).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

INTANGIBLE ASSETS

The intangible assets acquired have been valued using the net present value of the unlevered free cash flow from each business' client list. 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.

IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment annually at 31 December, or more frequently if events or changes in circumstances indicated 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 is estimated based on its value in use and is determined by discounting the future cash flows generated from continuing use. At 31 December 2012, goodwill allocated to the retail segment was \$49.8 million and \$69.0 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 the retail and wholesale segments:

Discount rates	A range of discount rates was used with 11% being the mid-point of the range. The discount rate is a post-tax measure based on the risk-free rate, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific business.
Terminal value multiple	A range of terminal value multiples was used with 7 times representing the mid-point of the range. The multiples were applied to extrapolate the discounted future maintainable after-tax cash flows beyond the five year forecast period.
Brokerage revenue	An overall improvement in average brokerage revenue from current levels in both the wholesale and retail businesses.
Corporate fee income	An overall improvement in corporate fee income as market conditions improve.

Sensitivity analysis

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 mid-point range above, if brokerage and corporate fee revenue and communications and system expenses (which are volume based) decreases by approximately 2.5% for retail and 7.5% for wholesale from the estimated amounts, the estimated recoverable amounts would be equal to the carrying amounts. If the discount rate increased to 14% for retail and 14% for wholesale, the estimated recoverable amounts would be equal to the carrying amounts. Further, if the terminal value multiple decreased to approximately 5.8 times for retail and 5.8 times for wholesale, the estimated recoverable amounts would be equal to the carrying amounts.

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, 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.

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 and 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 three 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%.

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.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

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.

INTANGIBLE ASSETS

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the assets.

INVESTMENTS IN EQUITY

The fair values of financial assets at fair value through profit and 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 options is determined using the Black and Scholes option-pricing model.

SHARE BASED PAYMENTS

The fair value of employee stock options is determined using a Black and 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.

5. SEGMENT REPORTING

BUSINESS SEGMENTS

In order to more closely align with how operating results are regularly reviewed and assessed, the Group's operating segments were changed from 1 January 2012. Comparative segment information has been restated accordingly. 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
- Wholesale – equities and corporate fee income

	RETAIL 2012 \$ '000	WHOLESALE 2012 \$ '000	OTHER 2012 \$ '000	CONSOLIDATED 2012 \$ '000
Revenue from operations	107,706	24,623	-	132,329
Profit / (loss) after tax	(2,497)	(260)	-	(2,757)
Segment assets	352,363	74,559	-	426,922
Investment in associates	-	-	12,750	12,750
Total assets	352,363	74,559	12,750	439,672
Segment liabilities	270,186	-	-	270,186
Total liabilities	270,186	-	-	270,186
Other segment details				
Interest revenue	16,008	-	-	16,008
Interest expense	(7,398)	-	-	(7,398)
Depreciation / amortisation	(1,292)	(158)	-	(1,450)
Share of net losses of associates	-	-	(681)	(681)

5. SEGMENT REPORTING *CONTINUED*

	RETAIL 2011 \$ '000	WHOLESALE 2011 \$ '000	OTHER 2011 \$ '000	CONSOLIDATED 2011 \$ '000
Revenue from operations	127,056	28,491	-	155,547
Profit / (loss) after tax	3,638	4,001	-	7,639
Segment assets	353,369	76,072	-	429,441
Investment in associates	-	-	11,068	11,068
Total assets	353,369	76,072	11,068	440,509
Segment liabilities	265,868	-	-	265,868
Total liabilities	265,868	-	-	265,868
Other segment details				
Interest revenue	19,837	-	-	19,837
Interest expense	(9,527)	-	-	(9,527)
Depreciation / amortisation	(1,237)	(161)	-	(1,398)
Share of net losses of associates	-	-	(1,134)	(1,134)

GEOGRAPHICAL SEGMENTS

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

6. RENDERING OF SERVICES

	CONSOLIDATED \$ '000	
	2012	2011
Brokerage	83,206	98,403
Corporate fee income	18,214	26,861
Trailing commissions	6,123	6,377
Portfolio administration fees	7,188	7,717
Other	304	1,182
	115,035	140,540

7. INVESTING INCOME

	CONSOLIDATED \$ '000	
	2012	2011
Dividends received	21	146
Profit / (loss) on financial assets held at fair value through profit and loss	492	(5,792)
	513	(5,646)

8. OTHER INCOME

	CONSOLIDATED \$ '000	
	2012	2011
Bad debts recovered	4	15
Sundry income	769	801
	773	816

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

9. FINANCE INCOME AND EXPENSES

	CONSOLIDATED \$ '000	
	2012	2011
Interest income on bank deposits	2,570	3,821
Interest income on loans and advances	13,438	16,016
Total finance income	16,008	19,837
Bank interest expense	(1,530)	(1,424)
Interest expense on deposits	(5,868)	(8,103)
Total finance expense	(7,398)	(9,527)
Net finance income / (expense)	8,610	10,310

