ANNUAL REPORT 2014

BELL FINANCIAL GROUP

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BELL FINANCIAL LIMITED (ASX: BFG) IS AN AUSTRALIAN-BASED PROVIDER OF STOCKBROKING, INVESTMENT AND FINANCIAL ADVISORY SERVICES TO PRIVATE, INSTITUTIONAL AND CORPORATE CLIENTS.

The Group has over 600 employees, operates across thirteen offices in Australia and has offices in London and Hong Kong. Bell Financial has a 51.23% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

EXECUTIVE CHAIRMAN'S REPORT

Calendar 2014 was once again a patchy year for stockbroking companies and Bell Financial Group was no exception. The benchmark index delivered only modest gains after a mixed performance from industry sectors. The positive effect of low interest rates was offset by very weak commodity prices. As a result market volumes and market sentiment, the main drivers of our profitability, continued to be a negative.

After a slow start to the year, the second half was stronger and we ended up making a small profit of $6 million, a bit less than the year before. We declared a final dividend of 2 cents per share and that will be the total payout for the year.

Although we have a nicely diversified portfolio of profitable broking businesses: full service, online, commodities and FX, portfolio administration, margin lending and cash management, as well as an excellent line up of good people, our share price has been weak and that is of concern to all shareholders as well as the largest, Bell Group Holdings. Our share price is the product of our business model that is based entirely on commission and fee income which, in turn, is based largely on business volumes. The positive of that model (and the case for investing in BFG) is that each year the company's principal risks only involve the level of market activity and our ability to cash in on it. That has the effect of protecting our balance sheet and our cash holdings, so there are no surprises.

We take some comfort from the fact that our share of overall market volume has remained intact and that equities as an investment pool remain significant. We also know this identical model produced net profits pre-GFC of circa $60 million. For the last couple of years as you know, our profits have been circa $6 million.

Although the market has changed, it hasn't changed that much. Similarly our business has changed as we continue to recruit new advisers and invest in technology but overall the business approach has not changed that much and the basic model is essentially the same as what it was 40 years ago. We are surprised that it has taken so long for the market to return to normal business levels but we do believe it will. Only then will your patience and our commitment be rewarded.

I will make some brief comments about Bell Direct. The development of the company's 51% owned online broking platform starting in 2007 has been a fine achievement. Unlike full service broking, revenues in Bell Direct are more easily predictable and each year because of ever increasing client acquisition, business profitability improves. For the first time Bell Direct recorded a profit in 2013 and that has been repeated in 2014. Looking forward we are confident that further client and revenue growth will increase our profits.

In 2014 the company worked with Macquarie Bank to migrate their clients across to Bell Direct's online white label platform. We expect that exercise will be completed in 2015. It has been a bigger task than the one we completed for HSBC in 2012.

Recently, we announced that Bell Financial Group would not be exercising its call option to acquire the shares in Bell Direct that it did not own. The Board was disappointed this transaction didn't proceed. Bell Financial Group was under no obligation to exercise the call option, which was to be satisfied by Bell Financial Group issuing new shares subject to shareholder approval, and valued all of Bell Direct's existing share capital at $70 million.

The decision not to exercise the call option was made by the independent non-executive directors of the company. They resolved against putting the matter to shareholders because it was clear that insufficient eligible shareholders would vote in favour of the proposal because of its dilutionary effect. Those that opposed the acquisition were of the opinion that the cost incurred by the company to access 100% of Bell Direct's future income stream was excessive. Whilst it would have been convenient and economically beneficial to have both businesses fully integrated under the one roof we remain committed to growing Bell Direct and utilising all the Bell Direct technology for the benefit of the full service broking business.

To conclude, I should acknowledge the success of our year-old research and distribution agreement with Citi. It has worked extremely well for both parties.

Yours sincerely

Colin M Bell
Executive Chairman
Bell Financial Group Ltd

OPERATING AND FINANCIAL REVIEW

I am pleased to report that the Group delivered a very credible performance for Financial Year 2014, benefiting particularly from a strong second half.

This is a commendable performance given the lack of investor confidence that still exists and the overall market performance – the S&P/ASX 200 rose by just 1.1% over the year – its smallest gain since 2011.

Group revenue was little changed at $158.7 million, down from $159.1 million the year before, however there was a noticeable skew, with second half revenue 20% higher than in the first six months.

Net profit after tax was $6.0 million compared to $6.8 million in 2013, **and significantly, $5.2 million of full year NPAT was achieved in the second half of the year.**

Major market themes during the year were the continuing downward pressure on interest rates, commodity prices (particularly iron ore and oil), the Australian Dollar and the mixed performance of market sectors. Weakness in the resources, energy and consumer segments were offset, for example, by strength in healthcare, financials, infrastructure and information technology.

All businesses in the Group were profitable in 2014.

A standout was our Equity Capital Markets division which once again delivered a top line revenue improvement of almost 30% to $31 million, reflecting an increased appetite from corporates to raise funds and the willingness of clients to participate in new issues.

During the course of 2014 our Capital Markets and Syndication desks originated or participated in 90 transactions, raising $1.5 billion in new equity capital.

One highlight was the appointment of Bell Potter as Co-Lead Manager to the Federal Government's highly successful $5.7 billion Initial Public Offering of Medibank Private. We carry a solid pipeline of Capital Markets work into 2015.

Revenue in the Futures and Foreign Exchange division increased by 23% to $10.6 million as we added new key staff members and gained market share particularly in the domestic Exchange Traded Derivatives markets.

Revenue in Portfolio Administration Services rose by 6% to $8.4 million as did Funds Under Advice (FUA).

The total value of FUA, which includes Sponsored Holdings, Cash, Margin Loans, Portfolio Administration Service (PAS) and Superannuation, stood at $30 billion at year end.

Equities Execution revenue fell to $81 million from $91 million the previous year reflecting the general lack of positive sentiment as the slowdown in the Australian mining sector continued to impact the broader economy. Investors remained cautious throughout while keeping a wary eye on the economic landscapes of Europe and China.

Bell Potter Capital's net revenue fell from $6.9 million to $6.6 million, which was a solid and profitable performance in a tough market characterised by reduced investor appetite for risk and a persistent competitive squeeze on margins.

Bell Direct, our 51.23% owned online broking subsidiary improved on its close to breakeven 2013 result, and produced an after-tax profit of $336,000 on revenue of $8.6 million. Bell Direct provides broking and white labelled services to retail and wholesale customers via its proprietary Bell Direct and Desktop Broker technology platforms.

Online broking remains core to our strategy of being a fully diversified financial services and broking business.

BALANCE SHEET

We have a solid balance sheet, strong cash position and continue to manage the business with no debt other than a loan funding facility in our Margin Lending business, Bell Potter Capital.

Net assets at year end were $181 million ($2013: $180 million), net tangible assets were $47 million (2013: $47 million) and cash and cash equivalents (excluding margin lending and client cash) were $56 million (2013: $52 million).

OVERHEADS

Group overheads excluding commission paid to advisers were $72 million, in line with 2013.

We expect to achieve savings of around $2 million p.a. on our rent bill going forward due to a number of expiring and renegotiated leases that will occur during the 2015 financial year.

OUTLOOK

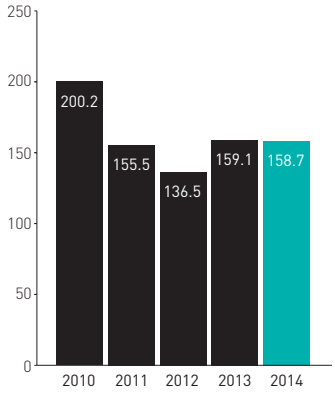
Early signs in 2015 are good. At the time of writing the S&P/ASX 200 has gained 9% on last year's close, with the possibility of the A$ and domestic interest rates remaining low for the foreseeable future providing a solid base for equities markets.

As always projections are difficult in our businesses however it would be disappointing if the first half of 2015 was not similar to the second half of 2014.

Yours sincerely

Alastair Provan
Managing Director
Bell Financial Group Ltd

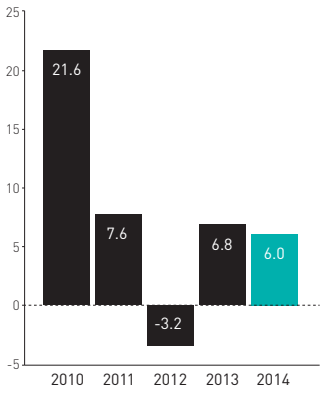
REVENUE
($A M) 2010-2014



Revenue

2014 consolidated Group revenue of $158.7 million was consistent with 2013 however there was a noticeable skew with second half revenue 20% higher than in the first six months.

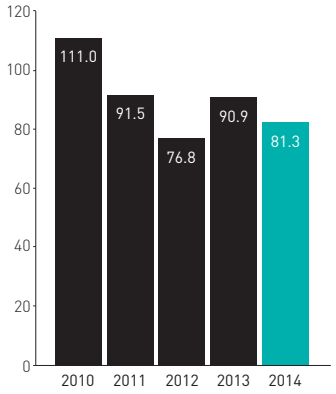
NET PROFIT/(LOSS) AFTER TAX
($A M) 2010–2014



Net Profit/(Loss) after tax

Full year profit after tax was $6.0 million, a commendable performance given the lack of investor confidence and the overall 2014 market performance. Importantly, all underlying businesses traded profitably in 2014, including Bell Direct.

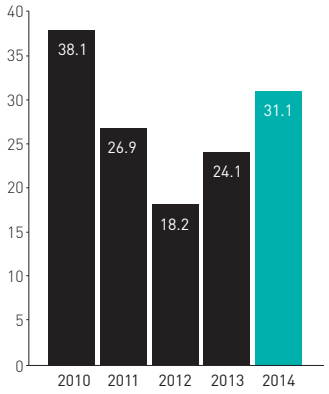
EQUITIES EXECUTION REVENUE
($A M) 2010–2014



Equities Execution Revenue

Equities Execution revenue of $81.3 million was 10.5% down on 2013 revenue. The lower revenue mirrors investor confidence which has been subdued for an extended period of time.

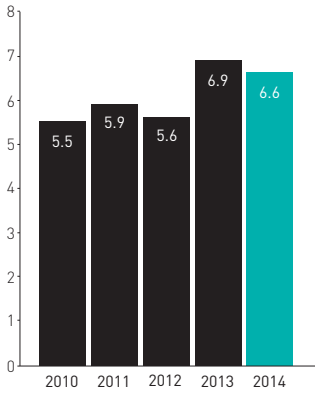
EQUITIES CAPITAL MARKETS REVENUE
($A M) 2010–2014



Equities Capital Markets Revenue

ECM revenue improved for the third consecutive year with revenue up 29% on 2013 to $31.1 million. The increase reflects a higher number of completed transactions particularly in the second half of the year including participation in the highly successful Medibank Private Initial Public Offer.

