

**BELL FINANCIAL  
GROUP LTD  
(ASX:BFG) – AN  
AUSTRALIAN-  
BASED PROVIDER  
OF BROKING,  
INVESTMENT AND  
FINANCIAL  
ADVISORY  
SERVICES.**

**ANNUAL REPORT  
2015**

# CONTENTS

Executive Chairman's Report	02
Operating and Financial Review	03
Directors' Report (Including Remuneration Report)	06
Lead Auditor's Independence Declaration	16
Statement of Profit or Loss	17
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Directors' Declaration	59
Independent Auditor's Report	60
Shareholder Information	62
Directory	64

THE **GROUP** HAS OVER  
**600 EMPLOYEES**, OPERATES  
ACROSS **14 OFFICES** IN **AUSTRALIA**  
AND HAS OFFICES IN **LONDON**  
AND **HONG KONG**. **BELL FINANCIAL**  
HAS A **56.63% HOLDING** IN  
THIRD PARTY PLATFORM PTY LTD  
(**BELL DIRECT**), AN **ONLINE**  
**STOCKBROKING BUSINESS**.

# EXECUTIVE CHAIRMAN'S REPORT



For many years we have consistently invested in technology advancements. As a result we now have a very scalable business to which it is relatively easy to bolt on other businesses.

If 2014 was a difficult year, it was nothing compared to 2015. For the first time ever, some of the most widely held stocks – ANZ, NAB, Telstra, Woolworths, BHP and RIO – all recorded big falls. The market's benchmark index ended the year where it began. Iron ore and oil prices (down 37% and 30% respectively) fell to levels not even contemplated a year ago. Not unrelated was China's growth slowdown and the collapse in their share market. Also affecting sentiment was the awful performance of the emerging markets. As a result investor sentiment struggled all year and the constant uncertainty of the global economic outlook caused havoc in the advisory business.

As a consequence there were casualties; BBY defaulted, Nomura Securities and CIMB shut their doors. UBS are in the process of closing their Wealth Management business while CBA have exited institutional broking. Other global investment banks operating in Australia have downsized their institutional business while a number of smaller firms have scaled back their offerings. All in all it was an extremely difficult year, which sounds like the lead up to a bad profit announcement. However that is not the case and I am pleased to report that we had a pretty good year. Every part of the company performed well with a result that our NPAT is up 174% to \$15.9 million. We will pay a final dividend of 3.0¢ making a total payout for the year of 4.5¢.

With the market falling about 400 points up until mid-February we have had a difficult start to this year. But we continue to be optimistic. As far as the market is concerned, our crystal ball is no better than anyone else's. However we have often spoken in the past about industry rationalisation and believe that will take place this year. So we're optimistic since we believe that process will yield opportunities for Bell Potter. For many years we have consistently invested in technology advancements. As a result we now have a very scalable business to which it is relatively easy to bolt on other businesses. If ever there is an opportunity to do that it is now and the economics are compelling. Already in Melbourne we have absorbed the highly successful 10 member Small Cap team lead by Hugh Robertson. We know them well since most have worked for us before and we know how effective they are in their small cap space.

Alastair Provan will provide all the details of our 2015 profit including a breakdown of the divisional contributions.

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

# OPERATING AND FINANCIAL REVIEW

I am happy to report financial year 2015 produced our strongest operating result since 2010 with positive inputs from all divisions within the company, particularly from our Equity Capital Markets (ECM) team, contributing to the result.

Group revenue rose by almost 15% to \$178 million with solid growth evident in all parts of the business. As with financial year 2014, 2015 saw a significant revenue skew in the second half which was a 15% improvement over the first six months.

Net profit after tax attributable to shareholders was \$15.9 million, well ahead of the \$5.8 million 2014 result.

## WHOLESALE

Our Australian wholesale division, incorporating the Sydney Institutional desk and our Sydney and Melbourne ECM desks, was a strong performer. Revenue increased by 50% over the previous year to \$41 million reflecting consistent daily transactional flows through our institutional desk and strong demand from corporates for fresh equity capital and a willingness from our clients, wholesale and retail, to provide it.

Over the course of the year our ECM team originated and successfully completed 53 transactions raising \$1.75 billion in new equity capital.

Our Hong Kong office celebrated its third anniversary in December, doubling revenue from the previous year and delivering its first meaningful bottom line contribution to the Group.

## RETAIL

### Equities

A 4% increase in gross revenue and 3.3% reduction in costs resulted in 132% pre-tax profit improvement in our Retail Equities division. This result was particularly pleasing as the day to day transactional business for private clients remains generally subdued.

## FUTURES AND FOREIGN EXCHANGE

The Futures and Foreign Exchange desks produced another good performance. Revenue grew by 30% reflecting market volatility, continued weakness of the Australian Dollar against the US Dollar and increased client trading in futures and options through our 24 hour Derivatives Desk in Sydney.

## BELL POTTER CAPITAL

Bell Potter Capital continues to grow its cash and margin lending book however net revenues and profit remained flat year on year due to the ongoing low interest rate environment in Australia and general pressure on margins.

## FUNDS UNDER ADVICE

Our funds under advice grew by 10%. We currently hold \$3.8 billion of client assets on various platforms. \$900 million in cash deposits, \$300 million in margin loans, \$500 million in superannuation assets and more than \$2 billion on our Portfolio Administration Service platform.

In addition we hold \$29 billion in client CHESS sponsored holdings on our HIN.

## THIRD PARTY PLATFORM (TPP)

We increased our holding in TPP from 51.23% to 56.63%.

TPP provides online broking and white label services to retail and wholesale customers via its proprietary technology platforms, Bell Direct and Desktop Broker.

In 2015 Bell Direct won the Smart Investor Best Online Broker Award for the third consecutive year.

Gross revenue grew by 17.5% delivering a pre-tax profit of \$1.2 million. The business continues to gain momentum and market share in the online broking space.

## CITI ALLIANCE

Our strategic alliance with Citi continues to develop positively. In 2015 our retail network participated in the successful completion of 10 significant capital market transactions through Citi.

We have co-developed with Citi a fully integrated and automated equities platform with direct global access to 126 markets 24 hours a day. The platform has multi-currency settlement and portfolio reporting functions, which we believe to be the best platform available for retail client access to global equity markets in Australia.

## TECHNOLOGY

We believe that a technology investment and development programme is critical to the ongoing success of the business. Leading edge technology and systems are the future of the industry and are relevant to all the products and services that we currently provide. We intend to retain our position at the forefront of this business strategy.

## FUSION

FUSION is our proprietary organisational desktop application, designed for the management of client relationships and our compliance and regulatory obligations. FUSION is the consolidator of all our products and services into one streamlined application and is available to all our staff.

The efficiency and productivity benefit that FUSION brings to our advisers and to the services they provide is significant. The ongoing development of this product is part of a continuous programme.

## PRICE DISCOVERY PLATFORM

In conjunction with TPP we have now created a price discovery, research, and order management platform for our private client advisers. This new platform leverages the Bell Direct proprietary technology and incorporates real time streaming prices, charting, research, news and announcements as well as an order management capability. The rollout of this platform has commenced and is expected to be complete by July 2016.

We anticipate cost savings across the group in excess of \$1 million p.a. will be achieved once the rollout is complete.

## BALANCE SHEET

Our Balance Sheet remains in good shape and is supported by a strong cash position. The business continues to operate with no debt other than the loan funding facility in our Margin Lending business, Bell Potter Capital.

Net assets at year-end were \$190 million (2014 \$181 million), Net Tangible Assets were \$54 million (2014 \$47 million) and cash equivalent (excluding margin lending and client cash) were \$60 million (2014 \$56 million).

## OVERHEADS

Group overheads excluding commission paid to advisers were down approximately 2% on the previous year to \$71 million reflecting the impact of recent cost saving initiatives.

## OUTLOOK

So far financial year 2016 has been challenging.

Weakness in commodity prices and the banking sector combined with offshore influences, particularly from China, have given rise to increased volatility, general market weakness and renewed investor concern. Not dissimilar to the way we began 2015!

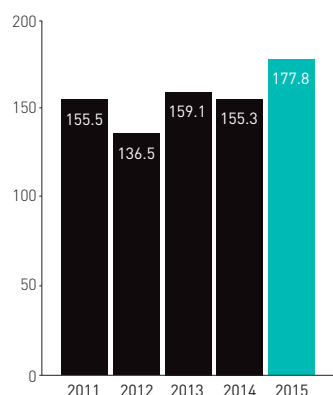
We carry a strong pipeline of potential corporate work into 2016. The successful completion of which will of course be market dependent.

As always, we will continue to search for the type of growth opportunities that have been successful for us in the past and which the current difficult market conditions often provide.



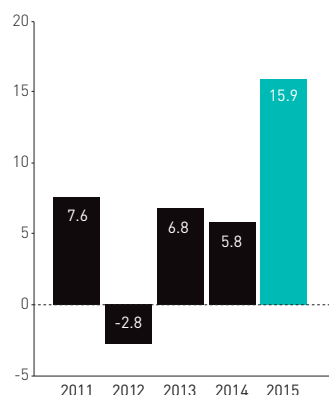
**Alastair Provan**  
Managing Director  
Bell Financial Group Ltd

## REVENUE (\$A M) 2011–2015



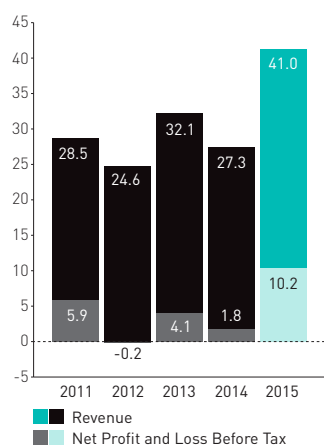
Group revenue rose by almost 15% to \$178 million with solid growth evident in all parts of the business.

## NET PROFIT/(LOSS) AFTER TAX (\$A M) 2011–2015



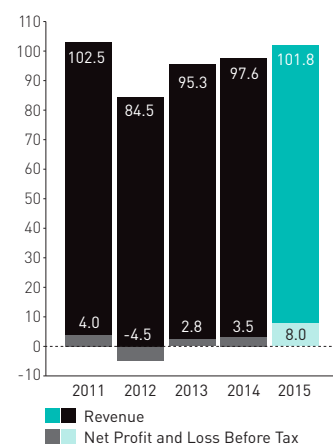
Net profit after tax attributable to shareholders was \$15.9 million, well ahead of the \$5.8 million 2014 result.