10. EMPLOYEE EXPENSES

	CONSOLIDATED \$ '000	
	2012	2011
Wages and salaries	(75,036)	(80,100)
Superannuation	(5,806)	(7,607)
Payroll tax	(3,769)	(4,679)
Other employee expenses	(1,112)	(1,989)
Equity-settled share-based payments	(839)	(8)
	(86,562)	(94,383)

11. INCOME TAX EXPENSE

	CONSOLIDATED \$ '000	
	2012	2011
Current tax expense		
Current period	413	5,206
Adjustment for prior periods	(259)	23
	154	5,229
Deferred tax expense		
Origination and reversal of temporary differences	(904)	(1,168)
Total income tax expense / (benefit)	(750)	4,061

NUMERICAL RECONCILIATION BETWEEN TAX-EXPENSE AND PRE-TAX PROFIT

	CONSOLIDATED \$ '000	
	2012	2011
Accounting profit / (loss) before income tax	(3,507)	11,700
Income tax using the Company's domestic tax rate of 30% (2011: 30%)	(1,052)	3,510
Non-deductible expenses	561	528
Adjustments in respect of current income tax of previous year	(259)	23
	750	4,061

TAX CONSOLIDATION

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

12. CASH AND CASH EQUIVALENTS

	CONSOLIDATED \$ '000	
	2012	2011
Cash on hand	9	9
Cash at bank	28,925	23,082
Short-term deposits	10,777	15,372
	39,711	38,463
Margin Lending Cash		
Cash at bank	450	5,452
Short-term deposits	30,143	40,000
	30,593	45,452
Client Cash		
Cash at bank (Trust account)	23,890	17,744
Segregated cash at bank (client)	10,366	8,274
	34,256	26,018
Cash and cash equivalents in the Statement of Cash Flows	104,560	109,933

Cash on hand, Cash at bank and Short-term deposits represent Group cash reserves.

Cash on hand and at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods of between 7 days and 90 days.

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

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

13. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED \$ '000	
	2012	2011
Current		
Trade debtors	30,290	23,513
Less: Impairment	-	(4)
	30,290	23,509
Segregated deposits with clearing brokers	13,837	25,101
Less: Impairment ¹	(1,095)	-
	12,742	-
Sundry debtors	3,768	3,801
	46,800	52,411

1. Provisioning against receivables owed from MF Global Australia Limited which was placed into administration late 2011.

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

	CONSOLIDATED \$ '000	
	2012	2011
Balance at 1 January	4	19
Bad debts charged to Income Statement	1,095	-
Bad debts recovered	(4)	(15)
Balance at 31 December	1,095	4

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

14. FINANCIAL ASSETS

	CONSOLIDATED \$ '000	
	2012	2011
Current (Held at fair value through Profit and Loss)		
Shares in listed corporations	2,105	1,840
Unlisted options held for trading	142	248
	2,247	2,088

15. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	FIXTURES AND FITTINGS	OFFICE EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
	\$ '000	\$ '000	\$ '000	\$ '000
Year ended 31 December 2012				
Balance at 1 January 2012 (net accumulated depreciation)	632	1,449	1,030	3,111
Additions	-	154	133	287
Disposals	-	-	-	-
Depreciation charge for the year	(132)	(654)	(369)	(1,155)
Balance at 31 December 2012	500	949	794	2,243
Balance at 1 January 2012				
Cost	2,097	5,077	5,990	13,164
Accumulated depreciation	(1,465)	(3,628)	(4,960)	(10,053)
Net carrying amount	632	1,449	1,030	3,111
Balance at 31 December 2012				
Cost	2,097	5,231	6,123	13,451
Accumulated depreciation	(1,597)	(4,282)	(5,329)	(11,208)
Net carrying amount	500	949	794	2,243

15. PROPERTY, PLANT AND EQUIPMENT *CONTINUED*

CONSOLIDATED	FIXTURES AND FITTINGS	OFFICE EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
	\$ '000	\$ '000	\$ '000	\$ '000
Year ended 31 December 2011				
Balance at 1 January 2011 (net accumulated depreciation)	548	836	1,146	2,530
Additions	245	1,146	293	1,684
Disposals	-	-	-	-
Depreciation charge for the year	(161)	(533)	(409)	(1,103)
Balance at 31 December 2011	632	1,449	1,030	3,111
Balance at 1 January 2011				
Cost	1,852	3,931	5,697	11,480
Accumulated depreciation	(1,304)	(3,095)	(4,551)	(8,950)
Net carrying amount	548	836	1,146	2,530
Balance at 31 December 2011				
Cost	2,097	5,077	5,990	13,164
Accumulated depreciation	(1,465)	(3,628)	(4,960)	(10,053)
Net carrying amount	632	1,449	1,030	3,111