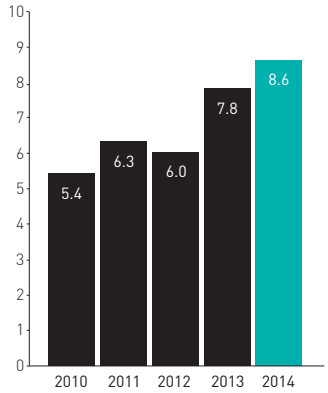
MARGIN LENDING AND CASH REVENUE
($A M) 2010–2014



Bell Potter Capital Margin Lending and Cash Revenue

Our Margin Lending and Cash business had a solid year although net revenues were slightly down as a result of pressure on margins. The loan and cash book balances were steady and are well positioned for growth as investor risk appetite improves.

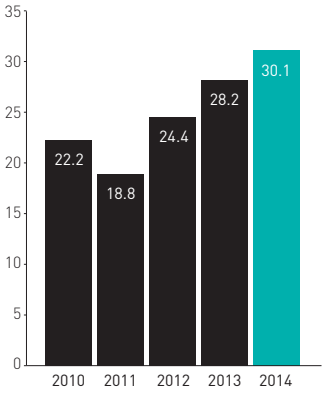
BELL DIRECT (ONLINE) REVENUE
($A M) 2010–2014



Bell Direct (Online)

Bell Direct won the AFR 2014 Smart Investor Blue Ribbon award for Best Online Broker and continued its track record of growth in revenues, client acquisition and sponsored holdings. The business was profitable in 2014 and we anticipate solid growth going forward.

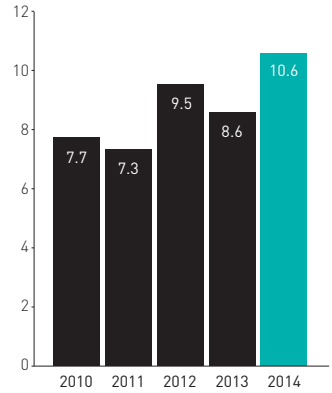
FUNDS UNDER ADVICE
($A B) 2010–2014



Funds Under Advice

Funds Under Advice (FUA) includes Sponsored Holdings, Cash, Margin Loans, Portfolio Administration Services (PAS) and Superannuation. FUA increased 7% over 2014 to $30.1 billion.

FUTURE AND FOREIGN EXCHANGE REVENUE
($A M) 2010–2014



Futures and Foreign Exchange

Futures and Foreign Exchange revenues increased 23% year on year as we added new key staff members and gained market share particularly in the domestic exchange traded derivatives markets.

DIRECTORS' REPORT

For the year ended 31 December 2014

The Directors of Bell Financial Group Limited (Bell Financial or Company) present their report, together with the financial report, on the consolidated entity (Group) consisting of Bell Financial and its controlled entities for the year ended 31 December 2014.

DIRECTORS

The Directors holding office during the year are set out below, together with details of their qualifications, experience and special responsibilities.

Mr Colin Bell

BEcon (Hons), Monash University

Mr Bell is the Executive Chairman of Bell Financial and has responsibility for the business development of the Company 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 Alastair Provan

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

Mr Craig Coleman

BComm, University of Western Australia

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. He is also a Director of Bell Direct.

Mr Coleman is Executive Chairman of private equity firm Viburnum Funds and a Non-Executive Director of private investment company, Wyllie Group Pty Ltd. Previously, he was Managing Director and a Non-Executive Director of Home Building Society Limited. Prior to joining Home Building Society, Mr Coleman held a number of senior executive positions and directorships with ANZ, including Managing Director – Banking Products, Managing Director – Wealth Management and Non-Executive Director of E*Trade Australia Limited.

Other listed companies – past three years

Chairman, Rubik Financial Limited (December 2006 – present)

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

Non-Executive Director, Amcom Telecommunications Limited (October 2008 – present)

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

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

Mr Graham Cubbin

BEcon (Hons), Monash University
Fellow of the Australian Institute of Company Directors

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

Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, he held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company.

Mr Cubbin has over 20 years' experience as a Director and audit committee member of public companies in Australia and the USA.

Other listed companies – past three years

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

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

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

Non-Executive Director, McPherson's Limited (September 2010 – present)

Mr Brian Wilson

MComm (Hons), Auckland

Mr Wilson was appointed as a Non-Executive Director in October 2009.

Mr Wilson is also Chairman of the Foreign Investment Review Board, Deputy Chancellor of University of Technology, Sydney, and a member of the Payments System Board of the Reserve Bank of Australia. He was a member of the Commonwealth Government Review of Australia's Superannuation System and is currently a member of the Australian Tax Office Superannuation Reform Steering Committee.

Mr Wilson retired in 2009 as a Managing Director of the global investment bank Lazard, after co-founding the firm in Australia in 2004 and was previously a Vice-Chairman of Citigroup Australia and its predecessor companies.

Ms Brenda Shanahan

BComm, Melbourne University
Fellow of the Australian Institute of Company Directors

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

Ms Shanahan has served in senior executive and board roles in Australia and overseas, primarily in the finance and stockbroking industries, during a career spanning more than 30 years. Ms Shanahan was previously an Executive Director of JM Financial Group Limited, May Mellor, Equitlink Limited and William M Mercer. Ms Shanahan also chairs the St Vincent's Medical Research Institute and The Aikenhead Centre for Medical Discovery and is a Director of the Kimberley Foundation Australia.

Other listed companies – past three years

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

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

Mr Charlie Aitken

Mr Aitken served as an Executive Director from 20 March 2014 to 20 October 2014. He joined Bell Financial in 2008 as part of the Southern Cross Equities acquisition and prior to that was the Head of Sydney Institutional Dealing at Citigroup. Mr Aitken is currently providing specialist market commentary to advisers and clients of Bell Potter.

PRINCIPAL ACTIVITIES

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. The Group has over 600 employees, operates across 13 offices in Australia and has offices in London and Hong Kong. Bell Financial has a 51.23% holding in Third Party Platform Pty Ltd (Bell Direct), an online stockbroking business.

OPERATIONS

The Group's consolidated operating result after income tax attributable to members was a profit of $6.0 million (2013: $6.8 million profit). A review of the operations of the Group is set out in the Operating and Financial Review section on pages 4 to 5.

MATTERS SUBSEQUENT TO 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 item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years,

other than:

On 28 January 2015, the Company announced to the market that it was not exercising its call option to acquire the remaining shares in Bell Direct it does not own.

FINAL DIVIDEND

On 24 February 2015, the Directors resolved to pay a fully franked final dividend of 2 cents per share.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors during the year ended 31 December 2014, were:

	Board		Group Risk and Audit Committee		Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Colin Bell	5	5	-	-	-	-
Alastair Provan	5	5	-	-	2	2
Graham Cubbin	5	5	6	6	2	2
Craig Coleman	5	5	6	6	2	2
Brian Wilson	5	5	-	-	-	-
Brenda Shanahan	5	5	6	6	2	2
Charlie Aitken	3	3	-	-	-	-

A – Number of meetings attended.
B – Number of meetings held during the time the Director was a member of the Board.

During the year, the Board established a committee of independent Non-Executive Directors (Call Option Committee) to consider whether or not to exercise the call option. The members of the Committee were Brian Wilson (Chair), Graham Cubbin and Brenda Shanahan and meetings were held on 11 August, 21 August, 1 September, 15 October and 5 November 2014. Further information is set out on the previous page.

DIRECTORS' INTERESTS

The relevant interests of each Director in BFG shares and options over BFG shares issued by the Company as at 31 December 2014 are as follows:

	Ordinary Shares			
Bell Financial Group Ltd	**Direct**	**Indirect**	**Total**	**Number of Options**
Name				
Colin Bell	2,603,633	31,264,919	33,868,552	-
Alastair Provan	2,815,891	31,264,919	34,080,810	-
Graham Cubbin	130,000	50,000	180,000	-
Craig Coleman	39,264	1,733,019	1,772,283	-
Brian Wilson	-	1,000,000	1,000,000	-
Brenda Shanahan	-	250,000	250,000	-
Charlie Aitken	-	-	-	-

There were no changes to Directors' interests in the Company's shares between 31 December 2014 and the date of this report.

DIVIDENDS

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

	Cents Per Share	Total $'000	Franked/ Unfranked	Date of Payment
Declared and paid during the year				
Final 2013 ordinary	1.5	3,852	Franked	21 March 2014
Interim 2014 ordinary	-	-	-	-

The dividend payment was fully franked at the tax rate of 30%.

COMPANY SECRETARY

Cindy-Jane Lee, BEc, LLB, MAICD was appointed as Company Secretary effective 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 14 years' experience in corporate and financial services law working in law firms and multinational companies in Australia, London and Singapore. She has degrees in economics and law from Monash University.

CORPORATE GOVERNANCE

Bell Financial recognises the importance of good corporate governance practices. This section outlines key aspects of its corporate governance policies and frameworks. The Company developed its corporate governance framework by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition (ASX Recommendations). The ASX Recommendations are guidelines of practices designed to optimise corporate performance and accountability.

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

1. BOARD OF DIRECTORS

1.1 Composition of the Board

The members of the Board and their experience and qualifications are set out on pages 6 to 7.

1.2 Chairman

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

1.3 Directors' independence

An independent Director is a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board Charter contains the principles used by the Board in assessing independence.

During 2014, there were four Non-Executive Directors on the Board – Craig Coleman, Graham Cubbin, Brian Wilson and Brenda Shanahan. Mr Cubbin and Ms Shanahan are independent Non-Executive Directors. The Board did not consider that Mr Coleman was an 'independent' Director in 2014 as he provided consultancy services to Bell Financial in 2013. The Board did not consider that Mr Wilson was an 'independent' Director in 2014 as he provided consultancy services to Bell Financial in 2012. Their status as independent Directors may change over time and this will be disclosed to the market in a timely manner. As at the date of this report, the Board does not have a majority of independent Directors, however, it has a majority of Non-Executive Directors.

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

1.4 Independent professional advice

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

1.5 Director education

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

2. BOARD RESPONSIBILITIES

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

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

The Board is responsible for monitoring the senior executive team's performance. As part of the delegation of authority to manage the day-to-day affairs of the Company, the Managing Director carries out a performance evaluation for senior executives regularly, against appropriate performance objectives and indicators. A performance evaluation for senior executives was carried out by the Managing Director in 2014.

3. BOARD COMMITTEES

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

3.1 Group Risk and Audit Committee

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

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

The GRAC Charter stipulates that the Chair of the Committee must be an independent Non-Executive Director, who is not the Chairman of the Board. The GRAC Charter also stipulates that the Committee must be comprised of only Non-Executive Directors, a majority of independent Directors and have at least three members.

During 2014, the members of the GRAC were Mr Cubbin (Chairman), Mr Coleman and Ms Shanahan. Each Director was a GRAC member for the full year. A copy of the GRAC Charter is available on Bell Financial's website, www.bellfg.com.au/corporategovernance.aspx.