## INSTITUTIONAL BROKING AND EQUITY CAPITAL MARKETS (\$A M) 2011–2015



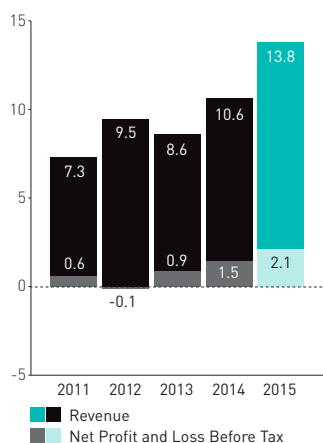
Wholesale revenues increased 50% to \$41 million reflecting consistent daily transactional flows, and a strong contribution from our Melbourne and Sydney ECM desks.

## FULL SERVICE RETAIL EQUITIES (\$A M) 2011–2015



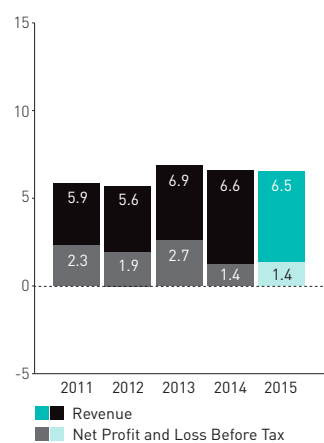
A 4% increase in gross revenue and 3.3% reduction in costs resulted in 132% pre-tax profit improvement in our Retail Equities division highlighting the leverage within the Retail business.

## FUTURES AND FOREIGN EXCHANGE (\$A M) 2011–2015



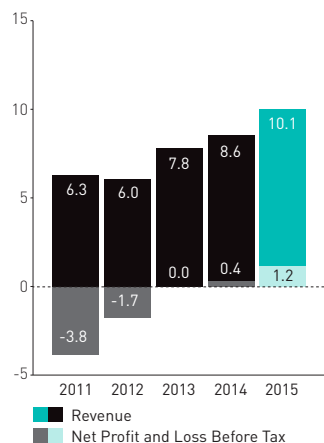
The Futures and Foreign Exchange desks produced another solid performance with revenues growing by 30%.

## BELL POTTER CAPITAL (\$A M) 2011–2015



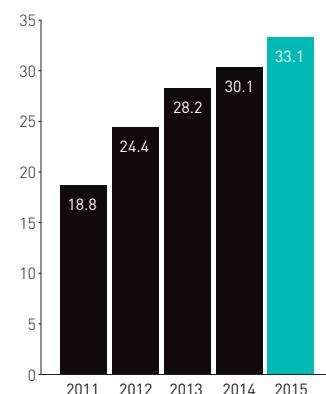
Bell Potter Capital continues to grow its cash and margin lending book however net revenues and profit remained flat due to the ongoing low interest rate environment in Australia and general pressure on margins.

## THIRD PARTY PLATFORM (\$A M) 2011–2015



Bell Direct continues to gain momentum, and in 2015 won the Smart Investor Best Online Broker Award for the third consecutive year.

## FUNDS UNDER ADVICE (\$A B) 2011–2015



Funds under advice grew by 10%. We currently hold \$3.8 billion of client assets on various platforms, and an additional \$29 billion in sponsored holdings.

# DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors of Bell Financial Group Limited (Bell Financial) present their report, together with the financial report, on the consolidated entity (Group) consisting of Bell Financial and its controlled entities for the year ended 31 December 2015.

## BOARD OF DIRECTORS

---

### COLIN BELL BEcon (Hons)

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

### ALASTAIR PROVAN

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

### CRAIG COLEMAN BComm

Mr Coleman was appointed as a Director in July 2007 and has been a Non-Executive Director since October 2007. He is a member of the Group Risk and Audit Committee and the Remuneration Committee.

Mr Coleman is Executive Chairman of private equity firm Viburnum Funds and a 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, Mr Coleman held a number of senior executive positions and directorships with ANZ, including Managing Director - Banking Products, Managing Director - Wealth Management and Non-Executive Director of Etrade Australia Limited.

#### Other listed companies – past three years

Chairman, Rubik Financial Limited (December 2006-present)

Non-Executive Director, Pulse Health Limited (January 2010-present)

Non-Executive Director, Keybridge Capital Limited (March 2014-present)

Chairman, Lonestar Resources Limited (July 2008-August 2014)

Non-Executive Director, Amcom Telecommunications Limited (October 2008-July 2015)

### GRAHAM CUBBIN BEcon (Hons), FAICD

Mr Cubbin was appointed as a Non-Executive Director in September 2007 and is an independent Director. He is the Chairman of the Group Risk and Audit Committee and the Remuneration Committee.

Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company. Mr Cubbin has over 20 years' experience as a Director and Audit Committee member of public companies in Australia and the US.

#### Other listed companies – past three years

Non-Executive Director, Challenger Limited (January 2004-present)

Non-Executive Director, STW Communications Group Limited (May 2008-present)

Non-Executive Director, White Energy Company Limited (February 2010-present)

Chairman, McPherson's Limited (September 2010-present)



---

**BRIAN WILSON****MComm (Hons)**

Mr Wilson was appointed as a Non-Executive Director in October 2009 and is an independent Director.

Mr Wilson is also Chairman of the Foreign Investment Review Board, 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 the ATO Superannuation Reform Steering Committee. Mr Wilson retired in 2009 as a Managing Director of the global investment bank Lazard, after co-founding the firm in Australia in 2004 and was previously a Vice-Chairman of Citigroup Australia and its predecessor companies.

---

**BRENDA SHANAHAN****BComm, FAICD**

Ms Shanahan was appointed as a Non-Executive Director in June 2012 and is an independent Director. She is a member of the Group Risk and Audit Committee and the Remuneration Committee.

Ms Shanahan has served in senior executive and board roles in Australia and overseas, primarily in the finance and stockbroking industries, during a career spanning more than 30 years. Ms Shanahan was previously an Executive Director of JM Financial Group Limited, May Mellor, Equitlink Limited and William M Mercer. Ms Shanahan 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.

**Other listed companies – past three years**

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

Non-Executive Director, Challenger Limited (April 2011-present)

---

# DIRECTORS' REPORT CONTINUED

For the year ended 31 December 2015

## PRINCIPAL ACTIVITIES

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 600 employees, operates across 14 offices in Australia and has offices in London and Hong Kong. Bell Financial has a 56.63% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

## REVIEW AND RESULTS OF OPERATIONS

Information on the operations and financial position of the Group is set out in the Operating and Financial Review on pages 04 to 05.

## DIVIDENDS

On 24 February 2016, the Directors resolved to pay a fully franked final dividend of 3.0 cents per share.

Dividends paid to shareholders during the year ended 31 December 2015 were as follows:

Dividend	Per Share	Total \$'000	Fully Franked	Date of Payment
Final 2014 ordinary	2.0 cents	5,120	Yes	20 March 2015
Interim 2015 ordinary	1.5 cents	3,828	Yes	14 September 2015

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in Bell Financial's state of affairs or the nature of its principal activities during the financial year ended 31 December 2015.

## BUSINESS STRATEGIES, PROSPECTS AND LIKELY DEVELOPMENTS

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

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

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

## BOARD MEETING AND ATTENDANCE

Each Director held office for the full year. Details of the number of meetings held by the Board and its Committees during the year ended 31 December 2015 and attendance by Board members are set out below:

Director	Board		Group Risk and Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Colin Bell	5	5	-	-	-	-
Alastair Provan	5	5	-	-	2	2
Craig Coleman	5	5	6	6	2	2
Graham Cubbin	5	5	6	6	2	2
Brian Wilson	5	5	-	-	-	-
Brenda Shanahan	5	5	6	6	2	2

A – Number of meetings held.

B – Number of meetings attended.

## DIRECTORS' SHAREHOLDINGS IN BELL FINANCIAL GROUP

As at the date of this report, the relevant interests of each Director in BFG ordinary shares, as notified to the ASX in accordance with the Corporations Act, are set out below. No Directors held options over BFG shares during the year ended 31 December 2015.

Director	Fully Paid Ordinary Shares	Deemed Relevant Interest	Total
Colin Bell	2,603,633	119,267,345 <sup>1</sup>	34,213,091
Alastair Provan	2,815,891	119,267,345 <sup>2</sup>	34,425,349
Craig Coleman	1,772,283	-	1,772,283
Graham Cubbin	180,000	-	180,000
Brian Wilson	1,000,000	-	1,000,000
Brenda Shanahan	250,000	-	250,000

1. Bell Group Holdings Pty Limited (BGH) holds 117,967,345 BFG ordinary shares. BGH's wholly owned subsidiary, Bell Securities Pty Limited (BSPL) holds 1,300,000 BFG ordinary shares. Colin Bell holds more than 20% of BGH and therefore under the Corporations Act is 'deemed' to have a relevant interest in the BFG ordinary shares held by BGH and BSPL, being 119,267,345 shares in total.

2. Alastair Provan holds more than 20% of BGH and therefore under the Corporations Act is deemed to have a relevant interest in the BFG ordinary shares held by BGH and BSPL, being 119,267,345 shares in total.

## COMPANY SECRETARY

Cindy-Jane Lee, BEc, LLB, GAICD, was appointed as Company Secretary on 10 January 2014 and is also the Group's General Counsel. Before joining Bell Financial, Ms Lee held the position of Regional Legal Counsel, South Asia with Mercer. Ms Lee has over 15 years' experience in corporate and financial services law working in law firms and multinational companies in Australia, London and Singapore. She has degrees in economics and law from Monash University.

## CORPORATE GOVERNANCE

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

## DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE

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

## ENVIRONMENTAL REGULATION

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

## NON-AUDIT SERVICES

Bell Financial may decide to engage its auditor KPMG, on assignments which are additional to its statutory audit duties where the auditor's expertise with the Group is important. During the year, the auditor did not provide any non-audit services to the Group and therefore no amounts were paid or are payable for non-audit services. Details of the amounts paid to KPMG and its related practices for audit services provided during the year are set in Note 38 of the Financial Statements.

# DIRECTORS' REPORT CONTINUED

For the year ended 31 December 2015

## REMUNERATION REPORT (AUDITED)

This report sets out the remuneration arrangements for Directors and other key management personnel (KMP) of the Bell Financial Group for the year ended 31 December 2015 and is prepared in accordance with section 300A of the Corporations Act. The information in this report has been audited as required by section 308(3C) of the Corporations Act.

### 1. Key management personnel (KMP)

KMP comprise the Directors of the Company and Senior Executives. The term 'Senior Executives' refers to those executives who have authority and responsibility for planning, directing and controlling the activities of Bell Financial. In this report, 'Executive KMP' refers to KMP other than Non-Executive Directors. The KMP for 2015 are stated in Section 8.4 below.