16. GOODWILL AND INTANGIBLE ASSETS

	CONSOLIDATED \$ '000		
	Goodwill	Identifiable intangibles	Total
Year ended 31 December 2012			
Balance at 1 January 2012	118,819	1,741	120,560
Amortisation	-	(295)	(295)
Impairment	-	-	-
Balance at 31 December 2012	118,819	1,446	120,265
Balance at 1 January 2012			
Cost (gross carrying amount)	118,819	2,945	121,764
Accumulated amortisation	-	(1,204)	(1,204)
Accumulated impairment	-	-	-
Net carrying amount	118,819	1,741	120,560
Balance at 31 December 2012			
Cost (gross carrying amount)	118,819	2,945	121,764
Accumulated amortisation	-	(1,499)	(1,499)
Accumulated impairment	-	-	-
Net carrying amount	118,819	1,446	120,265

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

16. GOODWILL AND INTANGIBLE ASSETS *CONTINUED*

	CONSOLIDATED \$ '000		
	Goodwill	Identifiable intangibles	Total
Year ended 31 December 2011			
Balance at 1 January 2011	126,479	2,036	128,515
Additions	(7,660)	-	(7,660)
Amortisation	-	(295)	(295)
Impairment	-	-	-
Balance at 31 December 2011	118,819	1,741	120,560
Balance at 1 January 2011			
Cost (gross carrying amount)	126,479	2,945	129,424
Accumulated amortisation	-	(909)	(909)
Accumulated impairment	-	-	-
Net carrying amount	126,479	2,036	128,515
Balance at 31 December 2011			
Cost (gross carrying amount)	118,819	2,945	121,764
Accumulated amortisation	-	(1,204)	(1,204)
Accumulated impairment	-	-	-
Net carrying amount	118,819	1,741	120,560

17. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

The Group's share of the loss (after tax) in its equity accounted investees for the year was \$681,234 (2011: \$1,134,182). Equity accounted investees also have a 31 December balance date.

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

	OWNERSHIP	TOTAL ASSETS	TOTAL LIABILITIES	REVENUE	EXPENSES	PROFIT/ (LOSS) AFTER TAX
	%	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2012						
Third Party Platform Pty Ltd (Bell Direct)	49.83%	36,201	(28,334)	7,258	(8,978)	(1,402)
2011						
Third Party Platform Pty Ltd (Bell Direct)	44.97%	38,570	(31,633)	7,231	(11,061)	(2,689)

The Company has a call option to purchase all the Bell Direct shares it does not own, taking its holding to 100%, exercisable at any time up until 31 January 2015. The exercise price of the call option is to be satisfied by the Company issuing new shares and values all of Bell Direct's existing share capital at \$70 million and its exercise is subject to approvals by independent Directors and shareholders.

In May 2012 the Company participated in a purchase of 11,280 existing shares from an exiting shareholder, increasing its stake in Bell Direct from 44.97% to 49.83%.

In late January 2013, two Bell Direct shareholders exercised their Put Options summarised on page 10, which will result in Bell Financial's ownership interest in Bell Direct increasing from 49.83% to 51.23%. The increased shareholding will give Bell Financial effective control over Bell Direct, therefore Bell Direct will be consolidated in Bell Financial's financial statements going forward.

Refer to note 36 for change in ownership interest subsequent to balance sheet date.

18. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are attributable to the following:

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
	2012 \$ '000	2011 \$ '000	2012 \$ '000	2011 \$ '000
Consolidated				
The balance comprises temporary differences attributable to:				
Depreciation	279	354	(75)	(73)
Employee benefits	1,364	1,203	161	(669)
Other items	1,556	741	815	132
Gross deferred income tax assets	3,199	2,298		
Deferred income tax charge			901	(610)

Deferred tax liabilities are attributable to the following:

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
	2012 \$ '000	2011 \$ '000	2012 \$ '000	2011 \$ '000
Consolidated				
The balance comprises temporary differences attributable to:				
Investments	-	(3)	3	1,778
	-	(3)	3	1,778

19. LOANS AND ADVANCES

	CONSOLIDATED \$ '000	
	2012	2011
Current		
Margin Lending	147,120	138,498
	147,120	138,498

There were no impaired, past due or renegotiated loans at 31 December 2012 (2011:Nil).

Refer to note 30 for further detail on the Margin Lending loans.

20. TRADE AND OTHER PAYABLES

	CONSOLIDATED \$ '000	
	2012	2011
Current		
Settlement obligations	35,537	30,907
Sundry creditors and accruals	8,967	6,872
Segregated client liabilities	37,406	34,572
	81,910	72,351

Settlement obligations are non-interest bearing and are normally settled on 3-day terms. Sundry creditors are normally settled on 60-day terms.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

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 \$ '000	
	2012	2011
Current liabilities		
Deposits (cash account) ¹	175,768	182,402
Cash advance facility ²	-	-
	175,768	182,402

1 Borrowings relate to Margin Lending / Cash Account business (Bell Potter Capital) which are largely at call.

2 Represents drawn funds from available Bell Potter Capital cash advance facility of \$100m (2011:\$150m).

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		YEAR OF MATURITY	2012		2011	
	2012	2011		FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
Consolidated	2012	2011		\$ '000	\$ '000	\$ '000	\$ '000
Cash advance facility*	0%	0%	2013	-	-	-	-
Deposits (Cash Account)*	2.5%	3.9%	2013	175,768	175,768	182,402	182,402
				175,768	175,768	182,402	182,402

* Borrowings relate to Margin Lending / Cash Account business (Bell Potter Capital) which are largely at call.

