ASX RELEASE.

BELL FINANCIAL GROUP

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20 February 2019

ASX Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Via ASX Online

BELL FINANCIAL GROUP LIMITED – RESULTS FOR ANNOUNCEMENT TO THE MARKET

In accordance with the Listing Rules, please find attached for immediate release:

1. Appendix 4E; and
2. 2018 Annual Report.

Cindy-Jane Lee
General Counsel & Company Secretary

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Appendix 4E (Preliminary final report)

Results for announcement to the market

ASX Listing Rule 4.3A

Bell Financial Group Limited ABN 59 083 194 763 and its subsidiaries

Reporting period:	1 January 2018 to 31 December 2018
Previous corresponding period:	1 January 2017 to 31 December 2017

	Year ended 31 December 2018 $ '000	Year ended 31 December 2017 $ '000	
Revenue from ordinary activities	220,016	205,763	Up 7%
Profit from ordinary activities after tax attributable to shareholders	24,692	20,635	Up 20%
Net tangible assets per ordinary shares	$0.19	$0.23	

Dividend per ordinary share	**Amount per share**	**Record date**	**Payment date**
2018 Interim dividend per share	2.75 cents	17 August 2018	29 August 2018
2018 Final dividend per share (declared)	4.25 cents	8 March 2019	20 March 2019

Additional Appendix 4E disclosure requirements can be found in the 2018 Annual Report lodged separately with this document. This report is based on the consolidated financial statements which have been audited by KPMG.

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ANNUAL REPORT 2018

BELL FINANCIAL GROUP

CONTENTS

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HIGHLIGHTS

Bell Financial Group Ltd is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. Bell Financial Group has over 650 employees, operates across 16 offices in Australia and has offices in New York, London, Hong Kong and Kuala Lumpur.

Full Year Dividend

7.0 cents

11.8% Gross dividend yield

Earnings per share

8.5 cents

Increased by 9%

Revenue

$220 million

Increased by 7%

Net Profit After Tax

$24.7 million

Increased by 20%

Funds Under Advice

$46.8 billion

Decreased by 1%

BELL POTTER BELL POTTER CAPITAL

BELL COMMODITIES BELL FX

belldirect

OPERATING AND FINANCIAL REVIEW

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2018 was a significant year for Bell Financial Group. In addition to a strong operating performance we moved to 100% ownership of Third Party Platform, opened a New York office and launched a new investment service, the "Bell Potter Guided Portfolio Service".

Group revenue increased by 7% to $220 million producing a net profit after tax of $24.7 million, a 20% increase on the previous year (2017: $20.6 million).

The Board declared a final fully franked dividend of 4.25 cents per share, taking the full year dividend to 7.0 cents per share, fully franked.

Based on our year end closing price of 85 cents per share this represents a grossed up dividend yield of 11.8%.

Third Party Platform Acquisition

The acquisition of Third Party Platform (TPP), which took our ownership from 56.63% to 100%, was completed on 3rd July 2018. The transaction, executed via a renounceable rights issue, received strong support with 99.7% of eligible shareholders voting in favour of the acquisition and 95.4% of eligible shareholders taking up their entitlements.

belldirect

desktopbroker

BELL POTTER ONLINE

This is an important transaction for the Group. Investment in technology and platforms is a core strategy which brings value through diversification and growth of non-traditional revenue streams and provides us with a significant competitive edge.

The TPP platform through its brand names, Bell Direct, Desktop Broker and Bell Potter Online, plus its white label partners Macquarie Online and HSBC Online provides access to the only fully integrated open architecture platform in Australia. It has a high degree of operating leverage and we anticipate will be an important contributor to the Group.

In addition we expect to achieve significant regulatory capital and operating synergies as TPP's platform and technologies are rolled out and integrated across the Group.

Bell Potter Guided Portfolio Service – (www.bellpotter.com.au/gps)

At the end of the year we launched a new investment service, the Bell Potter Guided Portfolio Service (GPS). GPS is an efficient, cost effective way for clients to invest in a number of professionally designed model portfolios while retaining ownership and control of the underlying assets.

We anticipate this product will have particular appeal to clients of Bell Direct and Desktop Broker and to certain private clients of Bell Potter Securities.

Bell Potter New York Office

Our US licence application was approved in July and the Bell Potter New York office is now fully operational. We are confident New York will be a positive addition to the Group and will provide a new dimension to our international institutional capabilities.

In addition to Australia we now have a presence in Hong Kong, the UK and the US.

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Technology

Technology is the key to our future growth. Our intellectual property (IP) provides efficiencies across all areas of our business. It has applications for marketing, business development, compliance, trade execution, clearing and settlement, customer service, price discovery, and adviser efficiency and education.

It is already a crucial element in our staff recruitment programme.

We have a dedicated technology team of 69 across the Group. In addition to IT infrastructure and support staff, we employ professional developers and programmers who not only maintain and enhance our existing platforms, but also have a number of projects in the development stage.

IQ – our price discovery and trade execution platform is being progressively rolled out across the network. We believe we will have the opportunity to market IQ to third party users in the future.

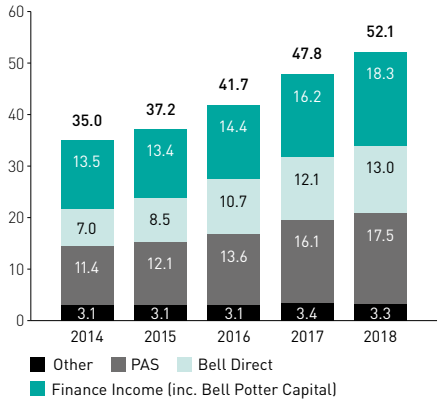
FUSION – our unique client relationship management (CRM) and compliance desktop application, purpose built for Adviser productivity.

TPP – our fully integrated open architecture execution and clearing platform.

We also provide product and platform services such as cash, margin lending, superannuation, portfolio administration, fixed income and managed funds which utilise third party technologies.

Aggregate revenues across these various products and services in 2018 was $52.1 million representing 24% of Group gross revenue.

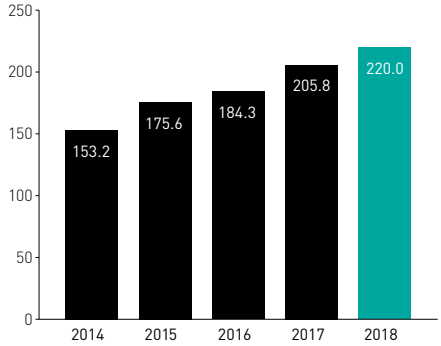
Platform, Product and Service Fee Income ($Am) 2014–2018



Revenue Growth

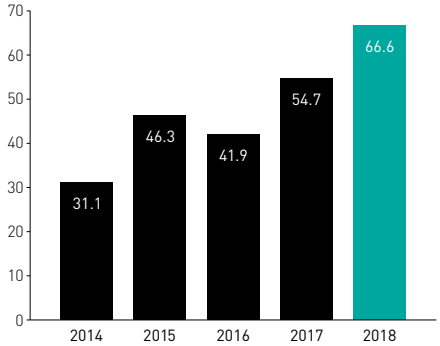
The Group provides a range of products and services to customers across our network. These produce a diversified revenue stream, leverage to the market, growth opportunities, scalability and most importantly reinforce the value and sustainability of our business model.

Revenue ($Am) 2014–2018



2018 was another consecutive year of consistent growth with gross revenues up 7% on the previous year. The increase was broadly based with a strong contribution from Equity Capital Markets (ECM) division.

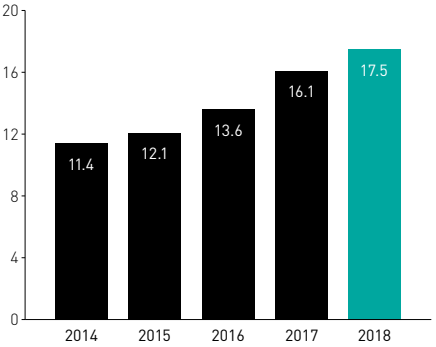
Equity Capital Markets Revenue ($Am) 2014–2018



Over the course of the year our ECM division successfully completed 120 transactions raising $1.7 billion in new equity capital and generating nearly $67 million in fee income.

This was the divisions strongest performance to date and underpins our belief that Bell Potter Securities is the Equity Capital Markets leader in the Australian equities small and mid-cap sector.

Portfolio Administration Service Revenue ($Am) 2014–2018



The Portfolio Administration Service (PAS) produced its fifth consecutive year of revenue growth with an increase of 9% in 2018. We believe this is a high quality service which now has 2,350 clients with $3.3 billion in assets under administration across our Portfolio Administration, Super Solutions and Super Command products.

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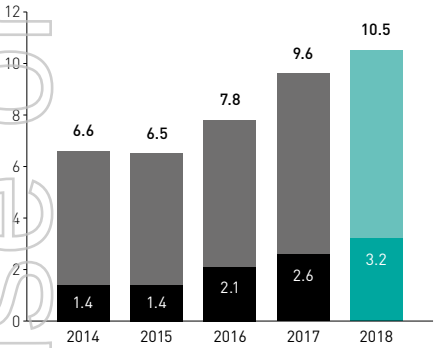
Bell Potter Capital ($Am) 2014–2018

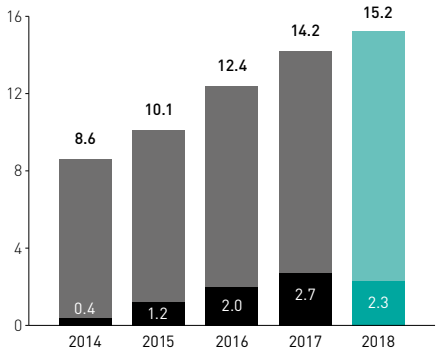


Bell Potter Capital revenue grew by 9% in 2018 to $10.5 million.

While average loan and cash balances were generally higher during the year, the extremely volatile market conditions experienced in the 4th quarter resulted in only modest loan book growth of 4% to $296 million. The cash book was actually down by 13% to $276 million reflecting repayment of margin loans.

Profit before tax grew by 22% to $3.2 million as a result of the higher average cash and loan balances throughout the course of the year and steady margins.

Third Party Platform ($Am) 2014–2018



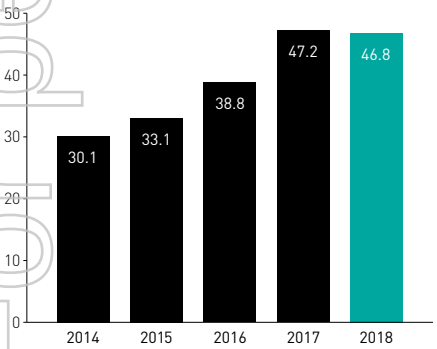
Third Party Platform (TPP) revenue grew by 7% to $15.2 million.

There were additional development costs incurred over the course of the year with the rollout of new products such as GPS and IQ plus one-off set up costs relating to new Desktop Broker clients involving Chi-X, Bloomberg and Omgeo connectivity resulting in a small net profit decline for the year.

The business now has 130,000 active clients with sponsored holdings of $16.5 billion and client cash of $115 million.