3.2 Remuneration Committee

The Remuneration Committee assists and advises the Board on remuneration matters. The role of the Remuneration Committee is to develop, review and make recommendations to the Board on the remuneration framework for the Non-Executive Directors, Executive Directors, other key management personnel (KMP) and Senior Executives. This includes recommendations in relation to incentive schemes and equity based plans where appropriate. An overview of Bell Financial's remuneration policy and framework is contained in Section 2 of the Remuneration Report.

The members of the Remuneration Committee during 2014 were Mr Cubbin (Chairman), Mr Coleman, Ms Shanahan and Mr Provan. Each Director was a Committee member for the full year. The composition of the Remuneration Committee represents a departure from the ASX Recommendations, which propose that a majority of members should be independent Directors. However, the Board is satisfied that, given the majority of Non-Executive Directors, the Remuneration Committee has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

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

4. BOARD NOMINATIONS AND RENEWAL

The Company does not have a Nominations Committee and this is a departure from the ASX Recommendations. The Board does not consider that delegating the Board selection and appointment practices of Bell Financial to a separate committee would enhance efficiency. Instead, the Board has reserved to itself relevant responsibilities, including appointing and removing the Managing Director, developing and approving succession plans for the Board and key senior executives and overseeing that membership of the Board has the mix of experience, skills and diversity appropriate for Bell Financial's needs, as identified in the Board Charter. A performance evaluation in accordance with the Board Charter was carried out in 2014 in relation to the Directors and the GRAC Committee.

There must be an election of Directors at each Annual General Meeting. The constitution of the Company provides, among other things, for a process of retirement of Directors by rotation (which will occur for each Director approximately every three years except for the Managing Director, Alastair Provan). Directors who retire from office are eligible to stand for re-election.

5. COMPANY POLICIES

5.1 Ongoing disclosure

With a view to ensuring that investors are informed of all major developments affecting Bell Financial and its businesses, the Board has adopted policies designed to ensure that Bell Financial meets the continuous disclosure obligations imposed by the ASX Listing Rules and the Corporations Act. Information is communicated to shareholders through ASX announcements, Annual Reports and half-yearly updates, which are accessible on Bell Financial's website, www.bellfg.com.au. A copy of the Disclosure and Communications Policy and Guidelines is available on Bell Financial's website, www.bellfg.com.au/corporategovernance.aspx.

5.2 Securities Trading Guidelines

Bell Financial has adopted a Trading Policy that applies to Directors, executives and employees of Bell Financial. The Policy explains the type of conduct in relation to dealings in the Company's securities that is prohibited under the Corporations Act, and establishes procedures in relation to Directors, executives and employees dealing in securities of the Company. Under the Trading Policy, Directors and designated employees may not deal in securities of the Company during the following 'black-out periods' (subject to limited exceptions):

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

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

5. COMPANY POLICIES CONTINUED

5.3 Code of Conduct

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

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

5.4 Diversity

Considerable diversity exists throughout the Bell Financial Group in terms of age, culture and gender. The Company values diversity in the workplace and is committed to employing people on the basis of the 'best fit' for the job, based on relative ability, performance and potential. The Company departs from the ASX Recommendations in that it does not set or disclose measurable objectives around gender diversity, nor does it disclose the proportion of female employees at organisation, senior executive and Board level.

Bell Financial has a Diversity Policy, which is available on the Company's website, www.bellfg.com.au/corporategovernance.aspx.

5.5 Risk assessment and management

The Board understands that the management of risk is a continuous process and an integral part of sound business management and corporate governance. The Group Risk and Audit Committee (GRAC) plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices, risk management and monitoring the independence of the Company's external auditors.

The Company has implemented a Risk Management Policy and Framework based on Australian/New Zealand standard AS/NZ ISO 3100:2009 Risk Management Standard. A description of the Risk Management Policy Framework is available on Bell Financial's website, www.bellfg.com.au/corporategovernance.aspx. The GRAC reviewed and approved the Company's Risk Management Policy and its Risk Management Plan in 2014. The GRAC reported to the Company's Board on these matters and the Board is satisfied that the Company's risk management and internal control system is appropriate.

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

5.6 Financial reporting

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

5.7 External auditors

The Company policy is to appoint external auditors who demonstrate quality and independence. The performance of the auditor is reviewed annually. KPMG is Bell Financial's external auditor. An analysis of fees paid to the external auditor is provided in Note 38 of the Financial Statements.

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

5.8 Internal audit

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

6. ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The ASX Listing Rules require listed entities to include in their annual report a statement disclosing the extent to which they have followed the recommendations set out by the ASX Corporate Governance Council during the reporting period, identifying any recommendations that have not been followed and the reasons.

	ASX Corporate Governance Recommendation	Reference	Comply
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2	✓
1.2	Disclose the process for evaluating the performance of senior executives.	2	✓
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	2	✓
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	1.3	Non-comply
2.2	The chair should be an independent director.	1.2	Non-comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.2	Non-comply
2.4	The board should establish a nomination committee.	4	Non-comply
2.5	Disclose the process for evaluating the performance of the board, committees and individual directors.	4	✓
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	1	✓
Principle 3:	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account the company's legal obligations and the reasonable expectations of stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.3	✓
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress for achieving them.		Non-comply
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.		Non-comply
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.		Non-comply
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	5.4	✓
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	3.1	✓
4.2	The audit committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	3.1	✓ ✓ ✓ ✓ ✓
4.3	The audit committee should have a formal charter.	3.1	✓
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	3.1	✓

6. ASX CORPORATE GOVERNANCE RECOMMENDATIONS CONTINUED

	ASX Corporate Governance Recommendation	Reference	Comply
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	5.1	✓
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	5.1	✓
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5.1	✓
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	5.1	✓
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.5	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	5.5	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to financial reporting risks.	5.6	✓
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	5.5, 5.6	✓
Principle 8:	**Remunerate fairly and responsibility**		
8.1	The board should establish a remuneration committee.	3.2	✓
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors;	3.2	Non-comply
	• is chaired by an independent director; and	3.2	✓
	• has at least three members.	3.2	✓
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	3.2, Remuneration Report	✓
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	3.2, Remuneration Report	✓

REMUNERATION REPORT (AUDITED)

This report sets out the remuneration arrangements for Directors and other key management personnel (KMP) of the Bell Financial Group for the year ended 31 December 2014 and is prepared in accordance with section 300A of the Corporations Act. The information in this report has been audited as required by section 308(3C) of the Corporations Act.

1. Key management personnel (KMP)

KMP comprise the Directors of the Company and Senior Executives. The term 'Senior Executives' refers to those executives who have authority and responsibility for planning, directing and controlling the activities of Bell Financial. In this report, 'Executive KMP' refers to KMP other than Non-Executive Directors. The KMP for 2014 are stated in Section 8.4 below.

2. Overview of remuneration policy and framework

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

	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000
Net profit/(loss) after tax	21,569	7,639	(3,189)	6,811	5,952
Share price at year end	0.97	0.605	0.46	0.70	0.43
Dividends declared	16,162	7,649	-	2,596	3,852

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

3. Fixed compensation

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

4. Commission

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

5. Performance linked compensation

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

REMUNERATION REPORT (AUDITED) CONTINUED

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 Listing Rules, they will not participate in the LTIP until that shareholder approval is received.

8. Service agreements

8.1 Executive Chairman and Managing Director

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

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

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

8.2 Executives

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

8.3 Non-Executive Directors

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

Name	Directors' Fees $	Superannuation $	Total $
Craig Coleman	91,429	8,571	100,000
Brian Wilson	91,429	8,571	100,000
Graham Cubbin	91,429	8,571	100,000
Brenda Shanahan	91,429	8,571	100,000

Craig Coleman

In 2013, Mr Coleman provided consultancy services to Bell Financial and was paid $50,000. He did not provide any consultancy services to Bell Financial in 2014. Mr Coleman is the Chairman of Third Party Platform Pty Ltd.

REMUNERATION REPORT (AUDITED) CONTINUED

8. Service agreements CONTINUED

8.4 KMP remuneration

Details of the remuneration of each KMP are tabled below.

		Short-term			
		Salary and Fees $	STI Cash Bonus $	Non-monetary Benefits $	Total $
Directors					
Executive Directors					
Colin Bell, Executive Chairman[1]	**2014**	**598,686**	**-**	**-**	**598,686**
	2013	599,190	-	-	599,190
Alastair Provan, Managing Director[1]	**2014**	**525,996**	**-**	**-**	**525,996**
	2013	527,153	-	-	527,153
Charlie Aitken[3]	**2014**	**314,003**	**-**	**-**	**314,003**
	2013	-	-	-	-
Non-Executive Directors					
Craig Coleman	**2014**	**91,429**	**-**	**-**	**91,429**
	2013	141,638	-	-	141,638
Graham Cubbin	**2014**	**91,429**	**-**	**-**	**91,429**
	2013	91,638	-	-	91,638
Brian Wilson	**2014**	**91,429**	**-**	**-**	**91,429**
	2013	91,638	-	-	91,638
Brenda Shanahan	**2014**	**91,429**	**-**	**-**	**91,429**
	2013	91,638	-	-	91,638
Total compensation: Directors (consolidated)	**2014**	**1,804,401**	**-**	**-**	**1,804,401**
	2013	1,542,895	-	-	1,542,895
Senior Executives					
Lewis Bell, Head of Compliance	**2014**	**346,394**	**-**	**-**	**346,394**
	2013	359,502	-	-	359,502
Andrew Bell, Executive Director of Bell Potter Securities	**2014**	**483,090**	**-**	**-**	**483,090**
	2013	566,999	-	-	566,999
Dean Davenport, Chief Financial Officer	**2014**	**306,721**	**100,000**	**-**	**406,721**
	2013	282,878	100,000	-	382,878
Rowan Fell, Director – Investment Services	**2014**	**294,338**	**177,680**	**-**	**472,018**
	2013	312,873	110,000	-	422,873
Total compensation: Executives (consolidated)	**2014**	**1,430,543**	**277,680**	-	**1,708,223**
	2013	1,522,252	210,000	-	1,732,252

1. Mr Bell and Mr Provan volunteered to forego any discretionary annual cash bonus in 2013 and 2014.
2. Voluntary super contributions above the minimum legislative requirements are classified as post-employment benefits.
3. Mr Aitken was a Director from 20 March 2014 to 20 October 2014.