### 2. Overview of remuneration policy and framework

Bell Financial remunerates Executive KMP and other executives, management and advisers by one or more of fixed salary, commission entitlements and other short-term and long-term incentives. Non-Executive Directors receive a fixed fee and the superannuation guarantee rate only for their role on the Board. In considering the Group's performance, the Remuneration Committee and the Board have regard to the following financial indicators in respect of the current financial year and previous financial years.

	2011	2012	2013	2014	2015
Net profit/(loss) after tax \$'000	\$7,639	(\$3,189)	\$6,811	\$5,952	<b>\$16,399</b>
Share price at year end \$	\$0.605	\$0.46	\$0.70	\$0.43	<b>\$0.575</b>
Dividends paid \$'000	\$7,649	-	\$2,596	\$3,852	<b>\$8,948</b>

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

### 3. Fixed compensation

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

### 4. Commission

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

### 5. Performance linked compensation

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

### 6. Short-term incentive bonus

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

There are two types of STI arrangements, being:

- the STI payable to executives who are not remunerated by reference to commission, which is a discretionary annual cash bonus determined by the Company's financial performance during the year, key performance indicators, industry-competitive measures and individual performance over the period; and

- the STI payable to the Executive Chairman and the Managing Director, which is a discretionary annual cash bonus, up to three times annual salary, determined by the Company's financial performance during the year, key performance indicators and individual performance over the period.

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

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

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

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

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

## 8. Service agreements

### 8.1 Executive Chairman and Managing Director

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

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

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

### 8.2 Executives

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

### 8.3 Non-Executive Directors

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

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

# DIRECTORS' REPORT CONTINUED

For the year ended 31 December 2015

## REMUNERATION REPORT (AUDITED) CONTINUED

### 8. Service agreements CONTINUED

#### 8.4 KMP remuneration

Details of the remuneration of each KMP are tabled below.

		Short-term			
		Salary and Fees \$	STI Cash Bonus \$	Non-monetary Benefits \$	Total \$
<b>Directors</b>					
<b>Executive Directors</b>					
Colin Bell, Executive Chairman <sup>1</sup>	2015	597,919	-	-	597,919
	2014	598,686	-	-	598,686
Alastair Provan, Managing Director <sup>1</sup>	2015	525,229	-	-	525,229
	2014	525,996	-	-	525,996
<b>Non-Executive Directors</b>					
Craig Coleman	2015	91,324	-	-	91,324
	2014	91,429	-	-	91,429
Graham Cubbin	2015	91,324	-	-	91,324
	2014	91,429	-	-	91,429
Brian Wilson	2015	91,324	-	-	91,324
	2014	91,429	-	-	91,429
Brenda Shanahan	2015	91,324	-	-	91,324
	2014	91,429	-	-	91,429
<b>Total compensation: Directors (consolidated)</b>	2015	1,488,444	-	-	1,488,444
	2014	1,490,398	-	-	1,490,398
<b>Senior Executives</b>					
Lewis Bell, Head of Compliance	2015	370,456	-	-	370,456
	2014	346,394	-	-	346,394
Andrew Bell, Executive Director of Bell Potter Securities	2015	473,720	-	-	473,720
	2014	483,090	-	-	483,090
Dean Davenport, Chief Financial Officer	2015	330,954	125,000	-	455,954
	2014	306,721	100,000	-	406,721
Rowan Fell, Director – Investment Services	2015	292,496	407,205	-	699,701
	2014	294,338	177,680	-	472,018
<b>Total compensation: Executives (consolidated)</b>	2015	1,467,626	532,205	-	1,999,831
	2014	1,430,543	277,680	-	1,708,223

1. Mr Bell and Mr Provan volunteered to forego any discretionary annual cash bonus in 2014 and 2015.

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

Post-employment	Share-based Payments				Total	Proportion of Remuneration Performance Related %	Value of Options as Proportion of Remuneration %
	Superannuation Benefits <sup>2</sup> \$	Other Long-term \$	Termination Benefits \$	Total Amortisation Value of LTI Options \$			
	<b>22,081</b>	-	-	-	<b>620,000</b>	<b>0</b>	<b>0</b>
	21,314	-	-	-	620,000	0	0
	<b>19,046</b>	-	-	-	<b>544,275</b>	<b>0</b>	<b>0</b>
	18,279	-	-	-	544,275	0	0
	<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>
	8,571	-	-	-	100,000	0	0
	<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>
	8,571	-	-	-	100,000	0	0
	<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>
	8,571	-	-	-	100,000	0	0
	<b>8,676</b>	-	-	-	<b>100,000</b>	<b>0</b>	<b>0</b>
	8,571	-	-	-	100,000	0	0
	<b>75,831</b>	-	-	-	<b>1,564,275</b>	<b>0</b>	<b>0</b>
	73,877	-	-	-	1,564,275	0	0
	<b>19,046</b>	-	-	-	<b>389,502</b>	<b>0</b>	<b>0</b>
	43,108	-	-	-	389,502	0	0
	<b>58,616</b>	-	-	-	<b>532,336</b>	<b>100</b>	<b>0</b>
	10,957	-	-	-	494,047	100	0
	<b>19,046</b>	-	-	<b>11,182</b>	<b>486,182</b>	<b>26</b>	<b>2</b>
	18,279	-	-	11,182	436,182	23	3
	<b>37,504</b>	-	-	<b>5,591</b>	<b>742,796</b>	<b>55</b>	<b>1</b>
	25,504	-	-	5,591	503,113	35	1
	<b>134,212</b>	-	-	<b>16,773</b>	<b>2,150,816</b>	<b>47</b>	<b>1</b>
	97,848	-	-	16,773	1,822,844	42	1

# DIRECTORS' REPORT CONTINUED

For the year ended 31 December 2015

## REMUNERATION REPORT (AUDITED) CONTINUED

### 8. Service agreements CONTINUED

#### 8.5 KMP remuneration (Group)

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

- (a) For Executive KMP, the short-term incentive bonus is for performance during the financial year ended 31 December 2015 using the criteria set out in Section 6 of the Remuneration Report.
- (b) Options were issued to Dean Davenport and Rowan Fell in May 2013. The fair value of the options is calculated at the date of grant using an option pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option Exercise Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk-free Interest Rate	Dividend Yield
28 May 2013	28 May 2016 <sup>1</sup>	\$0.08386	\$0.80 <sup>2</sup>	\$0.55	45.76%	2.62%	2.0%

1. Options can be exercised for a period of up to 12 months from exercise date.

2. Represents exercise price at grant.

##### Equity instruments

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

### 9. Options granted as compensation

No options were granted over shares in the Company as compensation to any KMP in 2015 and no options vested for KMP during the reporting period.

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

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

#### 9.2 Exercise of options granted as compensation

Following the vesting date on the accelerated vesting of an option, the vested option 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.

No options granted as compensation were exercised during the period.



### 9.3 Analysis of options granted as compensation

Details of the vesting profile of the options granted as remuneration to each KMP of the Company are detailed below.

	Options Granted		% Vested in Year	Financial Years in which Grant Vests
Executive Directors	Number	Date		
Colin Bell	-	-	-	-
Alastair Provan	-	-	-	-
Non-Executive Directors				
Graham Cubbin	-	-	-	-
Brenda Shanahan	-	-	-	-
Brian Wilson	-	-	-	-
Craig Coleman	-	-	-	-
Senior Executives				
Lewis Bell	-	-	-	-
Andrew Bell	-	-	-	-
Dean Davenport	400,000	28 May 2013	0	28 May 2016
Rowan Fell	200,000	28 May 2013	0	28 May 2016

### 9.4 Analysis of movements in options

There was no movement in options during the year.

### 9.5 Unissued shares under options

At the date of this report, unissued ordinary shares of the Company granted to Directors and employees under option are:

Expiry Date	Exercise Price	Number of Options
28 May 2017	\$0.80	20,830,000

All options expire on the earlier of termination date or expiry date.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 16 and forms part of the Directors' Report for the financial year ended 31 December 2015.

### ROUNDING OF AMOUNTS

Bell Financial is an entity to which ASIC Class Order 98/100 applies. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made on 24 February 2016 in accordance with a resolution of the Directors.



**Colin Bell**  
Executive Chairman  
24 February 2016

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2015



## 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 2015 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

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

**Dean M Waters**  
Partner

Melbourne  
24 February 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

# STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

		Consolidated	
	Note	2015 \$'000	2014 \$'000
Rendering of services	6	162,891	140,154
Finance income	9	13,399	13,483
Net fair value gains/losses	7	674	(253)
Other income	8	791	1,915
<b>Total revenue</b>		<b>177,755</b>	155,299
Employee expenses	10	(110,185)	(101,526)
Depreciation and amortisation expenses	15, 16	(1,109)	(1,091)
Occupancy expenses		(11,689)	(13,382)
Systems and communication expenses		(15,522)	(15,163)
Professional expenses		(2,953)	(2,546)
Finance expenses	9	(4,145)	(4,210)
Other expenses		(9,314)	(8,829)
<b>Total expenses</b>		<b>(154,917)</b>	(146,747)
<b>Profit/(loss) before income tax</b>		<b>22,838</b>	8,552
Income tax expense	11	(6,439)	(2,600)
<b>Profit/(loss) for the year</b>		<b>16,399</b>	5,952
<b>Attributable to:</b>			
Equity holders of the Company		15,850	5,788
Non-controlling interests		549	164
<b>Profit/(loss) for the year</b>		<b>16,399</b>	5,952
<b>Earnings per share:</b>		<b>Cents</b>	Cents
Basic earnings per share (AUD)	28	6.2	2.3
Diluted earnings per share (AUD)	28	6.2	2.3

The notes on pages 22 to 58 are an integral part of these Consolidated Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Profit/(loss) for the year</b>	<b>16,399</b>	5,952
<b>Other comprehensive income</b>		
<b>Items that may be classified to profit or loss</b>		
Change in fair value of cash flow hedge	43	(15)
Foreign operations – foreign currency translation differences	280	96
<b>Other comprehensive income for the year, net of tax</b>	<b>323</b>	81
<b>Total comprehensive income for the year</b>	<b>16,722</b>	6,033
<b>Attributable to:</b>		
Equity holders of the Company	16,173	5,869
Non-controlling interests	549	164
<b>Total comprehensive income for the year</b>	<b>16,722</b>	6,033

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

The notes on pages 22 to 58 are an integral part of these Consolidated Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