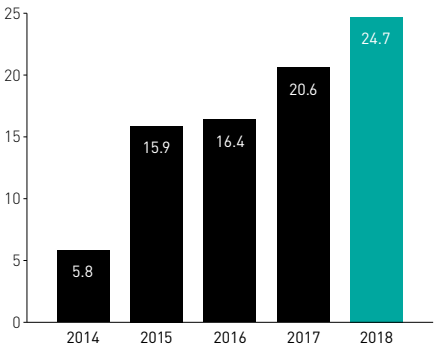
TPP operates out of three offices in Sydney, Perth and Kuala Lumpur and will play an increasingly important role in consolidation of systems and operations across the entire Group.

Funds Under Advice ($Am) 2014–2018



Funds under Advice at the end of the year also reflected the sharp 4th Quarter market sell off and at $46.8 billion were slightly lower than $47.2 billion at the end of 2017. $5.2 billion of this was held in various fee for service products, marginally ahead of the $5 billion in 2017.

Net Profit/(Loss) After Tax ($Am) 2014–2018



- Net profit after tax: $24.7 million
- Earnings per share: 8.5 cents
- Final dividend: 4.25 cents per share (fully franked)
- Full year dividend: 7.0 cents per share (fully franked)
- Gross dividend yield[1]: 11.8%
- PE multiple[1]: 11 times

1. Based on 31 December 2018 share price.

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Outlook

There are presently too many variables in play to make an accurate assessment of likely market outcomes for 2019.

Globally, uncertainty surrounds Brexit, the European economy and the ongoing trade war between China and the US. Domestically, we have an uncertain interest rate environment, a continuing downturn in the residential property market and the prospect of upcoming State and Federal elections. We expect market volatility to continue to be a factor in the short to medium term.

What we do know is our business and business model are both robust which has enabled us to successfully navigate many different economic cycles over the last four decades. Additionally, we have a solid pipeline of work and we remain committed to investing in and growing our business.

Colin Bell
Executive Director

Alastair Provan
Managing Director

DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors of Bell Financial Group Limited (Bell Financial or the Company) present their report, together with the financial report, on the consolidated entity (Group) consisting of Bell Financial and its controlled entities for the financial year ended 31 December 2018.

Board of Directors

The names and details of the Directors of the Company holding office during the financial year and as at the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

Colin Bell
BEcon (Hons)

Mr Bell was the Executive Chairman of Bell Financial during the financial year with 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. Mr Bell temporarily stepped down as Chairman on 24 January 2019, however remains on the Board as an Executive Director.

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. Since 24 January 2019, Mr Provan has also held the role of Acting Chairman. 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 and public equities fund manager, Viburnum Funds Pty Ltd. Previously, he was Managing Director and a Non-Executive Director of Home Building Society Limited. Prior to joining Home Building Society, Mr Coleman held a number of senior executive positions and directorships with ANZ, including Managing Director – Banking Products, Managing Director – Wealth Management and Non-Executive Director of Etrade Australia Limited.

Other listed companies – past three years

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

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. He is a Non-Executive Director of Teys Australia Pty Ltd.

Other listed companies – past three years

Chairman, McPherson's Limited (September 2010–present)
Non-Executive Director, WPP AUNZ Limited (May 2008–present)
Non-Executive Director, White Energy Company Limited (February 2010–present)
Non-Executive Director, Challenger Limited (January 2004–October 2018)

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Brian Wilson AO
MComm (Hons), Hon DUniv

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

Brenda Shanahan
BComm, FAICD

Ms Shanahan was appointed as a Non-Executive Director in June 2012 and ceased on 20 November 2018. Ms Shanahan was an independent Director and a member of the Group Risk and Audit Committee and the Remuneration Committee. She has served in senior executive and board roles in Australia and overseas, primarily in the finance and stockbroking industries, during a career spanning more than 30 years. Ms Shanahan is the Chair of the Aikenhead Centre for Medical Discovery, a Director of the Kimberley Foundation Australia and a Non-Executive Director of DMP Asset Management Ltd. Ms Shanahan has previously been an Executive Director of JM Financial Group Limited, May Mellor, Equitlink Limited and Mercer.

Other listed companies – past three years

Non-Executive Director, Clinuvel Pharmaceuticals Limited (February 2007–present)
Non-Executive Director, Phoslock Environmental Technologies Limited (September 2017–present)
Non-Executive Director, Challenger Limited (April 2011–October 2017)

Principal activities

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 650 employees, operates across 16 offices in Australia and has offices in New York, London, Hong Kong and Kuala Lumpur.

Review and results of operations

Information on the operations and financial position of the Group is set out in our Operating and Financial Review on pages 2 to 5.

Dividends

On 20 February 2019, the Directors resolved to pay a fully franked final dividend of 4.25 cents per share.

Dividends paid to shareholders during the year ended 31 December 2018 were as follows:

Dividend	Per share	Total $'000	Fully Franked	Date of payment
Final 2017 ordinary	5.50 cents	14,570	Yes	21 March 2018
Interim 2018 ordinary	2.75 cents	8,742	Yes	29 August 2018

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 2018.

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.

Directors' meetings

The number of Board and Committee meetings held during the year that each Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Group Risk and Audit Committee		Remuneration Committee		Independent Directors Committee[2]	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Colin Bell	5	2	–	–	–	–	–	–
Alastair Provan	5	5	–	–	1	–	–	–
Craig Coleman	5	5	4	4	1	1	–	–
Graham Cubbin	5	5	4	4	1	1	5	5
Brian Wilson AO	5	5	–	–	–	–	5	5
Brenda Shanahan[1]	5	5	3	3	1	1	5	4

1. Ceased on 20 November 2018.
2. For the purposes of the acquisition of 43.37% of Third Party Platform Ltd and the underwritten entitlement offer.

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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 2018.

Director	Fully paid ordinary shares	Deemed relevant interest	Total
Colin Bell	4,324,361	146,230,350[1]	150,554,711
Alastair Provan	4,699,070	146,230,350[1]	150,929,420
Craig Coleman	2,126,740	–	2,126,740
Graham Cubbin	216,000	–	216,000
Brian Wilson AO	1,200,000	–	1,200,000

1. Bell Group Holdings Pty Limited (BGH) holds 143,998,350 BFG ordinary shares. BGH's wholly-owned subsidiary, Bell Securities Pty Limited (BSPL) holds 2,232,000 BFG ordinary shares. Colin Bell and Alastair Provan each hold more than 20% of BGH and therefore under the Corporations Act they are each deemed to have a relevant interest in the 146,230,350 BFG ordinary shares held by BGH and BSPL.

Company Secretary

Cindy-Jane Lee, BEc, LLB, GAICD was appointed as Company Secretary on 10 January 2014 and is also the Group's General Counsel. Before joining Bell Financial, Ms Lee held the position of Regional Legal Counsel, South Asia with Mercer. Ms Lee has over 18 years' experience in corporate and financial services law working in law firms and multinational companies in Australia, London and Singapore. Ms Lee holds a Bachelor of Economics and a Bachelor of Laws from Monash University.

Corporate Governance

Bell Financial recognises the importance of good corporate governance. As required under the ASX listing rules, Bell Financial has a Corporate Governance Statement which has been lodged with the ASX, disclosing the extent to which it has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. A copy of our Corporate Governance Statement is located at the Corporate Governance section of our website: www.bellfg.com.au/corporategovernance. 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 related entity) that may arise from their position as officers of Bell Financial or its controlled entities, except where the liability arises out of conduct including a lack of good faith. Except for the above, neither Bell Financial nor any of its controlled entities has indemnified any person who is or has been an officer or auditor of Bell Financial or its controlled entities. Since the end of the previous financial year Bell Financial has paid a premium for an insurance policy for the benefit of the Directors, officers, company secretaries and senior executives. The insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liability covered.

Environmental regulation

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

Non-audit services

During the year, Bell Financial's auditor, KPMG, performed certain other services in addition to its statutory auditor duties. Details of the amounts paid to KPMG for audit and non-audit services during the year are set out in Note 39 of the Financial Statements.

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

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

A copy of the Lead Auditor's Independence Declaration is set out on page 15.

Remuneration Report (audited)

This Remuneration Report describes Bell Financial's 'Key Management Personnel' (KMP) remuneration arrangements as required by the Corporations Act.

1. KMP

Bell Financial's KMP during the reporting period were:

Directors

Colin Bell	Executive Chairman
Alastair Provan	Managing Director
Craig Coleman	Non-Executive Director
Graham Cubbin	Non-Executive Director
Brian Wilson AO	Non-Executive Director
Brenda Shanahan	Non-Executive Director (ceased on 20 November 2018)

Senior Executives

Lewis Bell	Head of Compliance
Andrew Bell	Executive Director – Bell Potter Securities Ltd
Dean Davenport	Chief Financial Officer
Rowan Fell	Executive Director – Bell Potter Capital Ltd

In this report, "Executive KMP" refers to the above persons excluding Non-Executive Directors.

2. Overview of remuneration policy and framework

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

	2014	2015	2016	2017	2018
Net profit/(loss) after tax $'000	$5,952	$16,399	$16,905	$21,443	**$25,070**
Share price at year end $	$0.43	$0.575	$0.725	$0.75	**$0.85**
Earnings per Share (cents)	2.3	6.2	6.2	7.8	**8.5**
Dividends paid $'000	$3,852	$8,948	$12,502	$15,196	**$23,312**

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

3. Fixed compensation

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

4. Commission

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

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5. Performance linked compensation

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

6. Short-term incentive bonus

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

There are two types of STI arrangements, being:

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

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

7. Long-term incentive plan (LTIP)

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

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

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

No options or performance rights were granted under the LTIP in 2018.

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 Senior 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.

Remuneration Report (audited) (continued)

8. Service agreements (continued)

8.3 Non-Executive Directors

On appointment to the Board, each Non-Executive Director was provided with a letter of appointment setting out the terms of their appointment, including responsibilities, duties, rights and remuneration, relevant to the office of director. Non-Executive Directors do not receive bonuses, incentive payments or equity-based pay. They receive a fixed annual fee inclusive of compulsory superannuation contributions. Their remuneration for the reporting period was:

Name	Directors' fees $	Superannuation $	Total $
Craig Coleman	91,324	8,676	100,000
Brian Wilson AO	91,324	8,676	100,000
Graham Cubbin	91,324	8,676	100,000
Brenda Shanahan[1]	83,714	7,953	91,667

1. Ceased on 20 November 2018

8.4 KMP remuneration

Details of the remuneration of each KMP are tabled below.