22. CURRENT TAX LIABILITIES

The current tax liability of the Group is \$495,155 (2011: \$1,019,859). This amount represents the amount of income taxes payable in respect of current and prior financial periods.

23. PROVISIONS

	CONSOLIDATED \$ '000	
	2012	2011
Current		
Legal provision	450	750
	450	750

	CONSOLIDATED \$ '000	
	2012	2011
Balance at 1 January	750	24,482
Arising during the year:		
Legal/other	-	-
Utilised:		
SCE	-	(22,983)
Legal/other	(300)	(749)
Balance at 31 December	450	750

LEGAL PROVISION

This amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the outcome of these legal claims is unlikely to give rise to any significant liability beyond the amounts provided at 31 December 2012.

24. EMPLOYEE BENEFITS

	CONSOLIDATED \$ '000	
	2012	2011
Current		
Salaries and wages accrued	6,650	3,520
Liability for annual leave	2,525	3,150
Total employee benefits - current	9,175	6,670
Non-current		
Liability for long-service leave	2,330	2,444
Total employee benefits – non-current	2,330	2,444

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

	CONSOLIDATED \$ '000	
	2012	2011
Assumed rate of increase on wage / salaries	5.5%	5.5%
Discount rate	3.1%	4.3%
Settlement term (years)	7	7
Number of employees at year end	590	658

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED \$ '000	
	2012	2011
Cash flows from operating activities		
Profit / (loss) after tax:	(2,757)	7,639
<i>Adjustments for:</i>		
Depreciation & amortisation	1,450	1,398
Doubtful Debt Provision	1,095	-
Net (gain) / loss on investments	(492)	5,792
Share of losses of equity accounted investees	681	1,134
Equity settled share-based payments	839	8
	816	15,971
(Increase) / decrease current client receivables	4,483	12,407
(Increase) / decrease current other receivables	33	(40)
(Increase) / decrease other current assets	54	159
(Increase) / decrease deferred tax assets	(901)	610
Increase / (decrease) current client payables	7,463	(17,343)
Increase / (decrease) current other payables	2,095	(3,639)
Increase / (decrease) current tax liabilities	(525)	(2,139)
Increase / (decrease) current provisions	2,205	(14,909)
Increase / (decrease) non-current payables	(3)	(1,778)
Increase / (decrease) non-current provisions	(114)	(177)
Net cash from operating activities	15,606	(10,878)

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES *CONTINUED*

	CONSOLIDATED \$ '000	
	2012	2011
Reconciliation of cash		
For the purpose of the cash flow statement, cash and cash equivalents comprise:		
Cash on hand	9	9
Cash at bank	28,925	23,082
Short-term deposits	10,777	15,372
	39,711	38,463
Margin lending cash		
Cash at bank	450	5,452
Short-term deposits	30,143	40,000
	30,593	45,452
Client cash		
Cash at bank (Trust account)	23,890	17,744
Segregated cash at bank (client)	10,366	8,274
	34,256	26,018
	104,560	109,933

26. CAPITAL AND RESERVES

SHARE CAPITAL

	CONSOLIDATED \$ '000	
	2012	2011
Ordinary shares		
On issue at 1 January	164,284	157,666
Share issue	-	6,618
On issue at 31 December	164,284	164,284

MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES
1 January 2011	Opening Balance	252,657,704
28 November 2011	Share Issue (A Class Shares conversion)	1,045
28 November 2011	Share Issue (C Class Shares conversion)	6,964,800
31 December 2011	Balance	259,623,049
1 January 2012	Opening Balance	259,623,049
31 December 2012	Balance	259,623,049

Ordinary Shares

The authorised capital of the Group is \$164,283,700 representing 259,623,049 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 2012, there were 2,500,000 treasury shares outstanding (2011: 1,437,749).

RETAINED LOSSES

Retained losses of \$15.4m (2011:\$15.4m) were accumulated in Johnson Taylor Limited prior to acquisition in 2001.

DISTRIBUTABLE PROFITS RESERVE

The distributable profits reserve records profits that are distributable as dividends. Balance at 31 December 2012: \$21.5m (2011: \$26.8m).

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 2012: \$58,000 (2011: \$228,000).

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 2012: \$0.6m (2011: \$8,000).

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 2012: \$1.4m (2011: \$0.9m).

27. DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT	FRANKED / UNFRANKED	DATE OF PAYMENT	
		\$ '000			
2012					
Final 2012 ordinary dividend	-	-	-	-	
2011					
Interim 2011 ordinary dividend	2.0	5,053	Franked	23 September 2011	
Final 2011 ordinary dividend	1.0	2,596	Franked	23 March 2012	
				Company	
				2012	2011
				\$ '000	\$ '000
Dividend franking account					
30 percent franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years				17,210	17,636

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 nil (2011: \$1,112,670).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

28. EARNINGS PER SHARE

Earnings per share at 31 December 2012 based on profit after tax and a weighted average number of shares outlined below was (1.1) cents (2011: 3.0 cents). Diluted earnings per share at 31 December 2012 was (1.1) cents (2011: 3.0 cents).