			Consolidated	
			2015	2014
	Note		\$'000	\$'000
<b>Assets</b>				
Cash and cash equivalents	12	112,333	143,539	
Trade and other receivables	13	170,313	67,843	
Prepayments		586	710	
Financial assets	14	2,120	288	
Loans and advances	19	234,519	171,383	
Deferred tax assets	18	10,065	9,462	
Property, plant and equipment	15	894	1,258	
Goodwill	16	130,413	130,413	
Intangible assets	16	5,423	3,513	
<b>Total assets</b>		<b>666,666</b>	<b>528,409</b>	
<b>Liabilities</b>				
Trade and other payables	20	219,786	146,886	
Deposits and borrowings	21	228,094	176,786	
Current tax liabilities	22	2,265	1,366	
Derivatives	30	17	60	
Employee benefits	24	25,721	20,896	
Provisions	23	550	150	
<b>Total liabilities</b>		<b>476,433</b>	<b>346,144</b>	
<b>Net assets</b>		<b>190,233</b>	<b>182,265</b>	
<b>Equity</b>				
Contributed equity	26	167,886	164,284	
Other equity		1,806	1,806	
Reserves	26	(33)	(550)	
Non-controlling interests	26	4,491	4,478	
Retained earnings	26	16,083	12,247	
<b>Total equity attributable to equity holders of the Company</b>		<b>190,233</b>	<b>182,265</b>	

The notes on pages 22 to 58 are an integral part of these Consolidated Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity	Share Capital \$'000	Other Equity \$'000	Treasury Shares Reserve \$'000	Share-based Payments Reserve \$'000	Cash Flow Hedge Reserve \$'000	Foreign Currency Reserve \$'000	Non-Controlling Interests \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 January 2014</b>	<b>164,284</b>	<b>1,806</b>	<b>(1,686)</b>	<b>1,506</b>	<b>(45)</b>	<b>234</b>	<b>4,314</b>	<b>10,311</b>	<b>180,724</b>
<b>Total comprehensive income</b>									
Profit/(loss) for the year	-	-	-	-	-	-	-	5,952	5,952
<b>Other comprehensive income</b>									
Change in fair value of cash flow hedges	-	-	-	-	(15)	-	-	-	(15)
Translation of foreign currency reserve	-	-	-	-	-	96	-	-	96
Total other comprehensive income	-	-	-	-	(15)	96	-	-	81
Total comprehensive income for the year	-	-	-	-	(15)	96	-	5,952	6,033
<b>Transactions with owners, directly in equity</b>									
Transfer of retained earnings	-	-	-	-	-	-	164	(164)	-
Share-based payments	-	-	-	1,038	-	-	-	-	1,038
Purchase of treasury shares	-	-	(1,678)	-	-	-	-	-	(1,678)
Employee share awards exercised	-	-	1,424	(1,424)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(3,852)	(3,852)
<b>Balance at 31 December 2014</b>	<b>164,284</b>	<b>1,806</b>	<b>(1,940)</b>	<b>1,120</b>	<b>(60)</b>	<b>330</b>	<b>4,478</b>	<b>12,247</b>	<b>182,265</b>
<b>Balance at 1 January 2015</b>	<b>164,284</b>	<b>1,806</b>	<b>(1,940)</b>	<b>1,120</b>	<b>(60)</b>	<b>330</b>	<b>4,478</b>	<b>12,247</b>	<b>182,265</b>
<b>Total comprehensive income</b>									
Profit/(loss) for the year	-	-	-	-	-	-	-	16,399	16,399
<b>Other comprehensive income</b>									
Change in fair value of cash flow hedges	-	-	-	-	43	-	-	-	43
Translation of foreign currency reserve	-	-	-	-	-	280	-	-	280
Total other comprehensive income	-	-	-	-	43	280	-	-	323
Total comprehensive income for the year	-	-	-	-	43	280	-	16,399	16,722
<b>Transactions with owners, directly in equity</b>									
Increase/(decrease) in non-controlling interests	-	-	-	-	-	-	(536)	-	(536)
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	(3,066)	(3,066)
Increase/(decrease) in share capital	3,602	-	-	-	-	-	-	-	3,602
Transfer of retained earnings	-	-	-	-	-	-	549	(549)	-
Share-based payments	-	-	-	647	-	-	-	-	647
Purchase of treasury shares	-	-	(453)	-	-	-	-	-	(453)
Employee share awards exercised	-	-	120	(120)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(8,948)	(8,948)
<b>Balance at 31 December 2015</b>	<b>167,886</b>	<b>1,806</b>	<b>(2,273)</b>	<b>1,647</b>	<b>(17)</b>	<b>610</b>	<b>4,491</b>	<b>16,083</b>	<b>190,233</b>

The notes on pages 22 to 58 are an integral part of these Consolidated Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

		Consolidated	
	Note	2015 \$'000	2014 \$'000
<b>Cash flows from/(used in) operating activities</b>			
Cash receipts from customers and clients		246,188	158,465
Cash paid to suppliers and employees		(258,028)	(147,007)
Cash generated from operations*		(11,840)	11,458
Dividends received		3	-
Interest received		13,380	13,489
Interest paid		(4,145)	(4,210)
Income taxes paid		(6,145)	(2,853)
<b>Net cash from operating activities</b>	25	<b>(8,747)</b>	17,884
<b>Cash flows from/(used in) investing activities</b>			
Net proceeds from sale of investments		1,157	817
Acquisition of property, plant and equipment		(100)	(113)
Proceeds of property, plant and equipment		-	2
Acquisition of other investments		(2,287)	(370)
<b>Net cash from/(used in) investing activities</b>		<b>(1,230)</b>	336
<b>Cash flows from/(used in) financing activities</b>			
Dividends paid		(8,948)	(3,852)
On market share purchases		(453)	(1,678)
<i>Bell Potter Capital (Margin Lending)</i>			
Deposits/(withdrawals) from client cash balances		5,308	(1,038)
(Drawdown)/repayment of margin loans		(63,136)	313
Drawdown/(repayment) of borrowings		46,000	(14,724)
<b>Net cash from/(used in) financing activities</b>		<b>(21,229)</b>	(20,979)
Net increase/(decrease) in cash and cash equivalents		(31,206)	(2,759)
Cash and cash equivalents at 1 January		143,539	146,298
<b>Cash and cash equivalents at 31 December</b>	12, 25	<b>112,333</b>	143,539

The notes on pages 22 to 58 are an integral part of these Consolidated Financial Statements.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Bell Financial Group Ltd ('Bell Financial' or the 'Company') is domiciled in Australia. The address of the Company's registered office is Level 29, 101 Collins Street, Melbourne, VIC. The Consolidated Financial Statements of the Company comprise the Company and its controlled entities (the 'Group' or 'Consolidated Entity').

## 1. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

#### Statement of compliance

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

The Financial Statements were approved by the Board of Directors on 24 February 2016.

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

#### Basis of measurement

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

### Functional and presentation currency

These Consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commenced until the date that control ceases. All controlled entities have a 31 December balance date.

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

### Non-controlling interest (NCI)

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

### (c) Revenue recognition

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

#### Rendering of services

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

#### Interest income

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

#### Dividend income

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

### (d) Statement of Cash Flows

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



#### (e) Income tax

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

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

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

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

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

#### (f) Goods and services tax

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

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

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

#### (g) Cash and cash equivalents

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

#### (h) Derivatives

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

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (h) Derivatives CONTINUED

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

#### Cash flow hedges

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

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

### (i) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the

asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss.

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

An impairment loss, with the exception of goodwill, is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities the reversal is recognised in profit or loss.

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 three 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 to goodwill is not reversed.

#### Other intangible assets

##### Research and development

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

##### Customer lists

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

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

	2015	2014
Software	10 years	10 years
Customer list	10 years	10 years

#### (q) Financial instruments

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

#### Fair value measurement

AASB 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments Disclosures*.

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

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

##### Loans and advances

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

##### Share capital

##### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the 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:

	2015	2014
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 that the Group has a present obligation to pay resulting from employees' services provided up to reporting date.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (s) Employee entitlements CONTINUED

#### 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 12 months, are discounted using the rates attaching to national government securities at balance date that most closely match the terms of maturity of the related liabilities.

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

#### Bonuses

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

#### Defined contribution plans

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

#### Share-based payments

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

in equity over the period in which the employees become unconditionally entitled to the shares.

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

### (t) Earnings per share

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

#### Basic earnings per share

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

#### Diluted earnings per share

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

### (u) Foreign currency

#### Foreign currency transactions

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

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

#### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

### (v) Segment reporting

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

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

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

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

### AASB 9 Financial Instruments (December 2010), and AASB 2014–7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2014). AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

### AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of AASB 15.

### (x) Changes in accounting policies

The Group has consistently applied the accounting policies set out in Note 1 to all periods presented in these Consolidated Financial Statements.

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and

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

### Recovery of deferred tax assets

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

### Impairment of loans and advances

The Company assesses impairment of all loans at each reporting date by evaluating any issues particular to an asset that may lead to impairment. In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2015. (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 2015, a provision has been accrued to reflect potential claims. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measurable at 31 December 2015. (Refer to Note 23.)

### Intangible assets

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

### Bell Foreign Exchange and Futures business

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

### Development costs

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



# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

### Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. For the purpose of impairment testing, goodwill is allocated to Retail and Wholesale, which represents the lowest level at which it is monitored for internal management purposes.

The recoverable amount of the business to which each goodwill component is allocated to a cash-generating unit is estimated based on its value in use and is determined by discounting the future cash flows generated from continuing use. At 31 December 2015, goodwill allocated to the cash-generating units was \$57.5 million for Retail and \$72.9 million for the Wholesale segment.

### Key assumptions used in discounted cash flow projections

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

The following assumptions have been used in determining the recoverable amount of all 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 seven 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

Corporate fee income maintained at current levels.

#### Sensitivity analysis

As at 31 December 2015, the recoverable amounts for the Retail and Wholesale segments exceed 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 decreases by approximately 5.0% for Retail and 12.5% for Wholesale from the estimated amounts, the estimated recoverable amounts would be equal to the carrying amounts. If the discount rate increased to 16% for Retail and 19% for Wholesale, the estimated recoverable amounts would be equal to the carrying amounts. Further, if the terminal value multiple decreased to approximately 5.6 times for Retail and 4.9 times for Wholesale, the estimated recoverable amounts would be equal to the carrying amounts at that date.

## 3. FINANCIAL RISK MANAGEMENT

### Overview

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

- Market risk
- Credit risk
- Liquidity risk

### Risk Management Framework

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

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

The GRAC 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 GRAC 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 GRAC.