		Short-term			
Directors		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $
Executive Directors					
Colin Bell, Executive Chairman	**2018**	**599,710**	**250,000**	**–**	**849,710**
	2017	600,168	250,000	–	850,168
Alastair Provan, Managing Director	**2018**	**523,985**	**250,000**	**–**	**773,985**
	2017	524,443	250,000	–	774,443
Non-Executive Directors					
Craig Coleman	**2018**	**91,324**	**–**	**–**	**91,324**
	2017	166,324	–	–	166,324
Graham Cubbin	**2018**	**91,324**			**91,324**
	2017	91,324	–	–	91,324
Brian Wilson AO	**2018**	**91,324**			**91,324**
	2017	91,324	–	–	91,324
Brenda Shanahan[2]	**2018**	**83,714**			**83,714**
	2017	91,324	–	–	91,324
Total compensation: Directors (consolidated)	**2018**	**1,481,381**	**500,000**	**–**	**1,981,381**
	2017	1,564,907	500,000	–	2,064,907
Senior Executives					
Lewis Bell, Head of Compliance	**2018**	**369,212**	**–**	**–**	**369,212**
	2017	369,670	–	–	369,670
Andrew Bell, Executive Director of Bell Potter Securities	**2018**	**498,531**	**–**	**–**	**498,531**
	2017	516,189	–	–	516,189
Dean Davenport, Chief Financial Officer[3]	**2018**	**300,999**	**200,000**	**–**	**500,999**
	2017	318,053	200,000	–	518,053
Rowan Fell, Director – Investment Services[3]	**2018**	**272,001**	**300,000**	**–**	**572,001**
	2017	264,463	200,000	–	464,463
Total compensation: Executives (consolidated)	**2018**	**1,440,743**	**500,000**	**–**	**1,940,743**
	2017	1,468,375	400,000	–	1,868,375

1. Voluntary super contributions above the minimum legislative requirements are classified as post-employment benefits.
2. Ceased on 20 November 2018.
3. For Executive KMP, the short-term incentive bonus is for performance during the financial year ended 31 December 2018 using the criteria set out in Section 6 of the Remuneration Report.

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Post-employment			Share-based payments		
Superannuation benefits[1] $	Other long term $	Termination benefits $	Total amortisation value of LTI options $	Total $	Proportion of remuneration performance related %
20,290	**–**	**–**	**–**	**870,000**	**29%**
19,832	–	–	–	870,000	29%
20,290	**–**	**–**	**–**	**794,275**	**31%**
19,832	–	–	–	794,275	31%
8,676	**–**	**–**	**–**	**100,000**	**0%**
8,676	–	–	–	175,000	0%
8,676	**–**	**–**	**–**	**100,000**	**0%**
8,676	–	–	–	100,000	0%
8,676	**–**	**–**	**–**	**100,000**	**0%**
8,676	–	–	–	100,000	0%
7,953	**–**	**–**	**–**	**91,667**	**0%**
8,676	–	–	–	100,000	0%
74,561	**–**	**–**	**–**	**2,055,942**	**24%**
74,368	–	–	–	2,139,275	23%
20,290	**–**	**–**	**–**	**389,502**	**0%**
19,832	–	–	–	389,502	0%
11,976	**–**	**–**	**–**	**510,507**	**100%**
25,000	–	–	–	541,189	100%
22,078	**26,923**	**–**	**–**	**550,000**	**36%**
19,832	12,115	–	–	550,000	36%
25,000	**32,999**	**–**	**–**	**630,000**	**48%**
30,000	35,537	–	–	530,000	38%
79,344	**59,922**	**–**	**–**	**2,080,009**	**49%**
94,664	47,652	–	–	2,010,691	47%

Remuneration Report (audited) (continued)

8. Service agreements (continued)

8.5 Options and equity instruments

No options over the Company's shares or other equity instruments are held by KMP.

9. Loans to KMP and their related parties

All loans to KMP and their related parties are margin loans provided in the ordinary course of business on standard terms and conditions that are no more favourable than those provided to other employees or clients, including the interest rate and security required. Details on the aggregate loans provided to KMP and their related parties are as follows.

	31 Dec 18 $
Opening balance	**3,808,983**
Closing balance[1]	**3,039,829**
Interest charged	**165,932**

1. The aggregate loan amount at the end of the reporting period includes loans to 6 KMP.

Details of KMP (including their related parties) with an aggregate of loans above $100,000 during the reporting period are as follows:

	Balance 1 Jan 18 $	Balance 31 Dec 18 $	Interest paid and payable in period $	Highest balance in period[1] $
Colin Bell[2]	1,292,752	373,315	45,596	2,403,008
Craig Coleman	1,009,222	952,734	35,607	1,045,850
Lewis Bell[2]	539,027	475,515	25,639	1,140,754
Andrew Bell[2]	300,000	300,000	13,092	473,283
Rowan Fell	583,958	837,786	42,050	1,119,179
Dean Davenport	84,024	100,479	3,948	124,651

1. Represents the highest loan balance during the reporting period for the individual KMP. All other items in the table relate to KMP and their related parties.
2. In addition to the loans detailed above, Colin Bell, Lewis Bell, Andrew Bell and Alastair Provan have joint control over one entity with a margin loan. The balance at 1 January 2018 was $6,062,473, the balance at 31 December 2018 was $6,661,712 and the highest balance in the reporting period was $6,661,712. The interest paid and payable in the reporting period was $346,280.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the financial year ended 31 December 2018.

Rounding of amounts

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

This report is made on 20 February 2019 in accordance with a resolution of the directors.

Alastair Provan
Managing Director

20 February 2019

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LEAD AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2018

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

To the Directors of Bell Financial Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Bell Financial Group Limited for the financial year ended 31 December 2018 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

Christopher Wooden

Partner

Melbourne

20 February 2019

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

Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	Consolidated 2018 $'000	2017 $'000
Rendering of services	6	**202,223**	188,783
Finance income	10	**18,250**	16,226
Investment (losses)/gains	8	**(927)**	(106)
Other income	9	**470**	860
Total revenue	7	**220,016**	205,763
Employee expenses	11	**(134,344)**	(125,447)
Depreciation and amortisation expenses	16, 17	**(1,471)**	(1,523)
Occupancy expenses		**(11,920)**	(11,528)
Systems, communication and ASX expenses		**(19,075)**	(18,044)
Professional expenses		**(2,301)**	(2,962)
Finance expenses	10	**(5,007)**	(4,585)
Other expenses		**(9,898)**	(10,515)
Total expenses		**(184,016)**	(174,604)
Profit/(loss) before income tax		**36,000**	31,159
Income tax expense	12	**(10,930)**	(9,716)
Profit/(loss) for the year		**25,070**	21,443
Attributable to:			
Equity holders of the Company		**24,692**	20,635
Non-controlling interests		**378**	808
Profit/(loss) for the year		**25,070**	21,443
Earnings per share:		**Cents**	**Cents**
Basic earnings per share	29	8.5	7.8
Diluted earnings per share	29	8.5	7.8

The notes on pages 21 to 58 are an integral part of these Consolidated Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Consolidated	
	2018 $'000	2017 $'000
Profit/(loss) for the year	**25,070**	21,443
Other comprehensive income		
Items that may be classified to profit or loss		
Change in fair value of cash flow hedge	**(51)**	24
Foreign operations – foreign currency translation differences	**328**	(189)
Other comprehensive income for the year, net of tax	**277**	(165)
Total comprehensive income for the year	**25,347**	21,278
Attributable to:		
Equity holders of the Company	**24,969**	20,470
Non-controlling interests	**378**	808
Total comprehensive income for the year	**25,347**	21,278

Other movements in equity arising from transactions with owners are set out in note 27.

The notes on pages 21 to 58 are an integral part of these Consolidated Financial Statements.

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STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Consolidated 2018 $'000	2017 $'000
Assets			
Cash and cash equivalents	13	**193,622**	197,976
Trade and other receivables	14	**120,659**	101,360
Prepayments		**960**	737
Financial assets	15	**1,045**	3,812
Derivative assets	31	**–**	102
Loans and advances	20	**296,217**	286,188
Deferred tax assets	19	**7,624**	9,492
Property, plant and equipment	16	**703**	731
Goodwill	17	**130,413**	130,413
Intangible assets	17	**10,654**	8,738
Total assets		**761,897**	739,549
Liabilities			
Trade and other payables	21	**213,190**	185,850
Deposits and borrowings	22	**312,441**	317,380
Current tax liabilities	23	**162**	2,682
Derivative liabilities	31	**132**	24
Employee benefits	25	**32,643**	31,463
Provisions	24	**–**	300
Total liabilities		**558,568**	537,699
Net assets		**203,329**	201,850
Equity			
Contributed equity	27	**204,237**	167,886
Other equity	27	**(28,858)**	1,806
Reserves	27	**(455)**	(693)
Non-controlling interests	27	**–**	5,826
Retained earnings	27	**28,405**	27,025
Total equity attributable to equity holders of the Company		**203,329**	201,850

The notes on pages 21 to 58 are an integral part of these Consolidated Financial Statements.

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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
Balance at 1 January 2017	167,886	1,806	(2,106)	2,324	(48)	529	5,018	19,959	195,368
Total comprehensive income									
Profit/(loss) for the year	–	–	–	–	–	–	–	21,443	21,443
Other comprehensive income									
Change in fair value of cash flow hedges	–	–	–	–	24	–	–	–	24
Translation of foreign currency reserve	–	–	–	–	–	(189)	–	–	(189)
Total other comprehensive income	–	–	–	–	24	(189)	–	–	(165)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**24**	**(189)**	**–**	**21,443**	**21,278**
Transactions with owners, directly in equity									
Transfer of retained earnings	–	–	–	–	–	–	808	(808)	–
Employee options expired	–	–	–	(1,627)	–	–	–	1,627	–
Share based payments	–	–	–	400	–	–	–	–	400
Employee share awards exercised	–	–	710	(710)	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	(15,196)	(15,196)
Balance at 31 December 2017	**167,886**	**1,806**	**(1,396)**	**387**	**(24)**	**340**	**5,826**	**27,025**	**201,850**
Balance at 1 January 2018	**167,886**	**1,806**	**(1,396)**	**387**	**(24)**	**340**	**5,826**	**27,025**	**201,850**
Total comprehensive income									
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25,070**	**25,070**
Other comprehensive income									
Change in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**(51)**	**–**	**–**	**–**	**(51)**
Translation of foreign currency reserve	**–**	**–**	**–**	**–**	**–**	**328**	**–**	**–**	**328**
Total other comprehensive income	**–**	**–**	**–**	**–**	**(51)**	**328**	**–**	**–**	**277**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(51)**	**328**	**–**	**25,070**	**25,347**
Transactions with owners, directly in equity									
Increase in Share Capital	**36,351**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,351**
Decrease in Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(6,204)**	**–**	**(6,204)**
Transfer of retained earnings	**–**	**–**	**–**	**–**	**–**	**–**	**378**	**(378)**	**–**
Purchase of treasury shares	**–**	**–**	**(323)**	**–**	**–**	**–**	**–**	**–**	**(323)**
Share based payments	**–**	**–**	**–**	**284**	**–**	**–**	**–**	**–**	**284**
Employee share awards exercised	**–**	**–**	**407**	**(407)**	**–**	**–**	**–**	**–**	**–**
Decrease in other equity	**–**	**(30,664)**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,664)**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,312)**	**(23,312)**
Balance at 31 December 2018	**204,237**	**(28,858)**	**(1,312)**	**264**	**(75)**	**668**	**–**	**28,405**	**203,329**

The notes on pages 21 to 58 are an integral part of these Consolidated Financial Statements.