Post-employment			Share-based Payments			
Superannuation Benefits[2] $	Other Long-term $	Termination Benefits $	Total Amortisation Value of LTI Options $	Total $	Proportion of Remuneration Performance Related %	Value of Options as Proportion of Remuneration %
21,314	**-**	**-**	**-**	**620,000**	**0**	**0**
20,810	-	-	-	620,000	0	0
18,279	**-**	**-**	**-**	**544,275**	**0**	**0**
17,122	-	-	-	544,275	0	0
10,705	**-**	**-**	**4,892**	**329,600**	**28**	**1**
-	-	-	-	-	0	0
8,571	**-**	**-**	**-**	**100,000**	**0**	**0**
8,362	-	-	-	150,000	0	0
8,571	**-**	**-**	**-**	**100,000**	**0**	**0**
8,362	-	-	-	100,000	0	0
8,571	**-**	**-**	**-**	**100,000**	**0**	**0**
8,362	-	-	-	100,000	0	0
8,571	**-**	**-**	**-**	**100,000**	**0**	**0**
8,362	-	-	-	100,000	0	0
84,582	**-**	**-**	**4,892**	**1,893,875**	**5**	**0**
71,380	-	-	-	1,614,275	0	0
43,108	**-**	**-**	**-**	**389,502**	**0**	**0**
30,000	-	-	-	389,502	0	0
10,957	**-**	**-**	**-**	**494,047**	**100**	**0**
41,863	-	-	-	608,862	100	0
18,279	**-**	**-**	**11,182**	**436,182**	**23**	**3**
17,122	-	-	6,643	406,643	25	2
25,504	**-**	**-**	**5,591**	**503,113**	**35**	**1**
17,122	-	-	3,321	443,316	25	1
97,848	**-**	**-**	**16,773**	**1,822,844**	**42**	**1**
106,107	-	-	9,964	1,848,323	42	0

REMUNERATION REPORT (AUDITED) CONTINUED

8. Service agreements CONTINUED

8.5 KMP remuneration (Group)

Notes in relation to KMP remuneration table

(a) For Executive KMP, the short-term incentive bonus is for performance during the financial year ended 31 December 2014 using the criteria set out in Section 6 of the Remuneration Report.

(b) Options were issued to Charlie Aitken, Dean Davenport and Rowan Fell in May 2013. The fair value of the options is calculated at the date of grant using an option-pricing model and allocated to each reporting period evenly over the period from grant date to Vesting Date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account.

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

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

1. Options can be exercised for a period of up to 12 months from exercise date.
2. Represents exercise price at grant.

Equity instruments

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

9. Options granted as compensation

No options were granted over shares in the Company as compensation to any KMP in 2014 and no options vested for KMP during the reporting period.

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

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

9.2 Exercise of options granted as compensation

Following the Vesting Date on the accelerated vesting of an option, the vested option may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued shares on a one-for-one basis.

No options granted as compensation were exercised during the period.

9.3 Analysis of options granted as compensation

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

	Options Granted		% Vested in Year	Financial Years in which Grant Vests
Executive Directors	**Number**	**Date**		
Colin Bell	-	-	-	-
Alastair Provan	-	-	-	-
Charlie Aitken	300,000	28 May 2013	0	28 May 2016
Non-Executive Directors				
Graham Cubbin	-	-	-	-
Brenda Shanahan	-	-	-	-
Brian Wilson	-	-	-	-
Craig Coleman	-	-	-	-
Senior Executives				
Lewis Bell	-	-	-	-
Andrew Bell	-	-	-	-
Dean Davenport	400,000	28 May 2013	0	28 May 2016
Rowan Fell	200,000	28 May 2013	0	28 May 2016

9.4 Analysis of movements in options

There was no movement in options during the year.

9.5 Unissued shares under options

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

Expiry Date	Exercise Price	Number of Options
28 May 2017	$0.80	22,650,000

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

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

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

Insurance premiums

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

Environmental regulation

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

Non-audit services

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

Likely developments

Further details of likely developments in the operations of the Group and its prospects in future financial years are contained in the Chairman's Report and the Operating and Financial Review set out on pages 4 to 5. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 23 and forms part of the Directors' Report for the financial year ended 31 December 2014.

Rounding of amounts

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

Signed in accordance with a resolution of the Directors.

Colin Bell
Executive Chairman
24 February 2015

LEAD AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 31 December 2014

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

To: the directors of Bell Financial Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean M Waters
Partner

Melbourne
24 February 2015

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 2014

		Consolidated	
	Note	2014 $'000	2013 $'000
Rendering of services	6	**143,562**	142,590
Finance income	9	**13,483**	14,826
Net fair value gains/losses	7	**(253)**	719
Other income	8	**1,915**	942
Total revenue		**158,707**	159,077
Employee expenses	10	**(104,934)**	(102,249)
Depreciation and amortisation expenses	15,16	**(1,091)**	(1,199)
Occupancy expenses		**(13,382)**	(13,330)
Systems and communication expenses		**(15,163)**	(15,279)
Professional expenses		**(2,546)**	(2,860)
Finance expenses	9	**(4,210)**	(5,328)
Other expenses		**(8,829)**	(8,378)
Total expenses		**(150,155)**	(148,623)
Profit/(loss) before income tax		**8,552**	10,454
Income tax expense	11	**(2,600)**	(3,643)
Profit/(loss) for the year		**5,952**	6,811
Attributable to:			
Equity holders of the Company		**5,788**	6,821
Non-controlling interests		**164**	(10)
Profit/(loss) for the year		**5,952**	6,811
Earnings per share:		**Cents**	Cents
Basic earnings per share (AUD)	28	**2.3**	2.7
Diluted earnings per share (AUD)	28	**2.3**	2.7

The notes on pages 29 to 63 are an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Consolidated	
	2014 $'000	**2013 $'000**
Profit/(loss) for the year	**5,952**	6,811
Other comprehensive income		
Items that are or may be classified to profit or loss		
Change in fair value of cash flow hedge	**(15)**	13
Other comprehensive income for the year, net of tax	**(15)**	13
Total comprehensive income for the year	**5,937**	6,824
Attributable to:		
Equity holders of the Company	**5,773**	6,834
Non-controlling interests	**164**	(10)
Total comprehensive income for the year	**5,937**	6,824

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

The notes on pages 29 to 63 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014*

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	12	**143,539**	146,298
Trade and other receivables	13	**67,843**	72,720
Prepayments		**710**	673
Financial assets	14	**288**	976
Loans and advances	19	**171,383**	171,696
Deferred tax assets	18	**9,462**	9,761
Property, plant and equipment	15	**1,258**	1,725
Goodwill	16	**130,413**	130,413
Intangible assets	16	**3,513**	2,366
Total assets		**528,409**	536,628
Liabilities			
Trade and other payables	20	**147,216**	144,227
Deposits and borrowings	21	**176,786**	192,548
Current tax liabilities	22	**1,366**	1,919
Derivatives	30	**60**	45
Employee benefits	24	**21,905**	17,336
Provisions	23	**150**	450
Total liabilities		**347,483**	356,525
Net assets		**180,926**	180,103
Equity			
Contributed equity	26	**164,284**	164,284
Other equity		**1,806**	1,806
Reserves	26	**(1,889)**	(612)
Non-controlling interests	26	**4,478**	4,314
Retained earnings	26	**12,247**	10,311
Total equity attributable to equity holders of the Company		**180,926**	180,103

The notes on pages 29 to 63 are an integral part of these consolidated financial statements.

* The presentation format of the Consolidated Statement of Financial Position has been changed from a current/non-current basis to order of liquidity. See Note 1(a) for additional disclosures.

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity	Share Capital $'000	Treasury Shares Reserve $'000	Share-based Payments Reserve $'000	Non-controlling Interests $'000	Cash Flow Hedge Reserve $'000	Retained Earnings $'000	Other Equity $'000	Total Equity $'000
Balance at 1 January 2013	**164,284**	**(1,434)**	**608**	**3,947**	**(58)**	**6,086**	**2,764**	**176,197**
Total comprehensive income								
Profit/(loss) for the year	-	-	-	-	-	6,811	-	6,811
Other comprehensive income								
Change in fair value of cash flow hedges	-	-	-	-	13	-	-	13
Total other comprehensive income	-	-	-	-	13	-	-	13
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**13**	**6,811**	**-**	**6,824**
Transactions with owners, directly in equity								
Increase/(decrease) in non-controlling interests	-	-	-	377	-	-	-	377
Transfer of retained earnings	-	-	-	(10)	-	10	-	-
Share-based payments	-	-	724	-	-	-	-	724
Purchase of treasury shares	-	(465)	-	-	-	-	-	(465)
Employee share awards exercised	-	213	(213)	-	-	-	-	-
Increase/(decrease) in other equity	-	-	-	-	-	-	(958)	(958)
Dividends	-	-	-	-	-	(2,596)	-	(2,596)
Balance at 31 December 2013	**164,284**	**(1,686)**	**1,119**	**4,314**	**(45)**	**10,311**	**1,806**	**180,103**
Balance at 1 January 2014	**164,284**	**(1,686)**	**1,119**	**4,314**	**(45)**	**10,311**	**1,806**	**180,103**
Total comprehensive income								
Profit/(loss) for the year	-	-	-	-	-	5,952	-	5,952
Other comprehensive income								
Change in fair value of cash flow hedges	-	-	-	-	(15)	-	-	(15)
Total other comprehensive income	-	-	-	-	(15)	-	-	(15)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(15)**	**5,952**	**-**	**5,937**
Transactions with owners, directly in equity								
Increase/(decrease) in non-controlling interests	-	-	-	-	-	-	-	-
Transfer of retained earnings	-	-	-	164	-	(164)	-	-
Share-based payments	-	-	416	-	-	-	-	416
Purchase of treasury shares	-	(1,678)	-	-	-	-	-	(1,678)
Employee share awards exercised	-	1,424	(1,424)	-	-	-	-	-
Increase/(decrease) in other equity	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(3,852)	-	(3,852)
Balance at 31 December 2014	**164,284**	**(1,940)**	**111**	**4,478**	**(60)**	**12,247**	**1,806**	**180,926**

The notes on pages 29 to 63 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	Consolidated 2014 $'000	2013 $'000
Cash flows from/(used in) operating activities			
Cash receipts from customers and clients		**158,465**	191,539
Cash paid to suppliers and employees		**(147,007)**	(150,254)
Cash generated from operations*		**11,458**	41,285
Dividends received		**-**	30
Interest received		**13,489**	14,702
Interest paid		**(4,210)**	(5,328)
Income taxes paid		**(2,853)**	(2,463)
Net cash from operating activities	25	**17,884**	48,226
Cash flows from/(used in) investing activities			
Net proceeds from sale of investments		**817**	3,242
Acquisition of property, plant and equipment		**(113)**	(189)
Proceeds of property, plant and equipment		**2**	-
Acquisition of other investments		**(370)**	(1,252)
Interest in equity accounted investees and non-controlling interests		**-**	(592)
Net cash from/(used in) investing activities		**336**	1,209
Cash flows from/(used in) financing activities			
Dividends paid		**(3,852)**	(2,596)
On market share purchases		**(1,678)**	(465)
Bell Potter Capital (Margin Lending)			
Deposits/(withdrawals) from cash accounts		**(1,038)**	(12,945)
(Drawdown)/repayment of margin loans		**313**	(24,576)
Drawdown/(repayment) of borrowings		**(14,724)**	29,725
Net cash from/(used in) financing activities		**(20,979)**	(10,857)
Net increase/(decrease) in cash and cash equivalents		**(2,759)**	38,578
Cash and cash equivalents at 1 January		**146,298**	107,720
Cash and cash equivalents at 31 December	12, 25	**143,539**	146,298

The notes on pages 29 to 63 are an integral part of these consolidated financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

Statement of compliance

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

The Financial Statements were approved by the Board of Directors on 24 February 2015.