RECONCILIATION OF EARNINGS USED IN CALCULATING EPS

	CONSOLIDATED \$ '000	
	2012	2011
Basic earnings per share		
Profit / (loss) after tax	(2,757)	7,639
Profit attributable to ordinary equity holders used for basic EPS	(2,757)	7,639
Adjustments for calculation of diluted earnings per share		
Profit attributable to ordinary equity holders used to calculate basic EPS	(2,757)	7,639
Effect of stock options issued	-	-
Profit attributable to ordinary equity holders used for diluted EPS	(2,757)	7,639

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED AS THE DENOMINATOR

	CONSOLIDATED \$ '000	
	2012	2011
Weighted average number of ordinary shares used to calculate basic EPS (net of treasury shares)	258,464,804	256,071,016
Weighted average number of ordinary shares at year-end	258,464,804	256,071,016
Weighted average number of ordinary shares used to calculate diluted EPS	258,464,804	256,071,016

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.

FAIR VALUE OF OPTIONS GRANTED

There were no options granted during the year to 31 December 2012. No options exist at 31 December 2012.

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 performance rights is based on the closing price of the shares traded on the ASX on the grant date.

During the 2012 year, 1,000,000 performance rights with an issue price of \$0.60 were granted under the LTIP (2011: 2,000,000) and 400,000 rights were automatically exercised.

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

	CONSOLIDATED \$ '000	
	2012	2011
Performance rights	839	8
Total expense recognised as employee costs	839	8

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:

		CONSOLIDATED \$ '000	
	Note	2012	2011
Trade debtors	13.	30,290	23,509
Segregated deposits with clearing brokers	13.	12,742	25,101
Loans and advances	19.	147,120	138,498
Sundry debtors	13.	3,768	3,801

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

CONSOLIDATED	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Ageing of Receivables	2012 \$ '000	2012 \$ '000	2011 \$ '000	2011 \$ '000
Not past due	28,066	-	22,763	-
Past due 0 – 30 days	2,107	-	578	-
Past due 31-120 days	-	-	55	-
More than one year	117	-	117	(4)

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 Company 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 2012

LIQUIDITY RISK

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

	CARRYING AMOUNT	CONTRACTED CASHFLOW	6-MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	5+ YEARS
Consolidated 2012	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<i>Non-derivative liabilities</i>							
Trade & other payables	81,910	(81,910)	(81,910)	-	-	-	-
Cash deposits	175,768	(175,768)	(175,768)	-	-	-	-
Cash advance facilities	-	-	-	-	-	-	-
<i>Derivative liabilities</i>							
Hedging derivative	58	(58)	(58)	-	-	-	-

	CARRYING AMOUNT	CONTRACTED CASHFLOW	6-MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	5+ YEARS
Consolidated 2011	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<i>Non-derivative liabilities</i>							
Trade & other payables	72,351	(72,351)	(72,351)	-	-	-	-
Cash deposits	182,402	(182,402)	(182,402)	-	-	-	-
Cash advance facilities	-	-	-	-	-	-	-
<i>Derivative liabilities</i>							
Hedging derivative	228	(228)	(228)	-	-	-	-

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 and 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 and 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 and 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 2012, it is estimated that a general decrease of one-percentage point in interest rates would increase the Group's loss before income tax by approximately \$0.9 million (2011: \$0.9 million decrease to profit). 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 2012, it is estimated that a 10% decrease in equity prices would increase the Group's loss before income tax by approximately \$0.2 million (2011: \$0.2 million decrease to profit). 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 2012

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	2012						
		AVERAGE EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	
			\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Fixed rate instruments								
Cash and cash equivalents	12.	4.45%	40,920	40,920	-	-	-	
Loans and advances	19.	6.31%	48,235	48,235	-	-	-	
Deposits and borrowings	21.	4.47%	(5,509)	(5,509)	-	-	-	
Cash advance facility	21.	n/a	-	-	-	-	-	
			83,646	83,646	-	-	-	
Variable rate instruments								
Cash and cash equivalents	12.	3.00%	63,640	63,640	-	-	-	
Loans and advances	19.	7.18%	98,885	98,885	-	-	-	
Deposits and borrowings	21.	2.40%	(170,259)	(170,259)	-	-	-	
			(7,734)	(7,734)	-	-	-	

FAIR VALUE MEASUREMENTS

LOANS

Fixed loan assets on the balance sheet are stated at amortised cost for the year ended 31 December 2012. The fair value of these loans at reporting date would equal (2011: \$0.1 million less) the carrying value based on prevailing interest rates. All other assets and liabilities carrying values approximate fair value.