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Consolidated 2018 $'000	2017 $'000
Cash flows from/(used in) operating activities			
Cash receipts from customers and clients		**215,607**	202,850
Cash paid to suppliers and employees		**(193,513)**	(173,986)
Net cash from client related receivables and payables		**9,387**	22,114
Cash generated from operations[1]		**31,481**	50,978
Dividends received		**15**	7
Interest received		**18,247**	16,171
Interest paid		**(5,007)**	(4,585)
Income taxes paid		**(11,549)**	(7,647)
Net cash from operating activities	26	**33,187**	54,924
Cash flows from/(used in) investing activities			
Net proceeds from sale of investments		**2,093**	402
Acquisition of property, plant and equipment		**(255)**	(298)
Proceeds of property, plant and equipment		**–**	–
Acquisition of other investments		**(259)**	(1,309)
Net cash from/(used in) investing activities		**1,579**	(1,205)
Cash flows from/(used in) financing activities			
Dividends paid		**(23,312)**	(15,196)
On market share purchases		**(323)**	–
Acquisition of Third Party Platform Pty Ltd		**(36,868)**	–
Proceeds from issue of share capital		**36,351**	–
Bell Potter Capital (Margin Lending)			
Deposits (used in)/from client cash balances		**(40,939)**	28,413
Drawdown of margin loans		**(10,029)**	(58,790)
Drawdown of borrowings		**36,000**	–
Net cash used in financing activities		**(39,120)**	(45,573)
Net increase/(decrease) in cash and cash equivalents		**(4,354)**	8,146
Cash and cash equivalents at 1 January		**197,976**	189,830
Cash and cash equivalents at 31 December	13, 26	**193,622**	197,976

The notes on pages 21 to 58 are an integral part of these Consolidated Financial Statements.

1. 'Cash generated from operations' includes Group cash reserves and client balances. Refer to note 13 for further information on cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

1. Significant accounting policies

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

(a) Basis of preparation

Statement of compliance

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

The Financial Statements were approved by the Board of Directors on 20 February 2019.

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

Basis of measurement

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

Functional and presentation currency

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

Removal of parent entity financial statements

The Group has applied amendments to the *Corporations Act 2001* that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 33.

Comparative amounts

2017 comparative amounts for rendering of services revenue and employee expenses have been restated by $2,815,000 in order to present the amounts on a consistent basis with the way they are presented in 2018. There is no impact on the 2017 profit after tax or equity.

(b) Principles of consolidation

Business combinations

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

Subsidiaries

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

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

Non-controlling interest (NCI)

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

AASB 15 Revenue from Contracts with Customers

The Group has initially applied AASB 15 *Revenue from Contracts with Customers* from 1 January 2018. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and related interpretations. It requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the goods or services are transferred to the customer.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. AASB 15 specifically excludes financial instruments recognised under AASB 9 *Financial Instruments*. As such, the impacted revenue streams for Bell Financial are limited to fee-based revenue items such as brokerage, fee income, commissions and portfolio administration fees.

1. Significant accounting policies (continued)

(c) Revenue recognition (continued)

AASB 15 Revenue from Contracts with Customers

Based on the Group's assessment of revenue streams, there is no impact on the Group's consolidated financial statements upon adoption and no transition adjustment has been made to opening retained earnings. The application of the requirements of AASB 15 are broadly consistent with the Group's current accounting policies.

Revenue under AASB 15 is recognised when the Group transfers control over a service to a customer. The Group measures revenue based on the consideration specified in a contract with a customer. The following specific criteria must also be met before revenue can be recognised.

Rendering of services

Revenue arising from brokerage, fee income and corporate finance transactions are recognised by the Group when performance obligations under the contract with a customer are satisfied.

Brokerage is recognised when a trade is executed and payment is received upon settlement, which is normally 2 days after the trade.

Portfolio administration fees are recognised over time as the service is provided and are collected on a quarterly basis.

Corporate fees are recognised at a point in time when the Group satisfies its performance obligation, which is usually upon the successful completion of the transaction. Payment is normally received within 7 days of the completion of the transaction.

Other revenue streams

Other 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.

Interest income

Interest income is recognised as it accrues using the effective interest rate method, in accordance with AASB 9.

Dividend income

Dividend income is recognised when the right to receive the payment is established, in accordance with AASB 9.

(d) Statement of Cash Flows

The Statement of Cash Flows is prepared on the basis of net cash flows in relation to settlement of trades. This is consistent with the Group's revenue recognition policy whereby the entity acts as an agent and receives and pays funds on behalf of its clients, however only recognises as revenue, the Group's entitlement to brokerage commission. For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at bank and on hand, investments in money market instruments maturing within less than 14 days (net of bank overdrafts) and short-term deposits with an original maturity of 3 months or less. It is important to note that the Statement of Financial Position discloses trade debtors and payables that represent net client accounts being the accumulation of gross trading.

(e) Income tax

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

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

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

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

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

Tax consolidation

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

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(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 13) is included as cash and cash equivalents and is included within trade and other payables.

(h) Derivatives

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

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

Derivative financial instruments are also used for hedging purposes to mitigate the Group's exposure to interest rate risk. The Group applied the new general hedge accounting model in AASB 9 *Financial Instruments* from 1 January 2018 (refer to Note 1q)iii for further information). 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 assessed against the hedge effectiveness criteria in AASB 9.

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

(i) Impairment of assets

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

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

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

(j) Trade and other receivables

Trade debtors to be settled within 2 trading days are carried at amortised cost. Term debtors are also carried at amortised cost. Recoverability of Trade and other receivables is assessed using the lifetime expected credit loss approach.

(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.

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1. Significant accounting policies (continued)

(n) Provisions

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

(o) Deposits and borrowings

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

(p) Goodwill and intangible assets

Goodwill

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

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

Other intangible assets

Research and development

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

Customer lists

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

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

	2018	2017
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, which are classified as financial assets are measured as described below.

Fair value measurement

AASB 13 *Fair Value Measurement* that 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.

AASB 9 *Financial Instruments*

The Group has initially applied AASB 9 *Financial Instruments* from 1 January 2018. AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

No material change to recognition and measurement of financial assets and financial liabilities, however disclosure requirements of AASB 9 apply.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. The impact of AASB 9 on the classification and measurement of financial assets is set out below.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVTOCI) – debt investment; FVTOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets held by the Group.

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Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group does not have any debt or equity investments at FVTOCI.

Business model assessment

The Group will determine the business model at the level that reflects how groups of financial assets are managed using all relevant evidence that is available at the date of the assessment, including:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- How managers of the business are compensated.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Measurement categories of financial assets

Cash and cash equivalents, Trade and other receivables, and Loans and advances are now classified as amortised cost. Financial assets and Derivative assets are now classified as mandatorily at FVTPL.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the contractual rights to cash flows from the original financial asset are deemed to have expired. The original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset are not substantially different, the Group recalculates the gross carrying amount of the financial asset and recognises the derecognition as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, the gain or loss is presented together with impairment losses.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. A new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

There was no impact to opening retained earnings on the carrying amounts of financial assets or financial liabilities at 1 January 2018 from the adoption of AASB 9.

ii. Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For all financial assets at amortised cost, the Group measures loss allowances at an amount equal to lifetime ECLs, except for loans and advances, which are measured at 12-month ECLs where credit risk has not increased significantly since initial recognition and lifetime ECLs where credit risk has increased significantly since initial recognition.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis based on the Group's historical experience and forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due or the expected probability of default has increased significantly.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

1. Significant accounting policies (continued)

(q) Financial instruments (continued)

ii. Impairment of financial assets (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses are presented separately in the Consolidated Statement of Profit or Loss and OCI. There were no impairment losses for the year ended 31 December 2018 (2017: Nil).

Trade and other receivables

ECLs are calculated based on actual historical credit loss experience. Exposures are segmented based on past events, current conditions and reasonable and supportable information about future events and economic conditions. There were no significant changes during the period to Group's exposure to credit risk and there was no significant impact to credit provisioning over trade and other receivables as at 1 January 2018.

Loans and advances

ECLs are calculated based on actual historical credit loss experience. Exposures are segmented based on past events, current conditions and reasonable and supportable information about future events and economic conditions. There were no significant changes during the period to Group's exposure to credit risk and there was no significant impact to credit provisioning over loans and advances as at 1 January 2018.

iii. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in AASB 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group only uses interest rate swaps to hedge exposure to fluctuations in interest rates.

The Group has determined that there was no material impact arising from the application of AASB 9's hedge accounting requirements at 1 January 2018.

iv. Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except as described below.

- The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under AASB 139 at 31 December 2017 met the criteria for hedge accounting under AASB 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

Share capital

Ordinary shares

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

Dividends

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

Treasury shares

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

(r) Property, plant and equipment

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

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

	2018	2017
Leasehold improvements	**20 – 25%**	20 – 25%
Office equipment	**20 – 50%**	20 – 50%
Furniture and fittings	**20 – 50%**	20 – 50%

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(s) Employee entitlements

Wages, salaries and annual leave

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

Long-service leave

The provision for salaried employee entitlements to long-service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided up to reporting date. Liabilities for employee entitlements, which are not expected to be settled within twelve months, are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

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

Bonuses

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

Defined contribution plans

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

Share-based payments

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

The fair value of options at grant date is independently determined using the Black 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 2019, and have not been applied in preparing these Consolidated Financial Statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

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

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1. Significant accounting policies (continued)

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

AASB 16 Leases (continued)

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

AASB 16 *Leases* replaces existing leases guidance including AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the initial date of initial application of AASB 16. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 16 and whilst there will be an impact on certain line items of the Consolidated Financial Statements, the Group does not expect there to be a material impact to the profit or net assets of the Group. The Group has a number of property leases. At transitional date, a right of use asset of approximately $31m will be recorded as an asset, with a corresponding lease liability of approximately $39.7m. There will be a reduction in trade & other payables of $8.6m.

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 19).

Impairment of loans and advances

The Company assesses impairment of all loans at each reporting date by evaluating the expected credit loss on those loans. In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2018 (2017: Nil). (Refer to note 20).

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 25).

Legal provision

From time to time claims are made against the Group. The recognition of any provision requires judgement to determine managements best estimate of the provision.

As at 31 December 2018, no provision has been accrued to reflect potential claims. In the Directors' opinion, no provision is required. (Refer to note 24).

Intangible assets

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

Bell Foreign Exchange and Futures business

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

Development costs

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

Impairment of goodwill

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

The recoverable amount of the business to which each goodwill component is allocated to a cash-generating unit is estimated based on its value in use and is determined by discounting the future cash flows generated from continuing use. At 31 December 2018, goodwill allocated to the cash-generating units was $57.5 million for Retail and $72.9 million for the Wholesale segment.

Key assumptions used in discounted cash flow projections

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

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

Discount rates:

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

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Terminal value multiple:

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

Brokerage revenue:

An increase in brokerage revenue of 2.7% p.a. average growth over the five year forecast period for Retail and 5.9% p.a. average growth over the five year forecast period for Wholesale. This assumption reflects past experience.

Corporate fee income:

Corporate fee income maintained at current levels for the five year forecast period for Retail. An increase in corporate fee income of 3.7% p.a. average growth over the five year forecast period for Wholesale. This assumption reflects past experience.