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.

During 2014, management have elected to disclose the Statement of Financial Position in order of liquidity in accordance with Paragraph 60 of Accounting Standards AASB 101 *Presentation of Financial Statements*. Previously, the Statement of Financial Position was prepared on a current/non-current basis.

The Directors believe the presentation of the Statement of Financial Position in order of liquidity provides information that is more reliable and is consistent with the manner in which the broader financial services industry reports. As a consequence, the comparative period (2013) has been represented to be consistent with the current year order of liquidity.

Basis of measurement

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

Functional and presentation currency

These Consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Removal of parent entity financial statements

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

(b) Principles of consolidation

Business combinations

The Group has adopted revised AASB 3 *Business Combinations (2008)* and amended AASB 127 *Consolidated and Separate Financial Statements (2008)* for business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring before this date are accounted for by applying the acquisition method.

Subsidiaries

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

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

(c) Revenue recognition

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

Rendering of services

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

Interest income

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

Dividend income

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

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Statement of Cash Flows

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

(e) Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

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

(f) Goods and services tax

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

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

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

(g) Cash and cash equivalents

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

(h) Derivatives

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

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

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

Cash flow hedges

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

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

(i) Impairment of assets

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

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

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

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

(j) Trade and other receivables

Trade debtors to be settled within three trading days are carried at amounts due. Term debtors are carried at the amount due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(k) Trade and other payables

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

(l) Leased assets

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

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

(m) Borrowing costs

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

(n) Provisions

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

(o) Deposits and borrowings

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

(p) Goodwill and intangible assets

Goodwill

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

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

Other intangible assets

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

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

	2014	2013
Software	10 years	10 years
Customer list	10 years	10 years

(q) Financial instruments

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

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Financial instruments continued

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. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instrument Disclosures*.

Financial assets at fair value through profit or loss

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

Loans and advances

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

Share capital

Ordinary shares

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

	2014	2013
Leasehold improvements	20 – 25%	20 – 25%
Office equipment	20 – 50%	20 – 50%
Furniture and fittings	20 – 50%	20 – 50%

(s) Employee entitlements

Wages, salaries and annual leave

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

Long-service leave

The provision for salaried employee entitlements to long-service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided up to reporting date. Liabilities for employee entitlements, which are not expected to be settled within 12 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 transactions

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

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

(v) Segment reporting

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

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

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2014).

AASB 15 Revenue from contracts with customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

(x) Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 1 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments in other standards, with a date of initial application of 1 January 2014.

(i) AASB 101 Presentation of Financial Statements

During 2014, management have elected to disclose the Statement of Financial Position in order of liquidity in accordance with Paragraph 60 of Accounting Standards AASB 101 *Presentation of Financial Statements*. Previously, the Statement of Financial Position was prepared on a current/non-current basis. The Directors believe the presentation of the Statement of Financial Position in order of liquidity provides information that is more reliable and is consistent with the manner in which the broader financial services industry reports. As a consequence, the comparative period (2013) has been represented to be consistent with the current year order of liquidity.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Recovery of deferred tax assets

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

Impairment of loans and advances

The Company assesses impairment of all loans at each reporting date by evaluating any issues particular to an asset that may lead to impairment. In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2014. (Refer to Note 19.)

Long-service leave provisions

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

Legal provision

As at 31 December 2014, a provision has been accrued to reflect potential claims. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measurable at 31 December 2014. (Refer to Note 23.)

Intangible assets

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

Bell Foreign Exchange and Futures business

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

Development costs

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

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 2014, goodwill allocated to the cash-generating units was $57.5 million for Retail and $72.9 million for the Wholesale segment.

Key assumptions used in discounted cash flow projections

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

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

Discount rates

A range of discount rates was used with 11% being the mid-point of the range. The discount rate is a post-tax measure based on the risk-free rate, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific business.

Terminal value multiple

A range of terminal value multiples was used with seven times representing the mid-point of the range. The multiples were applied to extrapolate the discounted future maintainable after-tax cash flows beyond the five-year forecast period.

Brokerage revenue

An overall improvement in average brokerage revenue from current levels in both the wholesale and retail businesses.

Corporate fee income

An overall improvement in corporate fee income as market conditions improve.

Sensitivity analysis

As at 31 December 2014, the recoverable amounts for the retail and wholesale segments exceed the carrying values. The recoverable amounts are sensitive to several key assumptions and a change in these assumptions could cause the carrying amounts to exceed the recoverable amounts. Using the mid-point range above, if brokerage and corporate fee revenue decrease by approximately 6.5% for retail and 9.0% for wholesale from the estimated amounts, the estimated recoverable amounts would be equal to the carrying amounts. If the discount rate increased to 15.5% for retail and 14.5% for wholesale, the estimated recoverable amounts would be equal to the carrying amounts. Further, if the terminal value multiple decreased to approximately 5.2 times for retail and 5.5 times for wholesale, the estimated recoverable amounts would be equal to the carrying amounts at that date.

3. FINANCIAL RISK MANAGEMENT

Overview

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

- Market risk
- Credit risk
- Liquidity risk

Risk Management Framework

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

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

The GRAC oversees how management monitors compliance with the Group's Risk Management Policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group. Internal Audit assists the 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 GRAC.

Market risk

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

Equity price risk

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

Interest rate risk

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

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

Currency risk

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

Liquidity risk

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

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

3. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk CONTINUED

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

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

Credit risk

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

Trade and other receivables

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

Margin lending

Management monitors exposure to credit risk on an ongoing basis. The Group requires collateral in respect of margin loans made in the course of business. This collateral is generally in the form of the underlying security the margin loan is used to invest in. Loan-to-value ratios (LVRs) are assigned to determine the amounts of lending allowed against each security. Loans balances are reviewed daily and are subject to margin calls once the geared value falls 10% lower than the loan balance. Warnings are sent between 5% and 10%. 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.

Intangible assets

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

Investments in equity

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

Derivatives

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

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

Share-based payments

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

5. SEGMENT REPORTING

Business segments

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

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

31 December 2014	Retail 2014 $'000	Wholesale 2014 $'000	Consolidated 2014 $'000
Revenue from operations	**128,404**	**30,303**	**158,707**
Profit/(loss) after tax	**3,998**	**1,954**	**5,952**
Segment assets	**448,294**	**80,115**	**528,409**
Total assets	**448,294**	**80,115**	**528,409**
Segment liabilities	**341,671**	**5,812**	**347,483**
Total liabilities	**341,671**	**5,812**	**347,483**
Other segment details			
Interest revenue	**13,483**	**-**	**13,483**
Interest expense	**(4,210)**	**-**	**(4,210)**
Depreciation/amortisation	**(1,039)**	**(52)**	**(1,091)**

31 December 2013	Retail 2013 $'000	Wholesale 2013 $'000	Consolidated 2013 $'000
Revenue from operations	124,709	34,368	159,077
Profit/(loss) after tax	4,734	2,077	6,811
Segment assets	456,494	80,134	536,628
Total assets	**456,494**	**80,134**	**536,628**
Segment liabilities	351,973	4,552	356,525
Total liabilities	**351,973**	**4,552**	**356,525**
Other segment details			
Interest revenue	14,826	-	14,826
Interest expense	(5,328)	-	(5,328)
Depreciation/amortisation	(1,145)	(54)	(1,199)

Geographical segments

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

6. RENDERING OF SERVICES

	Consolidated	
	2014 $'000	2013 $'000
Brokerage	**94,859**	101,324
Fee income	**31,604**	25,213
Trailing commissions	**8,261**	7,822
Portfolio administration fees	**8,451**	7,914
Other	**387**	317
	143,562	142,590

7. NET FAIR VALUE GAINS/(LOSSES)

	Consolidated	
	2014 $'000	2013 $'000
Dividends received	**-**	30
Profit/(loss) on financial assets held at fair value through profit or loss	**(253)**	689
	(253)	719

8. OTHER INCOME

	Consolidated	
	2014 $ '000	2013 $ '000
Sundry income	**1,915**	942
	1,915	942

9. FINANCE INCOME AND EXPENSES

	Consolidated	
	2014 $ '000	2013 $ '000
Interest income on bank deposits	**2,373**	2,458
Interest income on loans and advances	**11,110**	12,368
Total finance income	**13,483**	14,826
Bank interest expense	**(827)**	(1,088)
Interest expense on deposits	**(3,383)**	(4,240)
Total finance expense	**(4,210)**	(5,328)
Net finance income/(expense)	**9,273**	9,498

10. EMPLOYEE EXPENSES

	Consolidated	
	2014 $'000	**2013 $'000**
Wages and salaries	**(91,910)**	(89,916)
Superannuation	**(6,178)**	(5,647)
Payroll tax	**(4,573)**	(4,466)
Other employee expenses	**(1,235)**	(1,109)
Equity-settled share-based payments	**(1,038)**	(1,111)
	(104,934)	(102,249)

11. INCOME TAX EXPENSE

	Consolidated	
	2014 $ '000	**2013 $ '000**
Current tax expense		
Current period	**2,290**	3,790
Taxable loss not recognised/utilised	**(98)**	125
Adjustment for prior periods	**117**	(41)
	2,309	3,874
Deferred tax expense		
Origination and reversal of temporary differences	**291**	(231)
Total income tax expense/(benefit)	**2,600**	3,643

Numerical reconciliation between tax expense and pre-tax profit

	Consolidated	
	2014 $ '000	**2013 $ '000**
Accounting profit/(loss) before income tax	**8,552**	10,454
Income tax using the Company's domestic tax rate of 30% (2013: 30%)	**2,566**	3,136
Non-deductible expenses	**15**	423
Adjustments in respect of current income tax of previous year	**117**	(41)
Taxable loss not recognised/utilised	**(98)**	125
	2,600	3,643

Tax consolidation

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

12. CASH AND CASH EQUIVALENTS

	Consolidated	
	2014 $'000	**2013 $'000**
Group cash reserves		
Cash on hand	**13**	13
Cash at bank	**55,570**	40,426
Short-term deposits	**29**	11,106
	55,612	51,545
Margin lending cash		
Cash at bank and short-term deposits	**7,907**	22,866
	7,907	22,866
Client cash		
Cash at bank (Trust account)	**66,330**	60,236
Segregated cash at bank (client)	**13,690**	11,651
	80,020	71,887
Cash and cash equivalents in the Statement of Cash Flows	**143,539**	146,298