### Market risk

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

### Equity price risk

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

### Interest rate risk

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

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

### Currency risk

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

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure that it will always have sufficient liquidity to meet its liabilities

when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

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

### Credit risk

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

### Trade and other receivables

The credit risk for these accounts is that financial assets recognised on the balance sheet exceed their carrying amount, net of any provisions for doubtful debts. In relation to client debtors, the Group's credit risk concentration is minimised as transactions are settled on a delivery versus payment basis with a settlement regime of trade day plus 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. Loan balances are reviewed daily and are subject to margin calls once the geared value falls 10% lower than the loan balance. Warnings are sent between 5% and 10%. The lender can also require the borrower to repay on demand part or all of the amount owing at any time, whether or not the borrower or any guarantor is in default.

### Capital management

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

### Security arrangements

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 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 or loss are determined with reference to the quoted bid price, or if unquoted determined using a valuation model at reporting date.

### Derivatives

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

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

### Share-based payments

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



## 5. SEGMENT REPORTING

### Business segments

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

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

	Retail 2015 \$'000	Wholesale 2015 \$'000	Consolidated 2015 \$'000
<b>31 December 2015</b>			
Revenue from operations	132,000	45,755	177,755
Profit/(loss) after tax	6,908	9,491	16,399
Segment assets	586,682	79,984	666,666
<b>Total assets</b>	<b>586,682</b>	<b>79,984</b>	<b>666,666</b>
Segment liabilities	464,825	11,608	476,433
<b>Total liabilities</b>	<b>464,825</b>	<b>11,608</b>	<b>476,433</b>

### Other segment details

Interest revenue	13,399	-	13,399
Interest expense	(4,145)	-	(4,145)
Depreciation/amortisation	(1,072)	(37)	(1,109)

	Retail 2014 \$'000	Wholesale 2014 \$'000	Consolidated 2014 \$'000
<b>31 December 2014</b>			
Revenue from operations	128,404	26,895	155,299
Profit/(loss) after tax	3,998	1,954	5,952
Segment assets	448,294	80,115	528,409
<b>Total assets</b>	<b>448,294</b>	<b>80,115</b>	<b>528,409</b>
Segment liabilities	340,332	5,812	346,144
<b>Total liabilities</b>	<b>340,332</b>	<b>5,812</b>	<b>346,144</b>

### Other segment details

Interest revenue	13,483	-	13,483
Interest expense	(4,210)	-	(4,210)
Depreciation/amortisation	(1,039)	(52)	(1,091)

### Geographical segments

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 6. RENDERING OF SERVICES

	Consolidated	
	2015	2014
	\$'000	\$'000
Brokerage	97,903	91,451
Fee income	46,560	31,066
Trailing commissions	8,352	8,261
Portfolio administration fees	9,011	8,451
Other	1,065	925
	162,891	140,154

## 7. NET FAIR VALUE GAINS/(LOSSES)

	Consolidated	
	2015	2014
	\$'000	\$'000
Dividends received	3	-
Profit/(loss) on financial assets held at fair value through profit or loss	671	(253)
	674	(253)

## 8. OTHER INCOME

	Consolidated	
	2015	2014
	\$'000	\$'000
Sundry income	791	1,915
	791	1,915

## 9. FINANCE INCOME AND EXPENSES

	Consolidated	
	2015	2014
	\$'000	\$'000
Interest income on bank deposits	2,822	3,136
Interest income on loans and advances	10,577	10,347
Total finance income	13,399	13,483
Bank interest expense	(1,857)	(1,220)
Interest expense on deposits	(2,288)	(2,990)
Total finance expense	(4,145)	(4,210)
<b>Net finance income/(expense)</b>	<b>9,254</b>	<b>9,273</b>

## 10. EMPLOYEE EXPENSES

	Consolidated	
	2015 \$'000	2014 \$'000
Wages and salaries	(96,628)	(88,502)
Superannuation	(6,359)	(6,178)
Payroll tax	(5,235)	(4,573)
Other employee expenses	(1,316)	(1,235)
Equity-settled share-based payments	(647)	(1,038)
	(110,185)	(101,526)

## 11. INCOME TAX EXPENSE

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Current tax expense</b>		
Current period	7,349	2,290
Taxable loss/(income) not recognised/(utilised)	(391)	(98)
Adjustment for prior periods	27	117
	6,985	2,309
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(546)	291
Total income tax expense/(benefit)	6,439	2,600

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

	Consolidated 2015		Consolidated 2014	
	%	\$'000	%	\$'000
Accounting profit/(loss) before income tax		22,838		8,552
Income tax using the Company's domestic tax rate	30.00	6,851	30.00	2,566
Non-deductible expenses	0.59	134	0.18	15
Adjustments in respect of current income tax of previous year	0.12	27	1.37	117
Income tax credit not recognised/(utilised)	(2.51)	(573)	(1.15)	(98)
	28.20	6,439	30.40	2,600

### Tax consolidation

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Group cash reserves</b>		
Cash on hand	13	13
Cash at bank	59,650	55,570
Short-term deposits	-	29
	<b>59,663</b>	55,612
<b>Margin lending cash</b>		
Cash at bank and short-term deposits	-	7,907
	<b>-</b>	7,907
<b>Client cash</b>		
Cash at bank (Trust account)	34,859	66,330
Segregated cash at bank (client)	17,811	13,690
	<b>52,670</b>	80,020
<b>Cash and cash equivalents in the Statement of Cash Flows</b>	<b>112,333</b>	143,539

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 seven days and 90 days.

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

Segregated cash and Trust bank balances are restricted cash balances of the Group. A corresponding liability is recognised within trade and other payables (Note 20).

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

## 13. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Trade debtors	142,779	53,742
Less: provision for impairment	-	-
	<b>142,779</b>	53,742
Clearing house deposits	9,668	2,707
Segregated deposits with clearing brokers	14,710	5,976
Less: provision for impairment	-	-
	<b>24,378</b>	8,683
Sundry debtors	3,156	5,418
	<b>170,313</b>	67,843

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

Balance at 1 January	-	1,225
Bad debts charged to profit or loss	-	-
Bad debts written off	-	(1,085)
Bad debts recovered	-	(140)
Balance at 31 December	-	-

## 14. FINANCIAL ASSETS

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Held at fair value through profit or loss</b>		
Shares in listed corporations	1,812	284
Unlisted options held for trading	308	4
	<b>2,120</b>	<b>288</b>

## 15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Fixtures and Fittings \$'000	Office Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<b>Year ended 31 December 2015</b>				
Balance at 1 January 2015 (net accumulated depreciation)	338	451	469	1,258
Additions	33	29	5	67
Disposals	(21)	(10)	-	(31)
Depreciation charge for the year	(77)	(199)	(124)	(400)
Balance at 31 December 2015	<b>273</b>	<b>271</b>	<b>350</b>	<b>894</b>

### Balance at 1 January 2015

Cost	2,126	5,596	6,169	13,891
Accumulated depreciation	(1,788)	(5,145)	(5,700)	(12,633)
Net carrying amount	<b>338</b>	<b>451</b>	<b>469</b>	<b>1,258</b>

### Balance at 31 December 2015

Cost	2,138	5,615	6,174	13,927
Accumulated depreciation	(1,865)	(5,344)	(5,824)	(13,033)
Net carrying amount	<b>273</b>	<b>271</b>	<b>350</b>	<b>894</b>

Consolidated	Fixtures and Fittings \$'000	Office Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
<b>Year ended 31 December 2014</b>				
Balance at 1 January 2014 (net accumulated depreciation)	419	674	632	1,725
Additions	-	113	-	113
Disposals	-	(2)	-	(2)
Depreciation charge for the year	(81)	(334)	(163)	(578)
Balance at 31 December 2014	<b>338</b>	<b>451</b>	<b>469</b>	<b>1,258</b>

### Balance at 1 January 2014

Cost	2,126	5,485	6,169	13,780
Accumulated depreciation	(1,707)	(4,811)	(5,537)	(12,055)
Net carrying amount	<b>419</b>	<b>674</b>	<b>632</b>	<b>1,725</b>

### Balance at 31 December 2014

Cost	2,126	5,596	6,169	13,891
Accumulated depreciation	(1,788)	(5,145)	(5,700)	(12,633)
Net carrying amount	<b>338</b>	<b>451</b>	<b>469</b>	<b>1,258</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill \$'000	Consolidated Identifiable Intangibles \$'000	Total \$'000
<b>Year ended 31 December 2015</b>			
Balance at 1 January 2015	130,413	3,513	133,926
Additions	-	2,619	2,619
Amortisation	-	(709)	(709)
Impairment	-	-	-
<b>Balance at 31 December 2015</b>	<b>130,413</b>	<b>5,423</b>	<b>135,836</b>
Balance at 1 January 2015			
Cost (gross carrying amount)	130,413	4,300	134,713
Additions	-	1,660	1,660
Accumulated amortisation	-	(2,447)	(2,447)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>3,513</b>	<b>133,926</b>
Balance at 31 December 2015			
Cost (gross carrying amount)	130,413	5,960	136,373
Additions	-	2,619	2,619
Accumulated amortisation	-	(3,156)	(3,156)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>5,423</b>	<b>135,836</b>

	Goodwill \$'000	Consolidated Identifiable Intangibles \$'000	Total \$'000
<b>Year ended 31 December 2014</b>			
Balance at 1 January 2014	130,413	2,366	132,779
Additions	-	1,660	1,660
Amortisation	-	(513)	(513)
Impairment	-	-	-
<b>Balance at 31 December 2014</b>	<b>130,413</b>	<b>3,513</b>	<b>133,926</b>
Balance at 1 January 2014			
Cost (gross carrying amount)	130,413	3,629	134,042
Additions	-	671	671
Accumulated amortisation	-	(1,934)	(1,934)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>2,366</b>	<b>132,779</b>
Balance at 31 December 2014			
Cost (gross carrying amount)	130,413	4,300	134,713
Additions	-	1,660	1,660
Accumulated amortisation	-	(2,447)	(2,447)
Accumulated impairment	-	-	-
<b>Net carrying amount</b>	<b>130,413</b>	<b>3,513</b>	<b>133,926</b>

## 17. NON-CONTROLLING INTEREST (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations. In 2015, the non-controlling interest in Third Party Platform Pty Ltd was 43.37% (2014: 48.77%).

	Third Party Platform Pty Ltd	
	2015 \$'000	2014 \$'000
Assets	96,523	42,302
Liabilities	(86,167)	(33,120)
<b>Net assets</b>	<b>10,356</b>	<b>9,182</b>
Carrying amount of NCI	4,491	4,478
Revenue	15,654	12,065
Profit/(loss) after tax	1,173	336
<b>Total comprehensive income</b>	<b>1,173</b>	<b>336</b>
Profit allocated to NCI	549	164
Cash flows from operating activities	(381)	(1,187)
Cash flows from investing activities	(67)	(98)
Cash flows from financing activities	1,000	2,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>552</b>	<b>715</b>

In October 2015, the Group issued 7,663,431 fully paid ordinary shares as consideration for acquiring additional shares in Third Party Platform Pty Ltd, taking it's ownership to 56.63% of Third Party Platform Pty Ltd.