Sensitivity analysis

As at 31 December 2018, the recoverable amounts for the retail and wholesale segments exceeds the carrying values. The recoverable amounts are sensitive to several key assumptions and a change in these assumptions could cause the carrying amounts to exceed the recoverable amounts. Using the discount rate above, if brokerage and corporate fee revenue decreases by approximately 4.5% for retail and 34% for wholesale from the estimated amounts in each of the five years of the forecast period, the estimated recoverable amounts would be equal to the carrying amounts. If the discount rate increased to 14% for retail and 21.5% for wholesale, the estimated recoverable amounts would be equal to the carrying amounts. Further, if the terminal value multiple decreased to approximately 5.7 times for retail and 3.3 times for wholesale, the estimated recoverable amounts would be equal to the carrying amounts at that date.

3. Financial risk management

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Risk Management Framework

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

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

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

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

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

Market risk

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

Equity price risk

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

Interest rate risk

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

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

3. Financial risk management (continued)

Market risk (continued)

Currency risk

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

Liquidity risk

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

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

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

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

Credit risk

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

Trade and other receivables

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

Margin lending

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

Capital management

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

Security arrangements

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

4. Determination of fair values

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

Investments in equity

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

Derivatives

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

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

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

Share based payments

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

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5. Segment Reporting

Business segments

The segments reported below are consistent with internal reporting provided to the chief decision makers:

- Retail – equities, Bell Direct, futures, foreign exchange, corporate fee income, portfolio administration services, margin lending and deposits; and
- Wholesale – equities, Desktop Broker, white label clients and corporate fee income.

31 December 2018	Retail $'000	Wholesale $'000	Consolidated $'000
Revenue from operations	160,526	59,490	220,016
Profit/(loss) after tax	11,996	13,074	25,070
Segment assets	667,939	93,958	761,897
Total assets	667,939	93,958	761,897
Segment liabilities	542,634	15,934	558,568
Total liabilities	542,634	15,934	558,568
Other segment details			
Interest revenue	18,250	–	18,250
Interest expense	(5,007)	–	(5,007)
Depreciation/amortisation	(1,418)	(53)	(1,471)

31 December 2017	Retail $'000	Wholesale $'000	Consolidated $'000
Revenue from operations	161,727	44,036	205,763
Profit/(loss) after tax	13,023	8,420	21,443
Segment assets	660,087	79,462	739,549
Total assets	660,087	79,462	739,549
Segment liabilities	526,958	10,741	537,699
Total liabilities	526,958	10,741	537,699
Other segment details			
Interest revenue	16,226	–	16,226
Interest expense	(4,585)	–	(4,585)
Depreciation/amortisation	(1,479)	(44)	(1,523)

Geographical segments

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

6. Rendering of services

	Consolidated	
	2018 $'000	2017 $'000
Brokerage	112,880	112,997
Fee income	66,826	55,057
Portfolio administration fees	17,548	16,112
Other[1]	4,969	4,617
	202,223	188,783

1. 2017 comparative amounts have been restated. Refer to Note 1(a) for further information.

7. Revenue

The below Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments in note 5.

	Retail		Wholesale		Consolidated	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Brokerage	**94,263**	96,102	**18,617**	16,895	**112,880**	112,997
Fee income	**26,118**	28,333	**40,708**	26,724	**66,826**	55,057
Portfolio administration fees	**17,548**	16,112	**–**	–	**17,548**	16,112
Other[1]	**4,804**	4,200	**165**	417	**4,969**	4,617
	142,733	144,747	**59,490**	44,036	**202,223**	188,783

1. 2017 comparative amounts have been restated. Refer to Note 1(a) for further information.

8. Investment gains/(losses)

	Consolidated	
	2018 $'000	2017 $'000
Dividends received	**15**	7
Profit/(loss) on financial assets held at fair value through profit or loss	**(942)**	(113)
	(927)	(106)

9. Other income

	Consolidated	
	2018 $'000	2017 $'000
Sundry income	**470**	860
	470	860

10. Finance income and expenses

	Consolidated	
	2018 $'000	2017 $'000
Interest income on bank deposits	**3,173**	2,965
Interest income on loans and advances	**15,077**	13,261
Total finance income	**18,250**	16,226
Bank interest and fee expense	**(1,601)**	(919)
Interest expense on deposits	**(3,406)**	(3,666)
Total finance expense	**(5,007)**	(4,585)
Net finance income/(expense)	**13,243**	11,641

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11. Employee expenses

	Consolidated 2018 $'000	Consolidated 2017 $'000
Wages and salaries[1]	(119,283)	(111,081)
Superannuation	(6,829)	(6,703)
Payroll tax	(6,523)	(6,079)
Other employee expenses	(1,425)	(1,184)
Equity-settled share-based payments	(284)	(400)
	(134,344)	(125,447)

1. 2017 comparative amounts have been restated. Refer to Note 1(a) for further information.

12. Income tax expense

	Consolidated 2018 $'000	Consolidated 2017 $'000
Current tax expense		
Current period	10,977	10,115
Taxable loss/(income) not recognised/(utilised)	2	(44)
Adjustment for prior periods	(6)	199
Utilisation of tax losses	(1,713)	–
	9,260	10,270
Deferred tax expense		
Recognition of previously unrecognised tax losses	–	–
Relating to origination and reversal of temporary differences	1,670	(554)
Total income tax expense/(benefit)	10,930	9,716

Numerical reconciliation between tax expense and pre-tax profit

	Consolidated 2018 %	Consolidated 2018 $'000	Consolidated 2017 %	Consolidated 2017 $'000
Accounting profit/(loss) before income tax		36,000		31,159
Income tax using the Company's domestic tax rate	30.00%	10,800	30.00%	9,348
Non-deductible expenses	0.38%	136	1.32%	410
Adjustments in respect of current income tax of previous year	(0.03%)	(9)	0.01%	2
Income tax credit not recognised/(utilised)	0.01%	3	(0.14%)	(44)
	30.36%	10,930	31.19%	9,716

Tax consolidation

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

On 3 July 2018, the Group acquired the remaining shares it did not already own in Third Party Platform Pty Ltd, increasing its ownership from 56.63% to 100%. Third Party Platform Pty Ltd joined the Bell Financial Group Ltd tax consolidated group at this time and income tax losses of $16.5m were transferred from Third Party Platform Pty Ltd to the Bell Financial Group Ltd tax consolidated group.

13. Cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Group cash reserves[1]		
Cash on hand	**14**	12
Cash at bank	**86,942**	84,962
	86,956	84,974
Margin lending cash		
Cash at bank	**19,585**	34,001
	19,585	34,001
Client cash		
Cash at bank (Trust account)	**33,512**	55,754
Cash at bank (Segregated account)	**53,569**	23,247
	87,081	79,001
Cash and cash equivalents in the Statement of Cash Flows	**193,622**	197,976

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

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

Segregated cash and Trust bank balances are client funds, and are not available for general use by the Group. A corresponding liability is recognised within trade and other payables (note 21).

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in note 31.

1. Group Cash – summary of key movements	2018 $'000	2017 $'000
Group cash – 1 January 2018	**84,974**	69,430
Cash profit		
Cash Revenue	**217,859**	205,409
Less Cash Expenses		
Employee expenses	**(135,080)**	(118,901)
Occupancy expenses	**(12,081)**	(9,560)
Systems, communications and ASX expenses	**(19,075)**	(18,044)
Professional expenses	**(2,301)**	(2,962)
Finance expenses	**(5,007)**	(4,585)
Other expenses	**(9,898)**	(10,515)
Total Expenses	**(183,442)**	(164,567)
Net Cash operating profit	**34,417**	40,842
Balance Sheet		
Tax instalments paid	**(11,549)**	(7,647)
Dividend paid	**(23,312)**	(15,196)
Clearing house deposits paid	**(278)**	905
Financial asset sales (net)	**1,834**	(223)
General working capital movement	**870**	(3,137)
Group cash – 31 December 2018	**86,956**	84,974

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14. Trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade debtors	**77,187**	70,071
Less: provision for impairment	**–**	–
	77,187	70,071
Clearing house deposits	**4,715**	4,420
Segregated deposits with clearing brokers	**32,275**	21,463
Less: provision for impairment	**–**	–
	36,990	25,883
Sundry debtors	**6,482**	5,406
	120,659	101,360

No impairment allowance in respect of loans and receivables noted during the year (2017: Nil).

15. Financial assets

	Consolidated	
	2018 $'000	2017 $'000
Held at fair value through profit or loss		
Shares in listed corporations	**555**	2,584
Options held in listed corporations	**490**	1,228
	1,045	3,812

16. Property, plant and equipment

Consolidated	Fixtures and fittings $'000	Office equipment $'000	Leasehold improvements $'000	Total $'000
Cost				
Balance at 1 January 2017	1,776	4,592	6,323	12,691
Additions	104	194	–	298
Disposals	–	–	–	–
Effect of movements in exchange rates	2	2	–	4
Balance at 31 December 2017	1,882	4,788	6,323	12,993
Balance at 1 January 2018	**1,882**	**4,788**	**6,323**	**12,993**
Additions	**50**	**205**	**–**	**255**
Disposals	**–**	**–**	**–**	**–**
Effect of movements in exchange rates	**9**	**11**	**8**	**28**
Balance at 31 December 2018	**1,941**	**5,004**	**6,331**	**13,276**
Accumulated depreciation				
Balance at 1 January 2017	(1,546)	(4,352)	(6,048)	(11,946)
Depreciation charge for the year	(84)	(159)	(69)	(312)
Disposals	–	–	–	–
Effect of movements in exchange rates	(1)	(3)	–	(4)
Balance at 31 December 2017	(1,631)	(4,514)	(6,117)	(12,262)
Balance at 1 January 2018	**(1,631)**	**(4,514)**	**(6,117)**	**(12,262)**
Depreciation charge for the year	**(60)**	**(171)**	**(52)**	**(283)**
Disposals	**–**	**–**	**–**	**–**
Effect of movements in exchange rates	**(8)**	**(12)**	**(8)**	**(28)**
Balance at 31 December 2018	**(1,699)**	**(4,697)**	**(6,177)**	**(12,573)**
Carrying amount				
At 1 January 2017	230	240	275	745
At 31 December 2017	251	274	206	731
At 31 December 2018	242	307	154	703

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17. Goodwill and intangible assets

	Goodwill $'000	Identifiable intangibles $'000	Total $'000
Cost			
Balance at 1 January 2017	130,413	11,240	141,653
Acquisitions – internally developed	–	2,873	2,873
Balance at 31 December 2017	130,413	14,113	144,526
Balance at 1 January 2018	**130,413**	**14,113**	**144,526**
Acquisitions – internally developed	**–**	**3,104**	**3,104**
Balance at 31 December 2018	**130,413**	**17,217**	**147,630**
Accumulated amortisation and impairment losses			
Balance at 1 January 2017	–	4,164	4,164
Amortisation	–	1,211	1,211
Balance at 31 December 2017	–	5,375	5,375
Balance at 1 January 2018	–	5,375	5,375
Amortisation	–	1,188	1,188
Balance at 31 December 2018	–	6,563	6,563
Carrying amount			
At 1 January 2017	130,413	7,076	137,489
At 31 December 2017	130,413	8,738	139,151
At 31 December 2018	130,413	10,654	141,067

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18. 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. At 31 December 2018, the non-controlling interest in Third Party Platform Pty Ltd was nil (2017: 43.37%). Effective 3 July 2018, Bell Financial Group Ltd acquired the remaining shares in Third Party Platform Pty Ltd that it did not already own, increasing its ownership from 56.63% to 100%.