FINANCIAL ASSETS AND LIABILITIES

As at 31 December 2012, the Group used both quoted prices and observable market inputs, other than quoted prices to fair value certain financial assets and liabilities. The table opposite categorises financial assets and liabilities that are recognised and measured at fair value and the valuation methodology used according to the following hierarchy:

- (a) quoted prices in active markets – level 1
- (b) valuation technique using observable inputs – level 2
- (c) valuation technique using significant unobservable inputs – level 3

		2011						
	MORE THAN 5 YEARS	AVERAGE EFFECTIVE INTEREST RATE	TOTAL	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	\$ '000		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
	-	5.75%	55,372	55,372	-	-	-	-
	-	7.99%	37,221	37,056	165	-	-	-
	-	5.58%	(19,587)	(19,587)	-	-	-	-
	-	n/a	-	-	-	-	-	-
	-		73,006	72,841	165	-	-	-
	-	4.25%	54,561	54,561	-	-	-	-
	-	8.48%	101,277	101,277	-	-	-	-
	-	3.74%	(162,815)	(162,815)	-	-	-	-
	-		(6,977)	(6,977)	-	-	-	-

CONSOLIDATED	FAIR VALUE AT 31 DECEMBER 2012			
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Total \$ '000
Assets				
Fair value through Income Statement	2,105	142	-	2,247
Total assets	2,105	142	-	2,247
Liabilities				
Derivative liabilities	-	58	-	58
Total liabilities	-	58	-	58

CONSOLIDATED	FAIR VALUE AT 31 DECEMBER 2011			
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Total \$ '000
Assets				
Fair value through Income Statement	1,840	248	-	2,088
Total assets	1,840	248	-	2,088
Liabilities				
Derivative liabilities	-	228	-	228
Total liabilities	-	228	-	228

There was no movement between categories in 2012 (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

31. OPERATING LEASE COMMITMENTS

LEASES AS LESSEE

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

	CONSOLIDATED \$ '000	
	2012	2011
Less than one year	10,241	11,410
Between one and five years	30,769	34,770
More than five years	24,393	30,146
	65,403	76,326

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

32. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 31 December 2012 the parent company of the Group was Bell Financial Group Ltd.

	COMPANY \$ '000	
	2012	2011
Results of the parent entity		
Profit for the year	3,798	15,320
Total comprehensive income for the year	3,798	15,320
Financial position of parent entity at year end		
Current assets	357	8,162
Non-current assets	154,207	150,570
Total assets	154,564	158,732
Current liabilities	4,922	10,320
Total liabilities	4,922	10,320
Total equity of the parent entity comprising of:		
Contributed equity	164,284	164,284
Reserves	980	(250)
Retained earnings / (losses)	(15,622)	(15,622)
Total equity	149,642	148,412

33. RELATED PARTIES

The following were key management personnel of the group at any time during the reporting period:

EXECUTIVE DIRECTORS

C Bell

A Provan

NON-EXECUTIVE DIRECTORS

C Coleman

G Cubbin

B Wilson

M Spry – resigned 5 June 2012

B Shanahan – appointed 5 June 2012

EXECUTIVES

L Bell

A Bell

R Fell

D Davenport

P Vine

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	CONSOLIDATED \$	
	2012	2011
Short-term employee benefits	3,375,873	3,689,261
Other long-term benefits	-	-
Post-employment benefits	224,262	322,845
Termination benefits	-	112,258
Share-based payments	-	-
	3,600,135	4,124,364

LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

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

	BALANCE 1 JANUARY 2012	BALANCE 31 DECEMBER 2012	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD	HIGHEST BALANCE IN PERIOD
Directors	\$	\$	\$	\$
C Bell	277,349	1,721,850	74,325	1,721,850
A Provan	-	-	-	-
C Coleman	1,167,715	1,245,787	86,190	1,362,856
G Cubbin	-	-	-	-
B Wilson	-	-	-	-
M Spry	-	-	-	-
B Shanahan	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES *CONTINUED*

	BALANCE 1 JANUARY 2012	BALANCE 31 DECEMBER 2012	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD	HIGHEST BALANCE IN PERIOD
Executives				
L Bell	-	68,473	1,275	142,579
A Bell	500,000	223,476	22,786	500,000
R Fell	242,534	65,147	5,351	242,534
D Davenport	122,949	46,122	5,611	137,049
P Vine	138,659	134,494	10,536	142,466

	BALANCE 1 JANUARY 2011	BALANCE 31 DECEMBER 2011	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD	HIGHEST BALANCE IN PERIOD
Directors	\$	\$	\$	\$
C Bell	284,727	277,349	11,830	284,727
A Provan	-	-	-	-
B Potts	-	-	-	-
C Coleman	1,738,303	1,167,715	132,950	1,822,802
G Cubbin	-	-	-	-
M Spry	-	-	-	-
B Wilson	-	-	-	-
Executives				
L Bell	3,500	-	171	3,521
A Bell	517,324	500,000	39,171	704,605
R Fell	1,033,347	242,534	56,685	1,074,927
D Davenport	265,156	122,949	17,097	286,722
P Vine	162,126	138,659	13,533	170,498