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

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

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

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

13. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014 $'000	**2013 $'000**
Trade debtors	**55,951**	61,973
Less: provision for impairment	**-**	(164)
	55,951	61,809
Segregated deposits with clearing brokers	**6,474**	9,250
Less: provision for impairment	**-**	(1,061)
	6,474	8,189
Sundry debtors	**5,418**	2,722
	67,843	72,720

The movement for the allowance in impairment in respect of loans and receivables during the year was as follows:		
Balance at 1 January	**1,225**	1,095
Bad debts charged to profit or loss	**-**	130
Bad debts written off	**(1,085)**	-
Bad debts recovered	**(140)**	-
Balance at 31 December	**-**	1,225

14. FINANCIAL ASSETS

	Consolidated	
	2014 $'000	2013 $'000
Held at fair value through profit or loss		
Shares in listed corporations	**284**	472
Unlisted options held for trading	**4**	504
	288	976

15. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Fixtures and Fittings $'000	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Year ended 31 December 2014				
Balance at 1 January 2014 (net accumulated depreciation)	**419**	**674**	**632**	**1,725**
Additions	**-**	**113**	**-**	**113**
Disposals	**-**	**(2)**	**-**	**(2)**
Depreciation charge for the year	**(81)**	**(334)**	**(163)**	**(578)**
Balance at 31 December 2014	**338**	**451**	**469**	**1,258**
Balance at 1 January 2014				
Cost	**2,126**	**5,485**	**6,169**	**13,780**
Accumulated depreciation	**(1,707)**	**(4,811)**	**(5,537)**	**(12,055)**
Net carrying amount	**419**	**674**	**632**	**1,725**
Balance at 31 December 2014				
Cost	**2,126**	**5,596**	**6,169**	**13,891**
Accumulated depreciation	**(1,788)**	**(5,145)**	**(5,700)**	**(12,633)**
Net carrying amount	**338**	**451**	**469**	**1,258**

Consolidated	Fixtures and Fittings $'000	Office Equipment $'000	Leasehold Improvements $'000	Total $'000
Year ended 31 December 2013				
Balance at 1 January 2013 (net accumulated depreciation)	506	1,056	794	2,356
Additions	16	126	46	188
Disposals	-	(29)	-	(29)
Depreciation charge for the year	(103)	(479)	(208)	(790)
Balance at 31 December 2013	419	674	632	1,725
Balance at 1 January 2013				
Cost	2,110	5,388	6,123	13,621
Accumulated depreciation	(1,604)	(4,332)	(5,329)	(11,265)
Net carrying amount	506	1,056	794	2,356
Balance at 31 December 2013				
Cost	2,126	5,485	6,169	13,780
Accumulated depreciation	(1,707)	(4,811)	(5,537)	(12,055)
Net carrying amount	419	674	632	1,725

16. GOODWILL AND INTANGIBLE ASSETS

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

	Consolidated		
	Goodwill $'000	Identifiable Intangibles $'000	Total $'000
Year ended 31 December 2013			
Balance at 1 January 2013	130,413	2,104	132,517
Additions	-	671	671
Amortisation	-	(409)	(409)
Impairment	-	-	-
Balance at 31 December 2013	**130,413**	**2,366**	**132,779**
Balance at 1 January 2013			
Cost (gross carrying amount)	130,413	2,945	133,358
Additions	-	684	684
Accumulated amortisation	-	(1,525)	(1,525)
Accumulated impairment	-	-	-
Net carrying amount	**130,413**	**2,104**	**132,517**
Balance at 31 December 2013			
Cost (gross carrying amount)	130,413	3,629	134,042
Additions	-	671	671
Accumulated amortisation	-	(1,934)	(1,934)
Accumulated impairment	-	-	-
Net carrying amount	**130,413**	**2,366**	**132,779**

17. NON-CONTROLLING INTEREST (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations. In 2014, the non-controlling interest in Third Party Platform Pty Ltd was 48.77% (2013 : 48.77%).

	Third Party Platform Pty Ltd	
	2014 $'000	**2013 $'000**
Assets	**42,302**	37,180
Liabilities	**(33,120)**	(28,334)
Net assets	**9,182**	8,846
Carrying amount of NCI	**4,478**	4,314
Revenue	**12,065**	9,176
Profit/(loss) after tax	**336**	(21)
Total comprehensive income	**336**	(21)
Profit allocated to NCI	**164**	(10)
Cash flows from operating activities	**(1,187)**	(351)
Cash flows from investing activities	**(98)**	(32)
Cash flows from financing activities	**2,000**	1,000
Net increase (decrease) in cash and cash equivalents	**715**	617

18. DEFERRED TAX ASSETS AND LIABILITIES

The movement in deferred tax balances are as follows:

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

Consolidated 2013	**Balance as at 1 January $'000**	**Recognised in Profit or Loss $'000**	**Balance at 31 December $'000**
Property, plant and equipment	279	(66)	213
Employee benefits	1,487	191	1,678
Carry forward tax loss	6,184	-	6,184
Other items	1,567	119	1,686
	9,517	244	9,761

Unrecognised deferred tax assets relating to tax losses at 31 December 2014: $288,000 (2013: $386,000).

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.

19. LOANS AND ADVANCES

	Consolidated	
	2014 $'000	2013 $'000
Margin lending	**171,383**	171,696
	171,383	171,696

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 31 December 2014 (2013: 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 (2013: 3%), with the balance being realised after 12 months. Refer to Note 30 for further detail on the margin lending loans.

20. TRADE AND OTHER PAYABLES

	Consolidated	
	2014 $'000	2013 $'000
Settlement obligations	**82,493**	66,558
Sundry creditors and accruals	**12,136**	10,976
Segregated client liabilities	**52,587**	66,693
	147,216	144,227

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

21. DEPOSITS AND BORROWINGS

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

	Consolidated	
	2014 $'000	2013 $'000
Deposits (cash account)[1]	**161,786**	162,824
Cash advance facility[2]	**15,000**	29,724
	176,786	192,548

1. Borrowings relate to margin lending/cash account business (Bell Potter Capital), which are largely at call.
2. Represents drawn funds from available Bell Potter Capital cash advance facility of $100 million (2013: $100 million).

Interest rate risk exposures

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

Terms and debt repayment schedule

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

	Average Effective Interest Rate			2014		2013	
Consolidated	**2014 %**	**2013 %**	**Year of Maturity**	**Face Value $'000**	**Carrying Amount $'000**	**Face Value $'000**	**Carrying Amount $'000**
Cash advance facility*	3.19	3.23	2014	**15,000**	**15,000**	29,724	29,724
Deposits (cash account)*	1.77	1.8	2014	**161,786**	**161,786**	162,824	162,824
				176,786	**176,786**	192,548	192,548

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

22. CURRENT TAX LIABILITIES

The current tax liability of the Group is $1,366,245 (2013: $1,918,987). This amount represents the amount of income taxes payable in respect of current and prior financial periods.

23. PROVISIONS

	Consolidated	
	2014 $'000	**2013 $'000**
Legal provision	**150**	450
	150	450
Balance at 1 January	**450**	450
Arising during the year:		
Legal/other	**535**	-
Utilised:		
Legal/other	**(835)**	-
Balance at 31 December	**150**	450

Legal provision

This amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the provision is appropriate to cover losses that are quantifiable or measurable at 31 December 2014.

24. EMPLOYEE BENEFITS

	Consolidated	
	2014 $'000	**2013 $'000**
Salaries and wages accrued	**15,260**	11,503
Liability for annual leave	**3,528**	3,148
Total employee benefits	**18,788**	14,652
Liability for long service leave	**3,117**	2,684
Total employee benefits	**21,905**	17,336

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

	Consolidated	
	2014	**2013**
Assumed rate of increase on wage/salaries	**5.5%**	5.5%
Discount rate	**2.6%**	2.6%
Settlement term (years)	**7**	7
Number of employees at year-end	**627**	634

25. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2014 $'000	**2013 $'000**
Cash flows from operating activities		
Profit/(loss) after tax:	**5,952**	6,811
Adjustments for:		
Depreciation and amortisation	**1,091**	1,199
Doubtful debt provision	**-**	130
Net (gain)/loss on investments	**252**	(689)
Disposals of property, plant and equipment	**-**	29
Equity-settled share-based payments	**416**	724
	7,711	8,204
(Increase)/decrease client receivables	**7,560**	(1,314)
(Increase)/decrease other receivables	**(2,696)**	1,135
(Increase)/decrease other assets	**(37)**	(122)
(Increase)/decrease deferred tax assets	**300**	(244)
(Increase)/decrease intangibles	**(1,658)**	(671)
Increase/(decrease) client payables	**1,827**	33,223
Increase/(decrease) other payables	**1,160**	1,357
Increase/(decrease) current tax liabilities	**(553)**	1,424
Increase/(decrease) provisions	**4,270**	5,234
Net cash from operating activities	**17,884**	48,226

Reconciliation of cash

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

	2014 $'000	**2013 $'000**
Group cash reserves		
Cash on hand	**13**	13
Cash at bank	**55,570**	40,426
Short-term deposits	**29**	11,106
	55,612	51,545
Margin lending cash		
Cash at bank and short-term deposits	**7,907**	22,866
	7,907	22,866
Client cash		
Cash at bank (Trust account)	**66,330**	60,236
Segregated cash at bank (client)	**13,690**	11,651
	80,020	71,887
	143,539	146,298

26. CAPITAL AND RESERVES

Share capital

	Consolidated	
	2014 $'000	**2013 $'000**
Ordinary shares		
On issue at 1 January	**164,284**	164,284
Share issue	**-**	-
On issue at 31 December	**164,284**	164,284

Movements in ordinary share capital

Date	Details	Number of Shares
1 January 2013	Opening balance	259,623,049
31 December 2013	**Balance**	**259,623,049**
1 January 2014	Opening balance	259,623,049
31 December 2014	**Balance**	**259,623,049**

Ordinary shares

The authorised capital of the Group is $164,283,700 representing 259,623,049 fully paid ordinary shares.

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

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

Treasury shares

As at 31 December 2014, there were 3,621,588 treasury shares outstanding (2013: 2,950,000).

Retained earnings

As at 31 December 2014, there were retained profits of $12.2 million (2013: $10.3 million).

Non-controlling interests

The non-controlling interests relate to ownership of Third Party Platform Pty Ltd at 48.77% (2013: 48.77%).
Balance at 31 December 2014: $4.5 million (2013: $4.3 million).

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 2014: $60,000 (2013: $45,000).

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 2014: $0.1 million (2013: $1.1 million).

Treasury shares reserve

The treasury shares reserve represents the cost of shares held by the Employee Share Trust that the Group is required to include in the Consolidated Financial Statements. Balance at 31 December 2014: $1.9 million (2013: $1.7 million).