	Third Party Platform Pty Ltd	
	2018 $'000	2017 $'000
Assets	–	40,216
Liabilities	–	(26,784)
Net Assets	–	13,432
Carrying amount of NCI	–	5,825
Revenue	7,583	14,355
Profit/(loss) after tax	871	1,863
Total Comprehensive Income	871	1,863
Profit allocated to NCI	378	808
Cash flows from operating activities	5,987	3,704
Cash flows from investing activities	(118)	(12)
Cash flows from financing activities	(500)	(2,000)
Net increase/(decrease) in cash and cash equivalents	5,369	1,692

19. Deferred tax assets and liabilities

The movement in deferred tax balances are as follows:

Consolidated 2018	Balance as at 1 January $'000	Recognised in profit or loss $'000	Balance at 31 December $'000
Property, plant and equipment	8	(7)	1
Employee benefits	3,081	23	3,104
Carry forward tax loss	5,254	(198)	5,056
Utilisation of tax losses	–	(1,713)	(1,713)
Other items	1,149	27	1,176
	9,492	(1,868)	7,624

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

Unrecognised deferred tax assets relating to tax losses at 31 December 2018: $19,000 (2017: $17,000).

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 5-year period.

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20. Loans and advances

	Consolidated	
	2018 $'000	2017 $'000
Margin lending	**296,217**	286,188
	296,217	286,188

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 31 December 2018 (2017: nil).

There is significant turnover in loans and advances. Based on historical experience the Group's expectation is all but approximately 6% of loans may be realised in the next 12 months (2017: 8%), with the balance being realised after 12 months. Refer to note 31 for further detail on the margin lending loans.

21. Trade and other payables

	Consolidated	
	2018 $'000	2017 $'000
Settlement obligations	**92,842**	101,688
Sundry creditors and accruals	**20,948**	20,923
Segregated client liabilities	**99,400**	63,239
	213,190	185,850

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

22. 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 31.

	Consolidated	
	2018 $'000	2017 $'000
Deposits (cash account)[1]	**1,644**	3,806
Bell Cash Trust[2]	**274,797**	313,574
Cash advance facility[3]	**36,000**	–
	312,441	317,380

1. Deposits relate to Margin Lending/Cash Account business (Bell Potter Capital) which are largely at call.
2. Represents funds held on behalf of Bell Potter Capital Limited in the Bell Cash Trust which are held at call.
3. Represents drawn funds from the Bell Potter Capital cash advance facility of $100m (2017: $100m).

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 31.

22. Deposits and borrowings (continued)

Terms and debt repayment schedule

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

	Average effective interest rate		2018		2017	
Consolidated	2018 %	2017 %	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
Cash advance facility	2.66	N/A	36,000	36,000	–	–
Deposits (Cash Account)	1.08	1.21	1,644	1,644	3,806	3,806
Bell Cash Trust	1.08	1.21	274,797	274,797	313,574	313,574
			312,441	312,441	317,380	317,380

	Liabilities			Derivatives (assets)/ liabilities held to hedge long-term borrowings – Interest rate swap contracts used for hedging		
2018	Cash advance facility $'000	Deposits (Cash Account) $'000	Bell Cash Trust $'000	Assets $'000	Liabilities $'000	Total $'000
Balance at 1 January 2018	–	3,806	313,574	–	24	317,404
Changes from financing cash flows						
Deposits/(withdrawals) from client cash balances	–	(2,162)	–	–	–	(2,162)
Drawdown/(repayment) of borrowings	36,000	–	(38,777)	–	–	(2,777)
Total changes from financing cash flows	36,000	(2,162)	(38,777)	–	–	(4,939)
Changes in fair value	–	–	–	–	51	51
Other charges						
Liability-related						
Interest expense	752	171	3,253	–	–	4,176
Interest paid	(752)	(171)	(3,253)	–	–	(4,176)
Total liability-related other changes	–	–	–	–	–	–
Balance at 31 December 2018	36,000	1,644	274,797	–	75	312,516

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2017	Liabilities			Derivatives (assets)/ liabilities held to hedge long-term borrowings		
				Interest rate swap contracts used for hedging		
	Cash advance facility $'000	Deposits (Cash Account) $'000	Bell Cash Trust $'000	Assets $'000	Liabilities $'000	Total $'000
Balance at 1 January 2017	–	42,894	246,073	–	48	289,015
Changes from financing cash flows						
Deposits/(withdrawals) from client cash balances	–	(39,088)	–	–	–	(39,088)
Drawdown/(repayment) of borrowings	–	–	67,501	–	–	67,501
Total changes from financing cash flows	–	(39,088)	67,501	–	–	28,413
Changes in fair value	–	–	–	–	(24)	(24)
Other charges						
Liability-related						
Interest expense	–	537	3,201	–	–	3,738
Interest paid	–	(537)	(3,201)	–	–	(3,738)
Total liability-related other changes	–	–	–	–	–	–
Balance at 31 December 2017	–	3,806	313,574	–	24	317,404

23. Current tax liabilities

The current tax liability of the Group is $161,555 (2017: $2,682,269). This amount represents the amount of income taxes payable in respect of current and prior financial periods.

24. Provisions

	Consolidated	
	2018 $'000	2017 $'000
Legal provision	–	300
	–	300
Balance at 1 January	300	750
Arising during the year:		
Legal/other	75	20
Utilised:		
Legal/other	(375)	(470)
Balance at 31 December	–	300

Legal provision

This amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measureable at 31 December 2018.

25. Employee benefits

	Consolidated	
	2018 $'000	2017 $'000
Salaries and wages accrued	23,422	22,987
Liability for annual leave	5,251	4,910
Total employee benefits	28,673	27,897
Liability for long-service leave	3,970	3,566
Total employee benefits	32,643	31,463

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

	Consolidated	
	2018 $'000	2017 $'000
Assumed rate of increase on wage/salaries	3.0%	3.0%
Discount rate	2.5%	2.5%
Settlement term (years)	7	7
Number of employees at year end	690	668

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26. Reconciliation of cash flows from operating activities

	Consolidated	
	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit after tax:	25,070	21,443
Adjustments for:		
Depreciation & amortisation	1,471	1,523
Net loss on investments	933	110
Equity settled share-based payments	284	400
	27,758	23,476
(Increase) client receivables	(18,223)	(22,886)
(Increase) other receivables	(1,076)	(7,116)
(Increase)/decrease derivative asset	102	(102)
(Increase) other assets	(223)	(52)
Decrease deferred tax assets	1,231	112
(Increase) intangibles	(3,104)	(2,873)
Increase client payables	27,643	44,667
Increase other payables	25	9,714
Increase derivative liability	57	–
Increase/(decrease) current tax liabilities	(2,520)	1,957
Increase provisions	880	8,027
Increase deferred tax liability	637	–
Net cash from operating activities	33,187	54,924

Reconciliation of cash

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

Group cash reserves		
Cash on hand	14	12
Cash at bank	86,942	84,962
	86,956	84,974
Margin lending cash		
Cash at bank	19,585	34,001
	19,585	34,001
Client cash		
Cash at bank (Trust account)	33,512	55,754
Segregated cash at bank (client)	53,569	23,247
	87,081	79,001
	193,622	197,976

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27. Capital and reserves

	Consolidated	
	2018 $'000	2017 $'000
Ordinary shares		
On issue at 1 January	**167,886**	167,886
Share issue 3 July 2018[1]	**36,351**	–
On issue at 31 December	**204,237**	167,886

1. On 3 July 2018, the Group completed a renounceable pro rata entitlement offer and issued 53,457,468 shares at $0.68 per share, raising $36,351,078. Proceeds from the share issue were used to fund the acquisition of the remaining 43.37% of Third Party Platform Pty Ltd the Group did not already own, increasing its ownership from 56.63% to 100%.

Movements in ordinary share capital

Date	Detail	Number of shares
1 January 2017	Opening balance	267,286,480
31 December 2017	**Balance**	**267,286,480**
1 January 2018	Opening balance	**267,286,480**
Share issue 3 July 2018		**53,457,468**
31 December 2018	**Balance**	**320,743,948**

Ordinary Shares

The authorised capital of the Group is $204,236,590 representing 320,743,948 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 2018, there were 2,845,906 treasury shares outstanding (2017: 3,004,922).

Retained earnings

As at 31 December 2018, there were retained profits of $28.4m (2017: $27m).

Non-controlling interests

The non-controlling interests relate to ownership of Third Party Platform Pty Ltd at 0.00% (2017: 43.37%). Balance at 31 December 2018: Nil (2017: $5.8m). Effective 3 July 2018, Bell Financial Group Ltd acquired the remaining shares in Third Party Platform Pty Ltd that it did not already own, increasing its ownership from 56.63% to 100%.

Foreign currency reserve

The foreign currency reserve comprises of any movements in the translation of foreign currency balances. Balance at 31 December 2018: $668,000 (2017: $340,000).

Other equity

Other equity comprises movements in equity as a result of transactions with subsidiaries in Bell Financial Group Ltd's capacity as a shareholder. Balance at 31 December 2018: $28,858,000 debit (2017: $1,806,000 credit). The decrease in other equity of $30,664,000 related to the difference between the consideration paid for the remaining 43.37% of Third Party Platform Pty Ltd and the non-controlling interest derecognised at that time.

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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 2018: $75,000 (2017: $24,000).

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 2018: $264,000 (2017: $387,000).

Treasury shares reserve

The treasury shares reserve represents the cost of shares held by the Employee Share Trust that the Group is required to include in the Consolidated Financial Statements. Balance at 31 December 2018: $1.3m (2017: $1.4m).

28. Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2018				
Interim 2018 ordinary dividend	**2.75**	**8,742**	**Franked**	**29 August 2018**
Final 2018 ordinary dividend	**–**	**–**	**–**	**–**
2017				
Interim 2017 ordinary dividend	2.00	5,286	Franked	13 September 2017
Final 2017 ordinary dividend	5.50	14,570	Franked	21 March 2018

	Company	
	2018 $ '000	**2017 $ '000**
Dividend franking account		
30 percent franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	**28,292**	26,801

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 $5.8m (2017: $6.2m).

29. Earnings per share

Earnings per share at 31 December 2018 based on profit after tax and a weighted average number of shares outlined below was 8.5 cents (2017: 7.8 cents). Diluted earnings per share at 31 December 2018 was 8.5 cents (2017: 7.8 cents).