Loans totalling \$3,505,349 (2011: \$2,449,206) were made to key management personnel and their related parties during the year. The recipients of these loans were Colin Bell, Craig Coleman, Lewis Bell, Andrew Bell, Rowan Fell, Dean Davenport and Paul Vine. 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.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the group to key management personnel and their related parties, and the number of individuals in each Group, are as follows:

	OPENING BALANCE	CLOSING BALANCE	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD	NUMBER IN GROUP AT 31 DECEMBER
	\$	\$	\$	\$
Total for key management personnel 2012	2,449,206	3,505,349	206,074	9
Total for key management personnel 2011	4,000,983	2,449,206	271,266	11
Total for other related parties 2012	-	-	-	-
Total for other related parties 2011	3,500	-	171	-
Total for key management personnel and their related parties 2012	2,449,206	3,505,349	206,074	9
Total for key management personnel and their related parties 2011	4,004,483	2,449,206	271,437	11

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 \$206,074 (2011: \$271,437). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectible.

MOVEMENTS IN SHARES 2012

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 2012	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS	SALES	HELD AT 31 DECEMBER 2012
Directors	\$	\$	\$	\$	\$
C Bell ¹	33,089,642	584,960	-	-	33,674,602
A Provan ¹	32,958,386	674,959	-	-	33,633,345
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
B Wilson	100,000	900,000	-	-	1,000,000
M Spry ²	150,000	-	-	(50,000)	100,000
B Shanahan ³	-	250,000	-	-	250,000
Executives					
LM Bell ¹	32,399,919	403,409	-	-	32,803,328
AG Bell ¹	24,862,478	251,250	-	-	25,113,728
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949
P Vine	50,300	-	-	-	50,300

1. 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.
2. Malcolm Spry resigned as a Director on 5 June 2012.
3. Brenda Shanahan was appointed as a Director on 5 June 2012.

MOVEMENTS IN SHARES 2011

	HELD AT 1 JANUARY 2011	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS	SALES	HELD AT 31 DECEMBER 2011
Directors	\$	\$	\$	\$	\$
C Bell	32,839,585	250,057	-	-	33,089,642
A Provan	32,708,329	250,057	-	-	32,958,386
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
M Spry	150,000	-	-	-	150,000
B Wilson	100,000	-	-	-	100,000
B Potts	3,990,692	1,007,771	-	(4,998,463)	-
Executives					
LM Bell	32,321,837	98,082	-	-	32,419,919
AG Bell	24,793,746	68,732	-	-	24,862,478
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949
P Vine	50,300	-	-	-	50,300

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

Bell Financial has an option to purchase the remaining shares of Bell Direct from the current shareholders. The current shareholders include Directors of Bell Financial.

Craig Coleman, currently a non-executive director, provided consultancy services to Bell Financial and was paid \$165,000 for those services (2011: \$200,000).

Brian Wilson, currently a non-executive director, provided consultancy services to Bell Financial and was paid \$100,000 for those services (2011: \$75,000).

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

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2012

33. RELATED PARTIES *CONTINUED*

ULTIMATE PARENT

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group Ltd. There are no outstanding amounts owed by the ultimate parent entity at 31 December 2012 (2011: nil). There is no interest receivable at 31 December 2012 (2011: nil).

SUBSIDIARIES

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

SUBSIDIARY	Note	CONSOLIDATED \$	
		2012	2011
Bell Potter Financial Planning Limited ¹		1,550	816
Bell Potter Investments Pty Limited ¹		50,343	50,343
Bell Potter Capital Limited ²		8,105,792	8,053,930
		8,157,685	8,105,089

1. Loan is interest free and unsecured.

2. The loan from the parent entity to Bell Potter Capital Limited represents a subordinated loan that attracts interest at 4.69% per annum (2011: 5.69% per annum).

Loans made by wholly owned subsidiaries to the Company: \$12,471,853 (2011: \$8,740,688)

During the course of the financial year subsidiaries conducted transactions with each other and associates on terms equivalent to those on an arm's length basis. They are fully eliminated on consolidation. As at 31 December 2012, all outstanding amounts are considered fully collectable.

34. GROUP ENTITIES

PARENT ENTITY OWNERSHIP	COUNTRY OF OWNERSHIP	
	INCORPORATION	INTEREST
Bell Financial Group Ltd		2012 2011
Significant subsidiaries		
Bell Potter Securities Limited	Australia	100% 100%
Bell Potter Capital Limited	Australia	100% 100%
Associate		
Third Party Platform Pty Ltd (Bell Direct)	Australia	49.83% 44.97%

In the financial statements of the Company investments in subsidiaries and investments in associates are accounted for at cost. The Company has no jointly controlled entities.

35. GUARANTEES

From time to time Bell Financial has provided financial guarantees in the ordinary course of business which amount to \$14.2m (2011: \$17.1m) and are not recorded in the Statement of Financial Position as at 31 December 2012.