The Group recognised the below:

	2015 \$'000
Carrying amount of NCI acquired	536
Consideration paid to NCI	(3,602)
A decrease in equity attributable to owners of the Group	(3,066)

## 18. DEFERRED TAX ASSETS AND LIABILITIES

The movement in deferred tax balances are as follows:

	Balance as at 1 January \$'000	Recognised in Profit or Loss \$'000	Balance at 31 December \$'000
<b>Consolidated 2015</b>			
Property, plant and equipment	49	(25)	24
Employee benefits	1,866	374	2,240
Carry forward tax loss	6,184	58	6,242
Other items	1,363	196	1,559
	9,462	603	10,065

	Balance as at 1 January \$'000	Recognised in Profit or Loss \$'000	Balance at 31 December \$'000
<b>Consolidated 2014</b>			
Property, plant and equipment	213	(164)	49
Employee benefits	1,678	188	1,866
Carry forward tax loss	6,184	-	6,184
Other items	1,686	(323)	1,363
	9,761	(299)	9,462

Unrecognised deferred tax assets relating to tax losses at 31 December 2015: \$88,000 (2014: \$416,000).

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 19. LOANS AND ADVANCES

	Consolidated	
	2015 \$'000	2014 \$'000
Margin lending	234,519	171,383
	<b>234,519</b>	<b>171,383</b>

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 31 December 2015 (2014: nil).

There is significant turnover in loans and advances. Based on historical experience, the Group's expectation is all but approximately 2% of loans may be realised in the next 12 months (2014: 6%), with the balance being realised after 12 months. Refer to Note 30 for further detail on the margin lending loans.

## 20. TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Settlement obligations	147,931	82,493
Sundry creditors and accruals	13,627	11,806
Segregated client liabilities	58,228	52,587
	<b>219,786</b>	<b>146,886</b>

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

## 21. DEPOSITS AND BORROWINGS

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

	Consolidated	
	2015 \$'000	2014 \$'000
Deposits (cash account) <sup>1</sup>	151,029	161,786
Due to Bell Cash Trust <sup>2</sup>	16,065	-
Cash advance facility <sup>3</sup>	61,000	15,000
	<b>228,094</b>	<b>176,786</b>

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

2. Represents funds held (Bell Cash Trust) which are held at call.

3. Represents drawn funds from available Bell Potter Capital cash advance facility of \$100 million (2014: \$100 million).

### 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		2015		2014	
Consolidated	2015 %	2014 %	Face Value \$'000	Carrying Amount \$'000	Face Value \$'000	Carrying Amount \$'000
Cash advance facility	2.61	3.19	61,000	61,000	15,000	15,000
Deposits (cash account)	1.29	1.77	151,029	151,029	161,786	161,786
Bell Cash Trust	1.29	0.00	16,065	16,065	-	-
			<b>228,094</b>	<b>228,094</b>	<b>176,786</b>	<b>176,786</b>



## 22. CURRENT TAX LIABILITIES

The current tax liability of the Group is \$2,264,690 (2014: \$1,366,245). This amount represents the amount of income taxes payable in respect of current and prior financial periods.

## 23. PROVISIONS

	Consolidated	
	2015 \$'000	2014 \$'000
Legal provision	550	150
	550	150
	2015 \$'000	2014 \$'000
Balance at 1 January	150	450
<b>Arising during the year:</b>		
Legal/other	650	535
<b>Utilised:</b>		
Legal/other	(250)	(835)
<b>Balance at 31 December</b>	<b>550</b>	<b>150</b>

### Legal provision

This amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measurable at 31 December 2015.

## 24. EMPLOYEE BENEFITS

	Consolidated	
	2015 \$'000	2014 \$'000
Salaries and wages accrued	18,597	14,251
Liability for annual leave	3,856	3,528
Total employee benefits	22,453	17,779
Liability for long-service leave	3,268	3,117
Total employee benefits	25,721	20,896

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

	Consolidated	
	2015	2014
Assumed rate of increase on wage/salaries	5.5%	5.5%
Discount rate	2.8%	2.6%
Settlement term (years)	7	7
Number of employees at year end	613	627

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>		
Profit/(loss) after tax:	16,399	5,952
<b>Adjustments for:</b>		
Depreciation and amortisation	1,109	1,091
Net (gain)/loss on investments	(702)	252
Disposals of property, plant and equipment	64	-
Equity-settled share-based payments	647	416
	17,517	7,711
(Increase)/decrease client receivables	(104,732)	7,560
(Increase)/decrease other receivables	2,262	(2,696)
(Increase)/decrease other assets	125	(37)
(Increase)/decrease deferred tax assets	(605)	300
(Increase)/decrease intangibles	(2,619)	(1,658)
Increase/(decrease) client payables	71,732	1,827
Increase/(decrease) other payables	1,449	1,160
Increase/(decrease) current tax liabilities	899	(553)
Increase/(decrease) provisions	5,225	4,270
Net cash from operating activities	(8,747)	17,884

### Reconciliation of cash

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

	2015 \$'000	2014 \$'000
<b>Group cash reserves</b>		
Cash on hand	13	13
Cash at bank	59,650	55,570
Short-term deposits	-	29
	59,663	55,612
<b>Margin lending cash</b>		
Cash at bank and short-term deposits	-	7,907
	-	7,907
<b>Client cash</b>		
Cash at bank (Trust account)	34,859	66,330
Segregated cash at bank (client)	17,811	13,690
	52,670	80,020
	112,333	143,539

## 26. CAPITAL AND RESERVES

### Share capital

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Ordinary shares</b>		
On issue at 1 January	164,284	164,284
Share issue	3,602	-
On issue at 31 December	167,886	164,284

### Movements in ordinary share capital

Date	Details	Number of Shares
1 January 2014	Opening balance	259,623,049
31 December 2014	<b>Balance</b>	<b>259,623,049</b>
1 January 2015	Opening balance	259,623,049
21 October 2015 share issue		7,663,431
31 December 2015	<b>Balance</b>	<b>267,286,480</b>

### Ordinary shares

On 21 October 2015, Bell Financial Group Ltd issued 7,663,431 fully paid ordinary shares as consideration for acquiring additional shares in Third Party Platform Pty Ltd, taking its ownership to 56.63% of Third Party Platform Pty Ltd.

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

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

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

### Treasury shares

As at 31 December 2015, there were 4,421,588 treasury shares outstanding (2014: 3,621,588).

### Retained earnings

As at 31 December 2015, there were retained profits of \$16.1 million (2014: \$12.2 million).

### Non-controlling interests

The non-controlling interests relate to ownership of Third Party Platform Pty Ltd at 43.37% (2014: 48.77%). Balance at 31 December 2015: \$4.5 million (2014: \$4.5 million).

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 26. CAPITAL AND RESERVES CONTINUED

### Foreign currency reserve

The foreign currency reserve comprises any movements in the translation of foreign currency balances. Balance at 31 December 2015: \$610,000 (2014: \$330,000).

### 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 2015: \$17,000 (2014: \$60,000).

### 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 2015: \$1.6 million (2014: \$1.1 million).

### Treasury shares reserve

The treasury shares reserve represents the cost of shares held by the Employee Share Trust that the Group is required to include in the Consolidated Financial Statements. Balance at 31 December 2015: \$2.3 million (2014: \$1.9 million).

## 27. DIVIDENDS

Dividends recognised in the current year by the Group are:

	Cents Per Share	Total Amount \$'000	Franked/ Unfranked	Date of Payment
<b>2015</b>				
Interim 2015 ordinary dividend	1.5	3,828	Franked	14 September 2015
Final 2015 ordinary dividend	-	-	-	-
<b>2014</b>				
Interim 2014 ordinary dividend	-	-	-	-
Final 2014 ordinary dividend	2.0	5,120	Franked	20 March 2015
			<b>Company</b>	
			<b>2015</b>	<b>2014</b>
			<b>\$'000</b>	<b>\$'000</b>
Dividend franking account				
30% franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years			<b>21,790</b>	19,547

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 \$3.4 million (2014: \$2.4 million).

## 28. EARNINGS PER SHARE

Earnings per share at 31 December 2015 based on profit after tax and a weighted average number of shares outlined below was 6.2 cents (2014: 2.3 cents). Diluted earnings per share at 31 December 2015 was 6.2 cents (2014: 2.3 cents).

### Reconciliation of earnings used in calculating EPS

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Basic earnings per share</b>		
Profit/(loss) after tax	16,399	5,952
Profit attributable to ordinary equity holders used for basic EPS	15,850	5,788
<b>Adjustments for calculation of diluted earnings per share</b>		
Profit attributable to ordinary equity holders used to calculate basic EPS	15,850	5,788
Effect of stock options issued	-	-
Profit attributable to ordinary equity holders used for diluted EPS	15,850	5,788

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

	Consolidated	
	2015	2014
Weighted average number of ordinary shares used to calculate basic EPS (net of treasury shares)	257,032,382	256,282,582
Weighted average number of ordinary shares at year end	257,032,382	256,282,582
Weighted average number of ordinary shares used to calculate diluted EPS	257,032,382	256,282,582

## 29. SHARE-BASED PAYMENTS

### Long-Term Incentive Plan (LTIP)

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

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 29. SHARE-BASED PAYMENTS CONTINUED

### Fair value of options granted

There were no share options granted during the year to 31 December 2015 (2014: nil). The fair value of outstanding share options was determined using the Black Scholes option pricing model. An outline of details and assumptions used in the valuation of share options granted is provided below:

Fair value of share options and assumptions	2013
Fair value at grant date	\$0.08386
Share price at grant date	\$0.55
Exercise price at grant date	\$0.80
Option life (expected weighted average life)	28 May 2017 <sup>1</sup>
Expected volatility (weighted average volatility)	45.76%
Risk-free interest rate (based on government bonds)	2.62%

1. Options can be exercised for a period of up to 12 months from exercise date.

The number and weighted average exercise prices of share options is as follows:

	Weighted Average Exercise Price 2015	Number of Options 2015	Weighted Average Exercise Price 2014	Number of Options 2014
Outstanding 1 January	-	22,650,000	-	23,000,000
Granted during the year	-	-	-	-
Forfeited during period	-	(1,820,000)	-	(350,000)
<b>Outstanding 31 December</b>	-	<b>20,830,000</b>	-	22,650,000
Exercised 31 December	-	-	-	-

### Performance rights

Under the LTIP Rules, performance rights are deferred equity taken as 100% shares, with the conditions, including vesting and the period of deferral, governed by the terms of the grant. Unvested performance rights are forfeited in certain situations set out in the LTIP Rules. Ordinary shares allocated under the LTIP on exercise of performance rights may be held in trust beyond the deferral period. The issue price for the 2012 performance rights is based on the closing price of the shares traded on the ASX on the grant date. The issue price for the 2015 performance rights is based on the closing price of the shares traded on the ASX on the grant date.