Reconciliation of earnings used in calculating EPS

	Consolidated	
	2018 $'000	2017 $'000
Basic earnings per share		
Profit/(loss) after tax	**25,070**	21,443
Profit attributable to ordinary equity holders used for basic EPS	**24,692**	20,635
Adjustments for calculation of diluted earnings per share		
Profit attributable to ordinary equity holders used to calculate basic EPS	**24,692**	20,635
Effect of stock options issued	**–**	–
Profit attributable to ordinary equity holders used for diluted EPS	**24,692**	20,635

Weighted average number of ordinary shares used as the denominator

	Consolidated	
	2018	2017
Weighted average number of ordinary shares used to calculate basic EPS (net of treasury shares)	**291,266,813**	263,913,293
Weighted average number of ordinary shares at year-end	**291,266,813**	263,913,293
Weighted average number of ordinary shares used to calculate diluted EPS	**291,266,813**	263,913,293

30. Share-based payments

Long-Term Incentive Plan (LTIP)

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

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

Fair value of options granted

There were no share options granted during the year to 31 December 2018 (2017: Nil). During 2017, remaining outstanding options of 19,550,000 lapsed.

Performance Rights

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

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Reconciliation of outstanding performance rights:

	Consolidated	
	2018 000	2017 000
Outstanding 1 January	**334**	667
Granted during the year	**–**	–
Forfeited during the year	**–**	–
Exercised during the year	**(334)**	(333)
Outstanding balance 31 December	**–**	334

Expenses arising from share-based payment transactions

	Consolidated	
	2018 $'000	2017 $'000
Employee share options	**–**	–
Performance rights	**29**	160
Employee share issue	**255**	240
Total expense recognised as employee costs	**284**	400

31. Financial instruments

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

Credit risk

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

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

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

		Consolidated	
	Note	2018 $'000	2017 $'000
Trade debtors	14	**77,187**	70,071
Clearing house deposits	14	**4,715**	4,420
Segregated deposits with clearing brokers	14	**32,275**	21,463
Loans and advances	20	**296,217**	286,188
Sundry debtors	14	**6,482**	5,406

31. Financial instruments (continued)

Credit risk (continued)

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

Consolidated

Ageing of receivables	Gross 2018 $'000	Impairment 2018 $'000	Gross 2017 $'000	Impairment 2017 $'000
Not past due	77,043	–	69,939	–
Past due 0 – 30 days	133	–	122	–
Past due 31 – 365 days	11	–	10	–
More than one year	–	–	–	–

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for impairment of trade receivables is established based on lifetime expected credit losses. This assessment is based on past events, current conditions and reasonable and supportable information about future events and economic conditions.

Liquidity risk

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

Consolidated 2018	Carrying Amount $'000	Contracted Cashflow $'000	6 months or less $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000	5+ years $'000
Non-derivative liabilities							
Trade & other payables	213,190	(213,190)	(213,190)	–	–	–	–
Cash deposits	1,644	(1,644)	(1,644)	–	–	–	–
Cash advance facilities	36,000	(36,000)	(36,000)	–	–	–	–
Bell Cash Trust	274,797	(274,797)	(274,797)	–	–	–	–
Derivative liabilities							
Hedging derivative	75	(75)	(75)	–	–	–	–
Foreign currency swap	57	(57)	(57)	–	–	–	–

Consolidated 2017	Carrying Amount $'000	Contracted Cashflow $'000	6 months or less $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000	5+ years $'000
Non-derivative liabilities							
Trade & other payables	185,850	(185,850)	(185,850)	–	–	–	–
Cash deposits	3,806	(3,806)	(3,806)	–	–	–	–
Cash advance facilities	–	–	–	–	–	–	–
Bell Cash Trust	313,574	(313,574)	(313,574)	–	–	–	–
Derivative liabilities							
Hedging derivative	24	(24)	(24)	–	–	–	–

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.

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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 2018, 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 $1,700,000 (2017: $1,600,000 decrease to profit) and would decrease equity by approximately $1,190,000 (2017: $1,120,000 decrease to equity). Interest rate swaps have been included in this calculation. A general increase of one-percentage point in interest rates would have an equal but opposite effect.

Equity price risk

At 31 December 2018, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $100,000 (2017: $380,000 decrease to profit) and would decrease equity by approximately $70,000 (2017: $266,000 decrease to equity). A 10% increase in equity prices would have an equal but opposite effect.

31. 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 expected periods in which they mature.

			2018					
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	More than 5 years $'000
Fixed rate instruments								
Loans and advances	20	4.44%	96,851	92,897	704	3,250	–	–
Deposits and borrowings	22	0.00%	–	–	–	–	–	–
Cash advance facility	22	2.66%	(36,000)	(36,000)	–	–	–	–
			60,851	56,897	704	3,250	–	–
Variable rate instruments								
Cash and cash equivalents	13	1.50%	193,622	193,622	–	–	–	–
Loans and advances	20	5.07%	199,366	199,366	–	–	–	–
Deposits and borrowings	22	1.08%	(1,644)	(1,644)	–	–	–	–
Bell Cash Trust	22	1.08%	(274,797)	(274,797)	–	–	–	–
			116,547	116,547	–	–	–	–

Fair value measurements

(a) Accounting classifications and fair values

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

		Carrying Amount				
31 DECEMBER 2018	Note	Designated at fair value $'000	Fair value hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000
Financial assets measured at fair value						
Equity securities/unlisted options	15	1,045	–	–	–	1,045
		1,045	–	–	–	1,045
Financial assets not measured at fair value						
Trade and other receivables	14	–	–	120,659	–	120,659
Cash and cash equivalents	13	–	–	193,622	–	193,622
Loans and advances	20	–	–	296,217	–	296,217
		–	–	610,498	–	610,498
Financial liabilities measured at fair value						
Interest rate swaps used for hedging		–	75	–	–	75
Foreign currency swap		–	57	–	–	57
		–	132	–	–	132
Financial liabilities not measured at fair value						
Trade and other payables	21	–	–	–	201,726	201,726
Deposits and borrowings	22	–	–	–	312,441	312,441
		–	–	–	514,167	514,167

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	2017					
Average Effective interest rate %	Total $'000	6 months or less $'000	6 – 12 months $'000	1 – 2 years $'000	2 – 5 years $'000	More than 5 years $'000
4.35%	98,759	89,614	2,070	7,075	–	–
0.0%	–	–	–	–	–	–
N/A	–	–	–	–	–	–
	98,759	89,614	2,070	7,075	–	–
1.50%	197,976	197,976	–	–	–	–
4.53%	187,429	187,429	–	–	–	–
1.21%	(3,806)	(3,806)	–	–	–	–
1.21%	(313,574)	(313,574)	–	–	–	–
	68,025	68,025	–	–	–	–

Fair Value			
Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
555	**490**	**–**	**1,045**
555	**490**	**–**	**1,045**
–	**–**	**–**	**–**
–	**–**	**–**	**–**
–	**–**	**–**	**–**
–	**–**	**–**	**–**
–	**75**	**–**	**75**
–	**57**	**–**	**57**
–	**132**	**–**	**132**
–	**–**	**–**	**–**
–	**–**	**–**	**–**
–	**–**	**–**	**–**

31. Financial instruments (continued)

		Carrying Amount				
31 DECEMBER 2017	**Note**	**Designated at fair value $'000**	**Fair value hedging instruments $'000**	**Loans and receivables $'000**	**Other financial liabilities $'000**	**Total $'000**
Financial assets measured at fair value						
Equity securities/unlisted options	15	3,812	–	–	–	3,812
Currency swaps		102	–	–	–	102
		3,914	–	–	–	3,914
Financial assets not measured at fair value						
Trade and other receivables	14	–	–	101,360	–	101,360
Cash and cash equivalents	13	–	–	197,976	–	197,976
Loans and advances	20	–	–	286,188	–	286,188
		–	–	585,524	–	585,524
Financial liabilities measured at fair value						
Interest rate swaps used for hedging		–	24	–	–	24
		–	24	–	–	24
Financial liabilities not measured at fair value						
Trade and other payables	21	–	–	–	174,982	174,982
Deposits and borrowings	22	–	–	–	317,380	317,380
		–	–	–	492,362	492,362

(b) Accounting classifications and fair values

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

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

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

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

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

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Fair Value

Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2,584	1,228	–	3,812
–	102	–	102
2,584	1,330	–	3,914
–	–	–	–
–	–	–	–
–	–	–	–
–	–	–	–
–	24	–	24
–	24	–	24
–	–	–	–
–	–	–	–
–	–	–	–

32. Operating lease commitments

Leases as lessee

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

	Consolidated	
	2018 $'000	2017 $'000
Less than one year	**10,850**	8,894
Between one and five years	**28,325**	32,847
More than five years	**5,177**	8,032
	44,352	49,773

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.

33. Parent entity disclosures

As at, and throughout the financial year ending 31 December 2018 the parent company of the Group was Bell Financial Group Ltd.

	Consolidated	
	2018 $'000	2017 $'000
Results of the parent entity		
Profit for the year	**23,615**	15,379
Total comprehensive income for the year	**23,615**	15,379
Financial position of parent entity at year end		
Current assets	**2,298**	–
Non-current assets	**209,260**	169,918
Total assets	**211,558**	169,918
Current liabilities	**22,483**	17,456
Total liabilities	**22,483**	17,456
Total equity of the parent entity comprising of:		
Contributed equity	**204,237**	167,886
Reserves	**(1,057)**	(1,018)
Retained earnings/(losses)	**(14,105)**	(14,406)
Total equity	**189,075**	152,462

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

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34. Related parties

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

Executive Directors	Senior Executives	Non-Executive Directors
C Bell	L Bell	C Coleman
A Provan	A Bell	G Cubbin
	R Fell	B Wilson AO
	D Davenport	B Shanahan (Ceased 20 November 2018)

Key management personnel compensation

The key management personnel compensation comprised:

	Consolidated	
	2018	**2017**
Short-term employee benefits	**3,922,124**	3,933,282
Other long-term benefits	**59,922**	47,652
Post-employment benefits	**153,905**	169,032
Termination benefits	**–**	–
Share-based payments	**–**	–
	4,135,951	4,149,966

Loans to key management personnel and their related parties

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

	Opening balance $	Closing balance $	Interest paid and payable in the reporting period $	Number in Group at 31 December[1]
Total for key management personnel 2018	**3,808,983**	**3,039,829**	**165,932**	**36**
Total for key management personnel 2017	5,155,432	3,808,983	160,663	32
Total for other related parties 2018	**–**	**–**	**–**	**–**
Total for other related parties 2017	–	–	–	–
Total for key management personnel and their related parties 2018	**3,808,983**	**3,039,829**	**165,932**	**36**
Total for key management personnel and their related parties 2017	5,155,432	3,808,983	160,663	32

1. 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 $165,932 (2017: $160,663). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectable.

34. Related parties (continued)

Movements in shares 2018

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 2018	Purchases	Received on exercise of options	Sales	Held at 31 December 2018
Directors					
C Bell[2]	35,364,230	7,718,924	–	–	43,083,154
A Provan[2]	35,676,488	7,781,375	–	–	43,457,863
C Coleman	1,772,283	354,457	–	–	2,126,740
G Cubbin	180,000	36,000	–	–	216,000
B Wilson AO	1,000,000	200,000	–	–	1,200,000
B Shanahan[3]	401,000	80,200	–	–	–
Senior Executives					
LM Bell[2]	34,802,065	7,746,490	–	–	42,548,555
AG Bell[2]	26,325,554	5,764,418	–	–	32,089,972
R Fell	700,000	140,000	–	–	840,000
D Davenport	184,949	36,990	–	–	221,939

2. 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.