27. DIVIDENDS

Dividends recognised in the current year by the Group are:

	Cents Per Share	Total Amount $'000	Franked/ Unfranked	Date of Payment
2014				
Interim 2014 ordinary dividend	-	-	-	-
Final 2014 ordinary dividend	-	-	-	-
2013				
Interim 2013 ordinary dividend	1.0	2,596	Franked	25 September 2013
Final 2013 ordinary dividend	1.5	3,852	Franked	21 March 2014

	Company	
	2014 $'000	**2013 $'000**
Dividend franking account		
30% franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	**19,547**	18,543

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

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

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

The impact on the dividend franking account of dividends declared but not recognised as a liability is to reduce it by nil (2013: nil).

28. EARNINGS PER SHARE

Earnings per share at 31 December 2014 based on profit after tax and a weighted average number of shares outlined below was 2.3 cents (2013: 2.7 cents). Diluted earnings per share at 31 December 2014 was 2.3 cents (2013: 2.7 cents).

Reconciliation of earnings used in calculating EPS

	Consolidated	
Basic Earnings Per Share	**2014 $'000**	**2013 $'000**
Profit/(loss) after tax	**5,952**	6,811
Profit attributable to ordinary equity holders used for basic EPS	**5,952**	6,811
Adjustments for calculation of diluted earnings per share		
Profit attributable to ordinary equity holders used to calculate basic EPS	**5,952**	6,811
Effect of stock options issued	**-**	-
Profit attributable to ordinary equity holders used for diluted EPS	**5,952**	6,811

Weighted average number of ordinary shares used as the denominator

	Consolidated	
	2014	**2013**
Weighted average number of ordinary shares used to calculate basic EPS (net of treasury shares)	**259,282,582**	256,835,310
Weighted average number of ordinary shares at year-end	**256,282,582**	256,835,310
Weighted average number of ordinary shares used to calculate diluted EPS	**256,282,582**	256,835,310

29. SHARE-BASED PAYMENTS

Long-Term Incentive Plan (LTIP)

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

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

Fair value of options granted

There were no share options granted during the year to 31 December 2014 (2013: 23,750,000). The fair value was determined using the Black Scholes option-pricing model. An outline of details and assumptions used in the valuation of share options granted is provided below:

Fair Value of Share Options and Assumptions	**2013**
Fair value at grant date	$0.08386
Share price at grant date	$0.55
Exercise price at grant date	$0.80
Option life (expected weighted average life)	28 May 2017*
Expected volatility (weighted average volatility)	45.76%
Risk-free interest rate (based on government bonds)	2.62%

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

29. SHARE-BASED PAYMENTS CONTINUED

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

	Weighted Average Exercise Price 2014	Number of Options 2014	Weighted Average Exercise Price 2013	Number of Options 2013
Outstanding 1 January	**-**	**23,000,000**	-	-
Granted during the year	**-**	**-**	$0.80	23,750,000
Forfeited during period	**-**	**(350,000)**	-	(750,000)
Outstanding 31 December	**-**	**22,650,000**	$0.80	23,000,000
Exercised 31 December	**-**	**-**	-	-

Performance rights

Under the LTIP Rules, performance rights are deferred equity taken as 100% shares, with the conditions, including vesting and the period of deferral, governed by the terms of the grant. Unvested performance rights are forfeited in certain situations set out in the LTIP Rules. Ordinary shares allocated under the LTIP on exercise of performance rights may be held in trust beyond the deferral period. The issue price for the 2011/2012 performance rights is based on the closing price of the shares traded on the ASX on the grant date. The issue price for the 2014 performance rights is based on the closing price of the shares traded on the ASX on the Vesting Date.

Reconciliation of outstanding performance rights

	2014 '000	2013 '000
Outstanding 1 January	**2,439**	2,600
Granted during the year	**-**	270
Forfeited during the year	**-**	-
Exercised during the year	**(2,239)**	(431)
Outstanding balance 31 December	**200**	2,439

Expenses arising from share-based payment transactions

	Consolidated	
	2014 $'000	2013 $'000
Employee share options	**622**	387
Performance rights	**416**	724
Total expense recognised as employee costs	**1,038**	1,111

30. FINANCIAL INSTRUMENTS

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

Credit risk

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

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

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

		Consolidated	
	Note	**2014 $'000**	**2013 $'000**
Trade debtors	13	**55,951**	61,809
Segregated deposits with clearing brokers	13	**6,474**	8,189
Loans and advances	19	**171,383**	171,696
Sundry debtors	13	**5,418**	2,722

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

Consolidated	**Gross**	**Impairment**	**Gross**	**Impairment**
Ageing of Receivables	**2014 $'000**	**2014 $'000**	**2013 $'000**	**2013 $'000**
Not past due	**54,950**	**-**	58,667	-
Past due 0 – 30 days	**930**	**-**	2,812	-
Past due 31 – 365 days	**71**	**-**	20	-
More than one year	**-**	**-**	310	(164)

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

30. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

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

	Carrying Amount $'000	Contracted Cash Flow $'000	6 Months or Less $'000	6–12 Months $'000	1–2 Years $'000	2–5 Years $'000	5+ Years $'000
Consolidated 2014							
Non-derivative liabilities							
Trade and other payables	**147,216**	**(147,216)**	**(147,216)**	**-**	**-**	**-**	**-**
Cash deposits	**161,786**	**(161,786)**	**(161,786)**	**-**	**-**	**-**	**-**
Cash advance facilities	**15,000**	**(15,000)**	**(15,000)**	**-**	**-**	**-**	**-**
Derivative liabilities							
Hedging derivative	**60**	**(60)**	**(60)**	**-**	**-**	**-**	**-**

	Carrying Amount $'000	Contracted Cash Flow $'000	6 Months or Less $'000	6–12 Months $'000	1–2 Years $'000	2–5 Years $'000	5+ Years $'000
Consolidated 2013							
Non-derivative liabilities							
Trade and other payables	144,227	(144,227)	(144,227)	-	-	-	-
Cash deposits	162,824	(162,824)	(162,824)	-	-	-	-
Cash advance facilities	29,724	(29,724)	(29,724)	-	-	-	-
Derivative liabilities							
Hedging derivative	45	(45)	(45)	-	-	-	-

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

Market risk

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

Interest rate risk

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

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

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

Equity price risk

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

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

Foreign currency risk

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

Sensitivity analysis

Interest rate risk

At 31 December 2014, 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 $1.36 million (2013: $1.23 million decrease to profit). Interest rate swaps have been included in this calculation. A general increase of one-percentage point in interest rates would have an equal but opposite effect.

Equity price risk

At 31 December 2014, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $0.03 million (2013: $0.1 million decrease to profit). A 10% increase in equity prices would have an equal but opposite effect.

30. FINANCIAL INSTRUMENTS CONTINUED

Effective interest rates

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

			2014					
Consolidated	**Note**	**Average Effective Interest Rate %**	**Total $'000**	**6 Months or Less $'000**	**6–12 Months $'000**	**1–2 Years $'000**	**2–5 Years $'000**	**5+ Years $'000**
Fixed rate instruments								
Cash and cash equivalents	12	**3.09**	**10,576**	**10,576**	**-**	**-**	**-**	**-**
Loans and advances	19	**5.05**	**58,951**	**56,702**	**949**	**-**	**1,300**	**-**
Deposits and borrowings	21	**3.31**	**(8,208)**	**(8,208)**	**-**	**-**	**-**	**-**
Cash advance facility	21	**3.19**	**(15,000)**	**(15,000)**	**-**	**-**	**-**	**-**
			46,319	**44,070**	**-**	**-**	**1,300**	**-**
Variable rate instruments								
Cash and cash equivalents	12	**2.50**	**132,963**	**132,963**	**-**	**-**	**-**	**-**
Loans and advances	19	**6.15**	**112,432**	**112,432**	**-**	**-**	**-**	**-**
Deposits and borrowings	21	**1.69**	**(153,578)**	**(153,578)**	**-**	**-**	**-**	**-**
			91,817	**91,817**	**-**	**-**	**-**	**-**

Fair value measurements

(a) Accounting classifications and fair values

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

	Carrying Amount				
31 December 2014	**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	**288**	**-**	**-**	**-**	**288**
	288	**-**	**-**	**-**	**288**
Financial assets not measured at fair value					
Trade and other receivables	**-**	**-**	**67,843**	**-**	**67,843**
Cash and cash equivalents	**-**	**-**	**143,539**	**-**	**143,539**
Loans and advances	**-**	**-**	**171,383**	**-**	**171,383**
	-	**-**	**382,765**	**-**	**382,765**
Financial liabilities measured at fair value					
Interest rate swaps used for hedging	**-**	**60**	**-**	**-**	**60**
	-	**60**	**-**	**-**	**60**
Financial liabilities not measured at fair value					
Trade and other payables	**-**	**-**	**-**	**147,216**	**147,216**
Deposits and borrowings	**-**	**-**	**-**	**176,786**	**176,786**
	-	**-**	**-**	**324,002**	**324,002**
	-	**-**	**-**	**-**	**-**

	2013					
Average Effective Interest Rate %	Total $'000	6 Months or Less $'000	6–12 Months $'000	1–2 Years $'000	2–5 Years $'000	5+ Years $'000
3.39	26,370	26,370	-	-	-	-
5.77	45,470	45,349	121	-	-	-
3.71	(14,588)	(14,238)	(350)	-	-	-
3.03	(29,274)	(29,274)	-	-	-	-
	27,978	28,207	(229)	-	-	-
2.50	119,928	119,928	-	-	-	-
6.58	126,226	126,226	-	-	-	-
1.64	(148,236)	(148,236)	-	-	-	-
	97,918	97,918	-	-	-	-

Fair Value			
Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
284	**4**	**-**	**288**
284	**4**	**-**	**288**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**60**	**-**	**60**
-	**60**	**-**	**60**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**

30. FINANCIAL INSTRUMENTS CONTINUED

	Carrying Amount				
31 December 2013	**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	976	-	-	-	976
	976	-	-	-	976
Financial assets not measured at fair value					
Trade and other receivables	-	-	72,720	-	72,270
Cash and cash equivalents	-	-	146,298	-	146,298
Loans and advances	-	-	171,696	-	171,696
	-	-	390,714	-	390,714
Financial liabilities measured at fair value					
Interest rate swaps used for hedging	-	45	-	-	45
	-	45	-	-	45
Financial liabilities not measured at fair value					
Trade payables	-	-	-	144,226	144,226
Deposits and borrowings	-	-	-	192,548	192,548
	-	-	-	336,774	336,774

(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 – Equity securities unlisted options – the valuation technique using observable inputs. The valuation is based on Black Scholes model.

Level 3 – Interest rate swaps – the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

	Fair Value			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	472	504	-	976
	472	504	-	976
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	45	-	45
	-	45	-	45
	-	-	-	-
	-	-	-	-
	-	-	-	-

31. OPERATING LEASE COMMITMENTS

Leases as lessee

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

	Consolidated	
	2014 $'000	2013 $'000
Less than one year	**8,745**	10,436
Between one and five years	**23,761**	25,757
More than five years	**12,447**	18,387
	44,953	54,580

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

32. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending, 31 December 2014 the parent company of the Group was Bell Financial Group Ltd.