Reconciliation of outstanding performance rights:

	2015 '000	2014 '000
Outstanding 1 January	200	2,439
Granted during the year	1,000	-
Forfeited during the year	-	-
Exercised during the year	(200)	(2,239)
Outstanding balance 31 December	1,000	200

### Expenses arising from share-based payment transactions

	Consolidated	
	2015 \$'000	2014 \$'000
Employee share options	501	622
Performance rights	146	416
Total expense recognised as employee costs	647	1,038

### 30. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, currency and liquidity risks arises 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:

		<b>Consolidated</b>	
	<b>Note</b>	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Trade debtors	13	142,779	53,742
Clearing house deposits	13	9,668	2,707
Segregated deposits with clearing brokers	13	14,710	5,976
Loans and advances	19	234,519	171,383
Sundry debtors	13	3,156	5,418

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

#### Consolidated

	<b>Gross 2015 \$'000</b>	<b>Impairment 2015 \$'000</b>	<b>Gross 2014 \$'000</b>	<b>Impairment 2014 \$'000</b>
<b>Ageing of receivables</b>				
Not past due	142,057	-	52,741	-
Past due 0-30 days	647	-	930	-
Past due 31-365 days	75	-	71	-
More than one year	-	-	-	-

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 30. FINANCIAL INSTRUMENTS CONTINUED

### Liquidity risk

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

	Carrying Amount \$'000	Contracted Cash Flow \$'000	6 Months or Less \$'000	6–12 Months \$'000	1–2 Years \$'000	2–5 Years \$'000	5+ Years \$'000
<b>Consolidated 2015</b>							
<b>Non-derivative liabilities</b>							
Trade and other payables	219,786	(219,786)	(219,786)	-	-	-	-
Cash deposits	151,029	(151,029)	(151,029)	-	-	-	-
Cash advance facilities	61,000	(61,000)	(61,000)	-	-	-	-
Bell Cash Trust	16,065	(16,065)	(16,065)	-	-	-	-
<b>Derivative liabilities</b>							
Hedging derivative	17	(17)	(17)	-	-	-	-

	Carrying Amount \$'000	Contracted Cash Flow \$'000	6 Months or Less \$'000	6–12 Months \$'000	1–2 Years \$'000	2–5 Years \$'000	5+ Years \$'000
<b>Consolidated 2014</b>							
<b>Non-derivative liabilities</b>							
Trade and other payables	146,886	(146,886)	(146,886)	-	-	-	-
Cash deposits	161,786	(161,786)	(161,786)	-	-	-	-
Cash advance facilities	15,000	(15,000)	(15,000)	-	-	-	-
Bell Cash Trust	-	-	-	-	-	-	-
<b>Derivative liabilities</b>							
Hedging derivative	60	(60)	(60)	-	-	-	-

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



## Market risk

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

### Interest rate risk

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

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

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

### Equity price risk

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

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

### Foreign currency risk

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

## Sensitivity analysis

### Interest rate risk

At 31 December 2015, it is estimated that a general decrease of one-percentage point in interest rates would decrease the Group's profit before income tax by approximately \$1.12 million (2014: \$1.36 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 2015, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately \$0.21 million (2014: \$0.03 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 2015

## 30. FINANCIAL INSTRUMENTS CONTINUED

### Effective interest rates

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

		2015						
Consolidated	Note	Average Effective Interest Rate %	Total \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
<b>Fixed rate instruments</b>								
Cash and cash equivalents	12	0.00	-	-	-	-	-	-
Loans and advances	19	4.39	86,015	77,222	2,643	4,850	1,300	-
Deposits and borrowings	21	2.87	(415)	(415)	-	-	-	-
Cash advance facility	21	2.61	(61,000)	(61,000)	-	-	-	-
			24,600	15,807	2,643	4,850	1,300	-
<b>Variable rate instruments</b>								
Cash and cash equivalents	12	2.00	112,333	112,333	-	-	-	-
Loans and advances	19	5.23	148,504	148,504	-	-	-	-
Deposits and borrowings	21	1.28	(150,614)	(150,614)	-	-	-	-
Bell Cash Trust	21	1.28	(16,065)	(16,065)	-	-	-	-
			94,158	94,158	-	-	-	-

### Fair value measurements

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

The following table shows the carrying over amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying Amount				
	Note	Designated at Fair Value \$'000	Fair Value Hedging Instruments \$'000	Loans and Receivables \$'000	Other Financial Liabilities \$'000	Total \$'000
<b>31 December 2015</b>						
<b>Financial assets measured at fair value</b>						
Equity securities/unlisted options	14	2,120	-	-	-	2,120
		2,120	-	-	-	2,120
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	13	-	-	170,313	-	170,313
Cash and cash equivalents	12	-	-	112,333	-	112,333
Loans and advances	19	-	-	234,519	-	234,519
		-	-	517,165	-	517,165
<b>Financial liabilities measured at fair value</b>						
Interest rate swaps used for hedging		-	17	-	-	17
		-	17	-	-	17
<b>Financial liabilities not measured at fair value</b>						
Trade and other payables	20	-	-	-	219,786	219,786
Deposits and borrowings	21	-	-	-	228,094	228,094
		-	-	-	447,880	447,880
		-	-	-	-	-

	Average Effective Interest Rate %	2014					
		Total \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000
	3.09	10,576	10,576	-	-	-	-
	5.05	58,951	56,702	949	-	1,300	-
	3.31	(8,208)	(8,208)	-	-	-	-
	3.19	(15,000)	(15,000)	-	-	-	-
		46,319	44,070	949	-	1,300	-
	2.50	132,963	132,963	-	-	-	-
	6.15	112,432	112,432	-	-	-	-
	1.69	(153,578)	(153,578)	-	-	-	-
	0.00	-	-	-	-	-	-
		91,817	91,817	-	-	-	-

#### Fair Value

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	1,812	308	-	2,120
	1,812	308	-	2,120
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	17	-	17
	-	17	-	17
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 30. FINANCIAL INSTRUMENTS CONTINUED

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

			Carrying Amount			
	Note	Designated at Fair Value \$'000	Fair Value Hedging Instruments \$'000	Loans and Receivables \$'000	Other Financial Liabilities \$'000	Total \$'000
<b>31 December 2014</b>						
<b>Financial assets measured at fair value</b>						
Equity securities/unlisted options	14	288	-	-	-	288
		288	-	-	-	288
<b>Financial assets not measured at fair value</b>						
Trade and other receivables	13	-	-	67,843	-	67,843
Cash and cash equivalents	12	-	-	143,539	-	143,539
Loans and advances	19	-	-	171,383	-	171,383
		-	-	382,765	-	382,765
<b>Financial liabilities measured at fair value</b>						
Interest rate swaps used for hedging		-	60	-	-	60
		-	60	-	-	60
<b>Financial liabilities not measured at fair value</b>						
Trade payables	20	-	-	-	146,886	146,886
Deposits and borrowings	21	-	-	-	176,786	176,786
		-	-	-	323,672	323,672

### (b) Accounting classifications and fair values

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

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

Level 2 – Unlisted options – the valuation technique using observable inputs. The valuation is based on the Black Scholes model.

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

### Fair Value

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	284	4	-	288
	284	4	-	288
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	60	-	60
	-	60	-	60
	-	-	-	-
	-	-	-	-
	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 31. OPERATING LEASE COMMITMENTS

### Leases as lessee

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

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Less than one year	6,543	8,745
Between one and five years	34,209	23,761
More than five years	20,243	12,447
	<b>60,995</b>	<b>44,953</b>

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

## 32. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 31 December 2015 the parent company of the Group was Bell Financial Group Ltd.

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Results of the parent entity</b>		
Profit for the year	8,213	4,526
Total comprehensive income for the year	8,213	4,526

### Financial position of parent entity at year end

Current assets	-	14
Non-current assets	171,652	166,931
Total assets	171,652	166,945
Current liabilities	20,056	18,411
Total liabilities	20,056	18,411
<b>Total equity of the parent entity comprising of:</b>		
Contributed equity	167,886	164,284
Reserves	(624)	(820)
Retained earnings/(losses)	(15,666)	(14,930)
Total equity	151,596	148,534

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

### 33. RELATED PARTIES

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

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

#### KMP compensation

The KMP compensation comprised:

	Consolidated	
	2015	2014
	\$	\$
Short-term employee benefits	3,488,275	3,512,624
Other long-term benefits	-	-
Post-employment benefits	210,043	182,430
Termination benefits	-	-
Share-based payments	16,773	21,665
	3,715,091	3,716,719

#### Loans to KMP and their related parties

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

	Balance 1 January 2015 \$	Balance 31 December 2015 \$	Interest Paid and Payable in the Reporting Period \$	Highest Balance in Period \$
<b>Directors</b>				
C Bell	1,951,884	2,544,708	111,320	2,757,121
A Provan	-	-	-	-
C Coleman	1,020,412	-	27,039	1,216,916
G Cubbin	-	-	-	-
B Wilson	-	-	-	-
B Shanahan	-	-	-	-
C Aitken	-	-	-	-
<b>Senior Executives</b>				
L Bell	107,253	312,470	8,267	396,316
A Bell	250,000	300,000	13,846	473,387
R Fell	349,162	337,290	18,311	566,503
D Davenport	55,029	87,606	3,210	87,606

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 33. RELATED PARTIES CONTINUED

### Loans to KMP and their related parties CONTINUED

	Balance 1 January 2014 \$	Balance 31 December 2014 \$	Interest Paid and Payable in the Reporting Period \$	Highest Balance in Period \$
<b>Directors</b>				
C Bell	2,039,163	1,951,884	101,938	2,414,376
A Provan	-	-	-	-
C Coleman	944,559	1,020,412	66,531	1,867,500
G Cubbin	-	-	-	-
B Wilson	-	-	-	-
B Shanahan	-	-	-	-
C Aitken	1,393,211	-	70,884	1,589,070
<b>Senior Executives</b>				
L Bell	137,144	107,253	9,070	649,669
A Bell	211,286	250,000	22,198	614,435
R Fell	259,616	349,162	20,396	436,648
D Davenport	54,565	55,029	3,239	55,157

Loans totalling \$3,582,074 (2014: \$3,733,740) were made to key management persons and their related parties during the year. The recipients of these loans were Colin Bell, Craig Coleman, Lewis Bell, Andrew Bell, Rowan Fell and Dean Davenport. The loans represent margin loans held with Bell Potter Capital Limited. Interest is payable at prevailing market rates. Related parties also have deposits on normal terms and conditions.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to key management persons 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*
<b>Total for key management personnel 2015</b>	<b>3,733,740</b>	<b>3,582,074</b>	<b>181,933</b>	<b>28</b>
Total for key management personnel 2014	5,039,544	3,733,740	294,256	27
<b>Total for other related parties 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total for other related parties 2014	-	-	-	-
<b>Total for key management personnel and their related parties 2015</b>	<b>3,733,740</b>	<b>3,582,074</b>	<b>181,933</b>	<b>28</b>
Total for key management personnel and their related parties 2014	5,039,544	3,733,740	294,256	27

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

Interest is payable at prevailing market rates on all loans to key management persons and their related entities. These rates are available to all clients and may vary marginally depending on individual negotiations. The principal amounts are repayable per terms agreed on an individual basis. Interest received on the loans totalled \$181,933 (2014: \$294,256). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectable.