3. Brenda Shanahan ceased to be a related party as at 20 November 2018 therefore her shareholding as at 31 December 2018 is not shown.

Movements in shares 2017

	Held at 1 January 2017	Purchases	Received on exercise of options	Sales	Held at 31 December 2017
Directors					
C Bell[2]	34,215,800	1,148,430	–	–	35,364,230
A Provan[2]	34,528,058	1,148,430	–	–	35,676,488
C Coleman	1,772,283	–	–	–	1,772,283
G Cubbin	180,000	–	–	–	180,000
B Wilson AO	1,000,000	–	–	–	1,000,000
B Shanahan	250,000	151,000	–	–	401,000
Senior Executives					
LM Bell[2]	33,502,635	1,299,430	–	–	34,802,065
AG Bell[2]	25,710,843	614,711	–	–	26,325,554
R Fell	610,000	90,000	–	–	700,000
D Davenport	184,949	–	–	–	184,949

2. 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.

Other key management personnel transactions

Craig Coleman, currently a non-executive director, provided consultancy services to a Group company in 2017 and was paid for those services (2018: Nil, 2017: $75,000).

Effective 3 July 2018, Global U & I Management Pty Ltd, a wholly owned subsidiary of Bell Financial Group Limited, acquired shares that it did not already own in Third Party Platform Pty Ltd from Colin Bell (16,620 shares for $6,022,099), Alistair Provan (16,620 shares for $6,022,099), Craig Coleman (639 shares for $231,536) and Dean Davenport (1,799 shares for $651,850).

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

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Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group Ltd. There are no outstanding amounts owed by or to the ultimate parent entity at 31 December 2018 (2017: nil). There is no interest receivable or payable at 31 December 2018 (2017: nil).

Subsidiaries

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

	2018 $	2017 $
Subsidiary		
Bell Potter Platforms Pty Ltd[1]	**463**	232
Third Party Platform Pty Limited[2]	**174,438**	1,000,000
Bell Potter Capital Limited[3]	**8,121,666**	8,078,137
Bell Potter (US) Holdings Inc[1]	**1,932,809**	456,734
Bell Potter Securities (US) LLC	**1,912**	–
	10,231,288	9,535,103

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 3.33% per annum (2017: 3.21% per annum).
3. The loan from the parent entity to Bell Potter Capital Limited represents a subordinated loan that attracts interest at 3.00% per annum (2017: 3.00% per annum).

Loans made by wholly owned subsidiaries to the Company: $22,483,326 (2017: $15,200,378).

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 2018, all outstanding amounts are considered fully collectable.

35. Group entities

	Incorporation	Consolidated Interest 2018	2017
Bell Financial Group Ltd			
Significant subsidiaries			
Bell Potter Securities Limited	Australia	**100%**	100%
Bell Potter Capital Limited	Australia	**100%**	100%
Third Party Platform Pty Ltd	Australia	**100%**	56.63%
Bell Potter Securities Limited (UK)	United Kingdom	**100%**	100%
Bell Potter Securities (HK) Limited	Hong Kong	**100%**	100%
Bell Potter (US) Holdings Inc	United States	**100%**	100%

36. Guarantees

From time to time Bell Financial has provided financial guarantees in the ordinary course of business which amount to $6.6m (2017: $6.6m) and are not recorded in the Statement of Financial Position as at 31 December 2018.

37. 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.

38. Subsequent events

There were no significant events from 31 December 2018 to the date of this report.

Final Dividend

On 20 February 2019, the Directors resolved to pay a fully franked final dividend of 4.25 cents per share.

39. Auditor's remuneration

	Consolidated	
	2018 $	2017 $
Audit services		
Auditor of the Company		
KPMG:		
Audit and review of financial reports	**347,584**	412,750
Total remuneration for audit services	**347,584**	412,750
Audit related services		
Auditor of the Company		
KPMG Australia:		
Other regulatory audit services	**104,000**	117,500
Total remuneration for audit related services	**104,000**	117,500
Non-audit related services	**39,000**	30,000
	490,584	560,250

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DIRECTORS' DECLARATION

1. In the opinion of the Directors of Bell Financial Group Limited ('the Company'):
   (a) the Consolidated Financial Statements and notes that are set out on pages 16 to 58 and the Remuneration Report on pages 10 to 14 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 2018 and of its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2018.

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 20th day of February 2019.

Alastair Provan
Managing Director

20 February 2019

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KPMG

Independent Auditor's Report

To the shareholders of Bell Financial Group Ltd

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises :

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Goodwill ($130,413,000)	
Refer to Note 17 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment given the size of the balance (being 17% of total assets). We focused on the significant forward-looking assumptions the Group applied in their value in use model, including: • Forecast cash flows – the Group has continued to experience competitive market conditions in the current year as a result of volatility in the global investment market. This increases the risk of inaccurate forecasts for us to consider and goodwill being impaired. • Forecast growth rates and terminal multiples – in addition to the uncertainties described above, the Group's models are highly sensitive to small unfavourable changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • Discount rates - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is highly sensitive to small changes in the discount rate. We involved our valuation specialists with the assessment. The Group uses a complex model to perform their annual testing of goodwill for impairment. The model uses historical performance adjusted for a range of internal and external sources as inputs to the assumptions. Certain CGU's of the Group have	Working with our valuation specialists, our procedures included the following: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use model used, including the accuracy of the underlying formulas. • We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the model. We noted previous trends where forecasts for certain CGU's were not achieved and how they impacted the business, for use in our testing. • We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal multiples and discount rates, within a reasonably possible range, to identify those CGUs at higher risk of impairment and to focus our further procedures. • We challenged the Group's significant forecast cash flow and growth assumptions in light of competitive market conditions. We applied increased scepticism to forecasts in the CGU's where previous forecasts were not achieved. We compared forecast expense growth rates to published studies and considered differences for the Group's operations. We used our knowledge of the

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not met prior forecasts in some instances historically, increasing our audit effort in assessing the reliability of current forecasts for each CGU. Complex modelling, using forward-looking assumptions tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Group, the Group's past performance, business and customers, and our industry experience. • We checked the consistency of the growth rate to the past performance of the Group, and our experience regarding the feasibility of these in the industry in which they operate and compared the forecast cash flows contained in the value in use model to those contained within the Board reviewed goodwill impairment assessment memorandum. • We assessed the current net profit after tax multiples and to those of comparable companies. • We independently developed a discount rate range considered comparable using publicly available market data for comparable entities to the Group and the industry it operates in. • We assessed the Group's analysis of the market capitalisation compared to net assets of the Group. This included consideration of the market capitalisation range implied by recent share price trading ranges to the Group's net assets. • We assessed the disclosures in the Financial Report using our understanding of the issues obtained from our testing and against the requirements of the accounting standards.

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Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Bell Financial Group Ltd for the year ended 31 December 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 14 of the Directors' report for the year ended 31 December 2018.

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

KPMG

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Partner

Melbourne

20 February 2019

SHAREHOLDER INFORMATION

The following information is current as at 31 January 2019.

Distribution of shares

Range	Number of shareholders	Number of shares	% of issued capital
1 – 1,000	280	154,153	0.05
1,001 – 5,000	686	2,118,837	0.66
5,001 – 10,000	443	3,494,112	1.09
10,001 – 100,000	1,122	38,037,990	11.86
100,001 and over	225	276,938,856	86.34
Total	**2,756**	**320,743,948**	**100.00**

There were 163 shareholders who held less than a marketable parcel (less than $500 of shares).

Twenty largest shareholders

Rank	Name	Number of shares	% of issued capital
1.	BELL GROUP HOLDINGS PTY LIMITED	143,998,350	44.90
2.	EQUITAS NOMINEES PTY LIMITED	21,772,959	6.79
3.	BELL POTTER NOMINEES LIMITED	5,163,906	1.61
4.	CITICORP NOMINEES PTY LIMITED	4,698,264	1.46
5.	MR ANAND SELVARAJAH	3,892,334	1.21
6.	MR JAMES GORDON MAXWELL MOFFATT	3,700,000	1.15
7.	NATIONAL NOMINEES LIMITED	3,364,848	1.05
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,022,735	0.94
9.	COLIN BELL PTY LTD	2,814,627	0.88
10.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,626,856	0.82
11.	MORSON HOLDINGS PTY LTD	2,609,699	0.81
12.	FRANUNTA SUPER PTY LTD ‹FRANUNTA SUPER FUND A/C›	2,400,000	0.75
13.	MR ALASTAIR PROVAN + MRS JANIS PROVAN ‹A & J PROVAN SUPER FUND A/C›	2,400,000	0.75
14.	MR LEE WILLIAM MUCO	2,300,000	0.72
15.	BELL SECURITIES PTY LIMITED	2,232,000	0.70
16.	CERTUS CAPITAL PTY LTD	2,079,623	0.65
17.	MR LIONEL ALEXANDER MCFADYEN + MRS JENNIFER JUNE MCFADYEN ‹THE MCFADYEN FAMILY A/C›	1,687,480	0.53
18.	BOND STREET CUSTODIANS LIMITED	1,669,097	0.52
19.	MR ALASTAIR PROVAN + MRS JANIS PROVAN ‹ALASTAIR & JANIS PROVAN A/C›	1,560,876	0.49
20.	MR COLIN BELL	1,458,194	0.45

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Substantial shareholdings

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

Substantial shareholder	Number of shares	% of issued capital
BELL GROUP HOLDINGS PTY LIMITED	146,230,350	45.59[1]
ALASTAIR PROVAN	150,929,420	47.06[1,2]
COLIN BELL	150,554,711	46.94[1,3]
LEWIS BELL	149,650,112	46.66[1,4]
AHMED FAHOUR	21,772,959	6.79

1. Bell Group Holdings Pty Limited (BGH) holds 143,998,350 BFG ordinary shares. BGH's wholly-owned subsidiary, Bell Securities Pty Limited (BSPL) holds 2,232,000 BFG ordinary shares. Colin Bell, Alastair Provan and Lewis Bell each hold more than 20% of BGH and therefore under the Corporations Act they are each deemed to have a relevant interest in the 146,230,350 BFG ordinary shares held by BGH and BSPL.
2. Alastair Provan has a relevant interest in 4,699,070 BFG ordinary shares.
3. Colin Bell has a relevant interest in 4,324,361 BFG ordinary shares.
4. Lewis Bell has a relevant interest in 3,419,762 BFG ordinary shares.

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.

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DIRECTORY

Bell Financial Group Ltd

ABN

59 083 194 763

Directors

Alastair Provan, Acting Chairman & Managing Director
Colin Bell, Executive Director
Craig Coleman, Non-Executive Director
Graham Cubbin, Non-Executive Director
Brian Wilson AO, Non-Executive Director

Company Secretary

Cindy-Jane Lee

Registered Office

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

Share Registry

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

ASX Code

BFG
Shares are listed on the Australian Securities Exchange

Banker

Australia and New Zealand Banking Group Limited

Auditor

KPMG

Website Address

www.bellfg.com.au

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