36. SUBSEQUENT EVENTS

In late January 2013, two Bell Direct shareholders exercised their Put Options summarised on page 10, which will result in Bell Financial's ownership interest in Bell Direct increasing from 49.83% to 51.23%. The increased shareholding will give Bell Financial effective control over Bell Direct. Bell Direct will be consolidated in Bell Financial's financial statements going forward. Other than those transactions, there were no significant events from 31 December 2012 to the date of this report.

37. AUDITORS' REMUNERATION

	CONSOLIDATED \$	
	2012	2011
Audit services		
Auditors of the Company		
<i>KPMG Australia:</i> Audit and review of financial reports	323,700	325,330
Total remuneration for audit services	323,700	325,330
Audit related services		
Auditors of the Company		
<i>KPMG Australia:</i> Other regulatory audit services	82,810	82,810
Total remuneration for audit related services	82,810	82,810
Non-audit related services	700	400
	407,210	408,540

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Bell Financial Group Ltd ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 24 to 59 and the Remuneration report on pages 18 to 22 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 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2012.
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 2013.



Colin Bell
Executive Chairman



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELL FINANCIAL GROUP LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bell Financial Group (the company), which comprises the consolidated statement of financial position as at 31 December 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

- (a) the financial report of the Group is 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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

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.



REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 18 to 22 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Bell Financial Group for the year ended 31 December 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Dean M Waters'.

Dean M Waters

Partner

Melbourne

21 February 2013

ASX ADDITIONAL INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDER INFORMATION WAS APPLICABLE AT 31 JANUARY 2013

VOTING RIGHTS

ORDINARY SHARES

Refer to note 26 in the financial statements

OPTIONS

There are no voting rights attached to the options.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Category	NUMBER OF EQUITY SECURITY HOLDERS		
	Number of holders	Number of shares	% of total shares issued
1 - 1,000	264	165,252	0.06%
1,001 - 5,000	815	2,751,030	1.06%
5,001 - 10,000	375	3,215,900	1.24%
10,001 - 100,000	568	18,849,454	7.26%
100,001 and over	91	234,641,413	90.38%
	2,113	259,623,049	100.00%

The number of shareholders holding less than a marketable parcel of ordinary shares is 164.

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne.

OTHER INFORMATION

Bell Financial Group Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

ON-MARKET BUY-BACK

There is no current on-market buy-back

TWENTY LARGEST SHAREHOLDERS

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Bell Group Holdings Pty Limited	117,967,345	45.44%
UBS Nominees Pty Ltd	42,232,044	16.27%
RBC Investor Services Australia Nominees Pty Limited	18,691,764	7.20%
Equitas Nominees Pty Limited	10,500,000	4.04%
Bell Potter Nominees Ltd	6,449,240	2.48%
Cypress Point Investments Pty Ltd	4,000,000	1.54%
Cherryburn Pty Ltd	2,600,000	1.00%
Fatty Holdings Pty Ltd	1,733,019	0.67%
Colin Bell Pty Ltd	1,694,522	0.65%
Mr Lionel Alexander McFadyen	1,687,480	0.65%
Bond Street Custodians Limited	1,300,914	0.50%
Mr Alastair Provan and Mrs Janis Provan	1,300,730	0.50%
Morson Holdings Pty Ltd	1,134,749	0.44%
Moat Investments Pty Ltd	1,049,985	0.40%
Walter James Unger and Danielle Angela Unger	1,013,147	0.39%
Ilingal Pty Ltd	1,000,000	0.39%
Mildridge Pty Ltd	951,250	0.37%

ASX ADDITIONAL INFORMATION *CONTINUED*

TWENTY LARGEST SHAREHOLDERS *CONTINUED*

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Mr Angus William Napier Aitken	900,000	0.35%
Merivale Investments Pty Ltd	864,049	0.33%
Mr Colin Bell	715,161	0.28%

SUBSTANTIAL SHAREHOLDINGS	NUMBER OF SHARES	% OF ISSUED CAPITAL
Bell Group Holdings Pty Limited (BGH)	117,967,345	45.44%
Colin Bell	120,377,028	46.37% ^{1,4}
Alastair Provan	120,335,771	46.35% ^{2,4}
Lewis Bell	119,475,754	46.02% ^{3,4}
UBS AG, Australia Branch	42,232,044	16.27%
RBC Investor Services Australia Nominees Pty Limited	18,691,764	7.20%

1. Registered holder of 2,409,683 shares.
2. Registered holder of 2,368,426 shares.
3. Registered holder of 1,508,409 shares.
4. BGH is the registered holder of 117,967,345 shares. Colin Bell, Alastair Provan and Lewis Bell are deemed to have BGH's relevant interests in these shares because each has voting power in BGH above 20% (pursuant to section 608(3) of the *Corporations Act 2001* (Cth)).

VOLUNTARY RESTRICTIONS

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

CORPORATE 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*

Brenda Shanahan, *Non-executive Director*

Brian Wilson, *Non-executive Director*

COMPANY SECRETARY

Paul Vine

REGISTERED AND HEAD OFFICE

Level 29, 101 Collins Street, Melbourne, Victoria, 3000

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

AUDITOR

KPMG

WEBSITE ADDRESS

www.bellfg.com.au