	Company	
	2014 $'000	2013 $'000
Results of the parent entity		
Profit for the year	**4,526**	808
Total comprehensive income for the year	**4,526**	808
Financial position of parent entity at year end		
Current assets	**14**	113
Non-current assets	**166,931**	164,730
Total assets	**166,945**	164,843
Current liabilities	**19,420**	16,731
Total liabilities	**19,420**	16,731
Total equity of the parent entity comprising of:		
Contributed equity	**164,284**	164,284
Reserves	**(1,829)**	(567)
Retained earnings/(losses)	**(14,930)**	(15,605)
Total equity	**147,525**	148,112

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

33. RELATED PARTIES

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

Executive Directors	Non-Executive Directors	Senior Executives
C Bell	C Coleman	L Bell
A Provan	G Cubbin	A Bell
C Aitken (Appointed 20 March 2014 Resigned 20 October 2014)	B Wilson B Shanahan	R Fell D Davenport

KMP compensation

The key management personnel compensation comprised:

	Consolidated	
	2014 $	2013 $
Short-term employee benefits	**3,512,624**	3,416,791
Other long-term benefits	**-**	-
Post-employment benefits	**182,430**	187,033
Termination benefits	**-**	-
Share-based payments	**21,665**	9,964
	3,716,719	3,613,788

Loans to key management personnel and their related parties

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

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

33. RELATED PARTIES CONTINUED

	Balance 1 January 2013 $	Balance 31 December 2013 $	Interest Paid and Payable in the Reporting Period $	Highest Balance in Period $
Directors				
C Bell	1,721,850	2,039,163	125,839	2,132,129
A Provan	-	-	-	-
C Coleman	1,245,787	944,559	64,457	1,366,504
G Cubbin	-	-	-	-
B Wilson	-	-	-	-
B Shanahan				
Senior Executives				
L Bell	68,473	137,144	3,720	163,177
A Bell	223,476	211,286	13,282	408,412
R Fell	65,147	259,616	15,259	351,481
D Davenport	46,122	54,565	3,337	54,565
P Vine	134,494	136,104	4,819	138,526

Loans totalling $3,733,740 (2013: $3,782,437) were made to key management personnel and their related parties during the year. The recipients of these loans were Colin Bell, Craig Coleman, Lewis Bell, Andrew Bell, Rowan Fell and Dean Davenport. The loans represent margin loans held with Bell Potter Capital Limited. Interest is payable at prevailing market rates. Related parties also have deposits on normal terms and conditions.

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

	Opening Balance $	Closing Balance $	Interest Paid and Payable in the Reporting Period $	Number in Group at 31 December*
Total for Key Management Personnel 2014	**5,039,544**	**3,733,740**	**294,256**	**27**
Total for Key Management Personnel 2013	3,505,349	3,782,437	230,713	17
Total for other related parties 2014	**-**	**-**	**-**	**-**
Total for other related parties 2013	-	-	-	-
Total for Key Management Personnel and their related parties 2014	**5,039,544**	**3,733,740**	**294,256**	**27**
Total for Key Management Personnel and their related parties 2013	3,505,349	3,782,437	230,713	17

* Number in group includes key management personnel 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 personnel 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 $294,256 (2013: $230,713). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectible.

Movements in shares in 2014

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

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

Movements in shares in 2013

	Held at 1 January 2013	Purchases	Received on Exercise of Options	Sales	Held at 31 December 2013
Directors					
C Bell	33,674,602	151,000	-	-	33,825,602
A Provan	33,633,345	47,465	-	-	33,680,810
C Coleman	1,772,283	-	-	-	1,722,283
G Cubbin	180,000	-	-	-	180,000
B Wilson	1,000,000	-	-	-	1,000,000
B Shanahan	250,000	-	-	-	250,000
Senior Executives					
L Bell	32,768,328	162,559	-	-	32,930,887
A Bell	25,113,728	48,750	-	-	25,162,478
R Fell	610,000	-	-	-	610,000
D Davenport	184,949	-	-	-	184,949
P Vine	50,300	-	-	-	50,300

33. RELATED PARTIES CONTINUED

Other key management personnel transactions

Bell Financial had an option to purchase the remaining shares of Bell Direct from the current shareholders. The current shareholders include Directors of Bell Financial. The option expired on 31 January 2015 as outlined in matters subsequent to the end of the financial year at Note 37.

Craig Coleman, currently a Non-Executive Director, did not provide consultancy services to Bell Financial in 2014 (2013: $50,000).

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

Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group Ltd. There are no outstanding amounts owed by the ultimate parent entity at 31 December 2014 (2013: nil). There is no interest receivable at 31 December 2014 (2013: nil).

Subsidiaries

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

Subsidiary	2014 $	2013 $
Bell Potter Financial Planning Limited[1]	**393**	2,136
Third Party Platform Pty Limited[2]	**2,000,000**	-
Bell Potter Capital Limited[3]	**8,000,000**	8,149,244
	10,000,393	8,151,380

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 4.14% per annum.
3. The loan from the parent entity to Bell Potter Capital Limited represents a subordinated loan that attracts interest at 4.00% per annum (2013: 3.74% per annum).

Loans made by wholly owned subsidiaries to the Company: $17,087,406 (2013: $14,303,871).

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 2014, all outstanding amounts are considered fully collectable.

34. GROUP ENTITIES

Parent entity

Bell Financial Group Ltd	Incorporation	Country of Ownership Interest 2014	2013
Significant subsidiaries			
Bell Potter Securities Limited	Australia	**100%**	100%
Bell Potter Capital Limited	Australia	**100%**	100%
Third Party Platform Pty Limited	Australia	**51.23%**	51.23%
Bell Potter Securities Limited (UK)	United Kingdom	**100%**	100%
Bell Potter Securities Limited (HK)	Hong Kong	**100%**	100%

35. GUARANTEES

From time to time Bell Financial has provided financial guarantees in the ordinary course of business that amount to $8.2 million (2013: $12.4 million) and are not recorded in the Statement of Financial Position as at 31 December 2014.

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

37. SUBSEQUENT EVENTS

There were no significant events from 31 December 2014 to the date of this report other than:

Option to acquire shares in Bell Direct

On 28 January 2015, the Company announced to the market that it was not exercising its call option to acquire the remaining shares in Bell Direct it does not own. The call option expired on 31 January 2015. The Company currently holds 51.23% of Bell Direct.

Final Dividend

On 24 February 2015, the Directors resolved to pay a fully franked final dividend of 2 cents per share.

38. AUDITOR'S REMUNERATION

	Consolidated	
	2014 $	**2013 $**
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	**412,000**	402,000
Total remuneration for audit services	**412,000**	402,000
Audit related services		
Auditors of the Company		
KPMG Australia:		
Other regulatory audit services	**93,000**	93,000
Total remuneration for audit related services	**93,000**	93,000
Non-audit related services	**-**	-
	505,000	495,000

DIRECTORS' DECLARATION

For the year ended 31 December 2014

1. In the opinion of the Directors of Bell Financial Group Limited ('the Company'):

   (a) the consolidated financial statements and notes that are set out on pages 24 to 63 and the Remuneration Report on pages 15 to 21 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 2014 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 2014.

3. The Directors draw attention to Note 1(a) of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 24th day of February 2015.

Colin Bell
Executive Chairman
24 February 2015

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

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bell Financial Group Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Bell Financial Group Ltd for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Dean M Waters
Partner

Melbourne
24 February 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 January 2015.

DISTRIBUTION OF SHARES

Range	Number of Shareholders	Number of Shares	% of Issued Capital
1 – 1,000	255	153,747	0.06
1,001 – 5,000	654	2,174,249	0.84
5,001 – 10,000	308	2,618,090	1.01
10,001 – 100,000	512	17,825,285	6.87
100,001 and over	101	236,851,678	91.23
Rounding			**-0.01**
Total	**1,830**	**259,623,049**	**100.00**

Unmarketable parcels	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.45 per unit	1,112	258	157,041

TWENTY LARGEST SHAREHOLDERS

Rank	Name	Number of Shares	% of Issued Capital
1	Bell Group Holdings Pty Limited	117,967,345	45.44
2	UBS Nominees Pty Ltd	42,232,044	16.27
3	RBC Investor Services Australia Nominees Pty Limited	17,402,882	6.70
4	Equitas Nominees Pty Limited	10,500,000	4.04
5	Bell Potter Nominees Ltd	4,586,188	1.77
6	National Nominees Limited	3,677,500	1.42
7	Colin Bell Pty Ltd	1,845,522	0.71
8	Fatty Holdings Pty Ltd	1,733,019	0.67
9	UBS Nominees Pty Ltd	1,700,000	0.65
10	Mr Lionel Alexander McFadyen	1,687,480	0.65
11	Cherryburn Pty Ltd	1,650,000	0.64
12	Bond Street Custodians Limited	1,300,914	0.50
13	Mr Alastair Provan & Mrs Janis Provan	1,300,730	0.50
14	Merivale Investments Pty Ltd	1,287,348	0.50
15	Katana Equity Pty Ltd	1,200,000	0.46
16	Morson Holdings Pty Ltd	1,134,749	0.44
17	Mildridge Pty Ltd	1,050,000	0.40
18	Walter James Unger & Danielle Angela Unger	1,013,147	0.39
19	BS Capital Pty Ltd	1,000,000	0.39
20	Ilingal Pty Ltd	1,000,000	0.39

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholder	Number of Shares	% of Issued Capital
Bell Group Holdings Pty Limited (BGH)	117,967,345	45.44
Colin Bell	120,528,028	46.42[1,4]
Alastair Provan	120,383,236	46.37[2,4]
Lewis Bell	119,638,313	46.08[3,4]
UBS AG, Australia Branch	42,232,044	16.27
RBC Investor Services Australia Nominees Pty Limited	17,402,882	6.70

1. Registered holder of 2,560,683 shares.
2. Registered holder of 2,415,891 shares.
3. Registered holder of 1,670,968 shares.
4. BGH is the registered holder of 117,967,345 shares. Colin Bell, Alastair Provan and Lewis Bell are deemed to have BGH's relevant interests in these shares because each has voting power in BGH above 20% (pursuant to section 608(3) of the Corporations Act).

Ordinary shares

Refer to Note 26 in the Financial Statements.

Voting rights

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

On-market buy-back

There is no current on-market buy-back.

Voluntary restrictions

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

DIRECTORY

BELL FINANCIAL GROUP LTD

Incorporated in Victoria on 30 June 1998

ABN

59 083 194 763

DIRECTORS

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

COMPANY SECRETARY

Cindy-Jane Lee

REGISTERED AND HEAD OFFICE

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

SHARE REGISTRY

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

ASX CODE

BFG
Shares are listed on the Australian Securities Exchange

BANKER

Australia and New Zealand Banking Group Limited

AUDITOR

KPMG

WEBSITE ADDRESS

bellfg.com.au

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