## Movements in shares 2015

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 2015	Purchases	Received on Exercise of Options	Sales	Held at 31 December 2015
<b>Directors</b>					
C Bell*	33,868,552	344,539	-	-	34,213,091
A Provan*	34,080,810	344,539	-	-	34,425,349
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
B Wilson	1,000,000	-	-	-	1,000,000
B Shanahan	250,000	-	-	-	250,000
<b>Senior Executives</b>					
L Bell*	33,005,887	384,539	-	-	33,390,426
A Bell*	25,262,478	316,270	-	-	25,578,748
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949

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

## Movements in shares 2014

	Held at 1 January 2014	Purchases	Received on Exercise of Options	Sales	Held at 31 December 2014
<b>Directors</b>					
C Bell*	33,825,602	42,950	-	-	33,868,552
A Provan*	33,680,810	400,000	-	-	34,080,810
C Aitken	5,460,000	811,381	-	6,271,381	-
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	180,000	-	-	-	180,000
B Wilson	1,000,000	-	-	-	1,000,000
B Shanahan	250,000	-	-	-	250,000
<b>Senior Executives</b>					
L Bell*	32,930,887	75,000	-	-	33,005,887
A Bell*	25,162,478	100,000	-	-	25,262,478
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 33. RELATED PARTIES CONTINUED

### Other KMP transactions

Bell Financial had an option to purchase the remaining shares of Bell Direct from the current shareholders. The current shareholders include Directors of Bell Financial. The option expired on 31 January 2015.

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

### Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group Ltd. There are no outstanding amounts owed by the ultimate parent entity at 31 December 2015 (2014: nil). There is no interest receivable at 31 December 2015 (2014: nil).

### Subsidiaries

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

Subsidiary	2015 \$	2014 \$
Bell Potter Financial Planning Limited <sup>1</sup>	33	393
Third Party Platform Pty Limited <sup>2</sup>	3,000,000	2,000,000
Bell Potter Capital Limited <sup>3</sup>	8,032,902	8,000,000
	11,032,935	10,000,393

1. Loan is interest free and unsecured.

2. The loan from the parent entity to Third Party Platform Pty Limited represents a subordinated loan that attracts interest at 3.57% per annum (2014: 4.14% per annum).

3. The loan from the parent entity to Bell Potter Capital Limited represents a subordinated loan that attracts interest at 3.50% per annum (2014: 4.00% per annum).

Loans made by wholly owned subsidiaries to the Company: \$17,431,588 (2014: \$17,087,406).

During the course of the financial year subsidiaries conducted transactions with each other on terms equivalent to those on an arm's length basis. They are fully eliminated on consolidation. As at 31 December 2015, all outstanding amounts are considered fully collectable.

## 34. GROUP ENTITIES

### Parent entity

	Incorporation	Country of Ownership	
		Interest	
Bell Financial Group Ltd		2015	2014
<b>Significant subsidiaries</b>			
Bell Potter Securities Limited	Australia	100%	100%
Bell Potter Capital Limited	Australia	100%	100%
Third Party Platform Pty Limited	Australia	56.63%	51.23%
Bell Potter Securities Limited (UK)	United Kingdom	100%	100%
Bell Potter Securities Limited (HK)	Hong Kong	100%	100%

## 35. GUARANTEES

From time to time Bell Financial has provided financial guarantees in the ordinary course of business that amount to \$6.1 million (2014: \$8.2 million) and are not recorded in the Statement of Financial Position as at 31 December 2015.

## 36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the year ended 31 December 2015

## 37. SUBSEQUENT EVENTS

There were no significant events from 31 December 2015 to the date of this report.

### Final dividend

On 24 February 2016, the Directors resolved to pay a fully franked final dividend of 3.0 cents per share.

## 38. AUDITOR'S REMUNERATION

	Consolidated	
	2015	2014
	\$	\$
<b>Audit services</b>		
Auditors of the Company		
<b>KPMG Australia:</b>		
Audit and review of financial reports	409,000	412,000
Total remuneration for audit services	409,000	412,000
<b>Audit related services</b>		
Auditors of the Company		
<b>KPMG Australia:</b>		
Other regulatory audit services	111,000	93,000
Total remuneration for audit related services	111,000	93,000
Non-audit related services	-	-
	520,000	505,000

# DIRECTORS' DECLARATION

For the year ended 31 December 2015

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 17 to 58 and the Remuneration Report on pages 10 to 15 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 2015 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (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 2015.
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 24th day of February 2016.



**Colin Bell**

Executive Chairman

24 February 2016

# INDEPENDENT AUDITOR'S REPORT



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

### REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bell Financial Group Ltd (the Group), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss 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 38 comprising a summary of significant accounting policies, 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 Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB101 *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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

**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 2015 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).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 31 December 2015. The directors of the Group 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 Ltd for the year ended 31 December 2015 complies with Section 300A of the *Corporations Act 2001*.

KPMG

**Dean M Waters**  
Partner

Melbourne  
24 February 2016

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 January 2016.

## DISTRIBUTION OF SHARES

Range	Number of Shareholders	Number of Shares	% of Issued Capital
1–1,000	254	149,008	0.06
1,001–5,000	598	1,964,045	0.73
5,001–10,000	291	2,474,392	0.93
10,001–100,000	477	16,769,523	6.27
100,001 and over	97	245,929,512	92.01
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>1,717</b>	<b>267,286,480</b>	<b>100.00</b>

Unmarketable parcels	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.5350 per unit	935	169	64,008

## TWENTY LARGEST SHAREHOLDERS

Rank	Name	Number of Shares	% of Issued Capital
1	BELL GROUP HOLDINGS PTY LIMITED	117,967,345	44.14
2	UBS NOMINEES PTY LTD	42,232,044	15.80
3	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	12,884,896	4.82
4	EQUITAS NOMINEES PTY LIMITED	10,500,000	3.93
5	BELL POTTER NOMINEES LTD	5,496,188	2.06
6	NATIONAL NOMINEES LIMITED <DB A/C>	5,302,859	1.98
7	MR ANAND SELVARAJAH	3,660,477	1.37
8	MR LEE WILLIAM MUCO	2,897,776	1.08
9	BNP PARIBAS NOMS PTY LTD	2,831,916	1.06
10	MERIVALE INVESTMENTS PTY LTD	1,880,331	0.70
11	COLIN BELL PTY LTD	1,845,522	0.69
12	NATIONAL NOMINEES LIMITED	1,836,070	0.69
13	FATTY HOLDINGS PTY LTD	1,733,019	0.65
14	MR LIONEL ALEXANDER MCFADYEN	1,687,480	0.63
15	UBS NOMINEES PTY LTD	1,667,310	0.62
16	JP MORGAN NOMINEES AUSTRALIA LIMITED	1,628,390	0.61
17	BOND STREET CUSTODIANS LIMITED	1,300,914	0.49
18	MR ALASTAIR PROVAN & MRS JANIS PROVAN	1,300,730	0.49
19	BELL SECURITIES PTY LIMITED	1,300,000	0.49
20	MORSON HOLDINGS PTY LTD	1,174,749	0.44



## SUBSTANTIAL SHAREHOLDINGS

The following shareholders were registered by the Company as substantial shareholders, having declared a relevant interest in accordance with the Corporations Act 2001:

Substantial shareholder	Number of Shares	% of Issued Capital
BELL GROUP HOLDINGS PTY LIMITED (BGH)	119,267,345	44.62 <sup>1</sup>
COLIN BELL	121,870,978	45.59 <sup>2,5</sup>
ALASTAIR PROVAN	122,083,236	45.67 <sup>3,5</sup>
LEWIS BELL	121,048,313	45.28 <sup>4,5</sup>
UBS AG, AUSTRALIA BRANCH	42,232,044	15.80
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	12,884,896	4.82

1. BGH holds 117,967,345 BFG ordinary shares. Bell Securities Pty Limited (BSPL), a wholly owned subsidiary of BGH, holds 1,300,000 BFG ordinary shares. BGH is deemed under the Corporations Act to have BSPL's relevant interest in these shares. BGH therefore has a relevant interest in 119,267,345 BFG ordinary shares.
2. Colin Bell has a relevant interest in 2,603,633 BFG ordinary shares.
3. Alastair Provan has a relevant interest in 2,815,891 BFG ordinary shares.
4. Lewis Bell has a relevant interest in 1,780,968 BFG ordinary shares.
5. Colin Bell, Alastair Provan and Lewis Bell are deemed under the Corporations Act to have BGH's relevant interest in its 119,267,345 BFG ordinary shares because each has voting power in BGH above 20%.

## Ordinary shares

Refer to Note 26 in the Financial Statements.

## Voting rights

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

## On-market buy-back

There is no current on-market buy-back.

## Voluntary restrictions

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

# DIRECTORY

## BELL FINANCIAL GROUP LIMITED

Incorporated in Victoria on 30 June 1998

### ABN

59 083 194 763

### DIRECTORS

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

### COMPANY SECRETARY

Cindy-Jane Lee

### REGISTERED AND HEAD OFFICE

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

### SHARE REGISTRY

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

### ASX CODE

#### BFG

Shares are listed on the Australian Securities Exchange

### BANKER

Australia and New Zealand Banking Group Limited

### AUDITOR

KPMG

### WEBSITE ADDRESS

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



