

ASX RELEASE.

BELL FINANCIAL GROUP

10 August 2018

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

Via ASX Online

BELL FINANCIAL GROUP LIMITED – RESULTS FOR ANNOUNCEMENT TO THE MARKET

In accordance with ASX Listing Rule 4.2A, the following half-year information is enclosed for immediate release:

1. Appendix 4D
2. Condensed Consolidated Interim Financial Report for the half-year ended 30 June 2018.

This information should be read in conjunction with the Annual Report for the year ended 31 December 2017.



Cindy-Jane Lee
General Counsel & Company Secretary

Appendix 4D (Half-year report)

Results for announcement to the market

ASX Listing Rule 4.2A

Bell Financial Group Limited ABN 59 083 194 763 and its controlled entities

Current period:	1 January 2018 to 30 June 2018
Previous corresponding period:	1 January 2017 to 30 June 2017

	Half-year ended 30 June 2018 \$ '000	Half-year ended 30 June 2017 \$ '000	
Revenue from ordinary activities	101,143	88,494	Up 14.3%
Profit from ordinary activities after tax attributable to shareholders	9,786	5,853	Up 67.2%
Net profit for the period attributable to shareholders	9,786	5,853	Up 67.2%

Dividend (fully franked)	Amount per share	Tax rate for franking credit
2018 Interim dividend (to be paid 29 August 2018)	2.75 cents	30%
2017 Final dividend (paid 21 March 2018)	5.50 cents	30%

Interim dividend dates

Ex-dividend date	16 August 2018
Record date	17 August 2018
Payment date	29 August 2018

Net tangible assets per ordinary share	\$0.22	\$0.20
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Additional disclosure requirements

Entities over which control gained or lost during the period:	Not applicable
Dividend or distribution reinvestment plans:	Not applicable

This information should be read in conjunction with the 2017 Annual Report of Bell Financial Group Limited and its controlled entities and any public announcements made during the period by Bell Financial Group Limited in accordance with the continuous disclosure requirements under the Corporations Act and the Listing Rules. Additional information required under Listing Rule 4.2A is located in the Condensed Consolidated Interim Financial Report for the half-year ended 30 June 2018 of Bell Financial Group Limited and its controlled entities (**Interim Financial Report**). This information is based on the Interim Financial Report, which has been reviewed by KPMG. The Independent Auditor's Report provided by KPMG is included in the Interim Financial Report.

Bell Financial Group Limited
ABN 59 083 194 763

Condensed Consolidated Interim Financial Report
30 June 2018

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The interim financial report does not include all the notes of the type normally included in an annual financial report. It is recommended that the interim financial report is read in conjunction with the 2017 Annual Report of Bell Financial Group Limited and any public announcements made by Bell Financial Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Bell Financial Group Limited

Directors' Report

For the half-year ended 30 June 2018

The directors of Bell Financial Group Limited (**Bell Financial**) present their report, together with the financial report, on the consolidated entity (**Group**) consisting of Bell Financial and its controlled entities for the half-year ended 30 June 2018.

Directors

The Directors of the Company during the half-year and until the date of this report are shown below:

Executive Directors

Colin Bell
Alastair Provan

Non-executive Directors

Craig Coleman
Graham Cubbin
Brian Wilson AO
Brenda Shanahan

All Directors held office for the entire period.

Principal activities

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

Review and results of operations

The consolidated after tax result attributable to shareholders for the half-year ended 30 June 2018 was a \$9.8 million profit (2017: \$5.9 million profit).

The Company has declared a fully franked interim dividend of 2.75 cents per share (2017: 2.00 cents). The dividend record date is 17 August 2018 and payment is expected to be made on 29 August 2018.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 30 June 2018.

Bell Financial Group Limited
Directors' Report
For the half-year ended 30 June 2018

Rounding of amounts

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

This report is made on 10 August 2018 in accordance with a resolution of the Directors.



Colin Bell
Executive Chairman
10 August 2018



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

To the Directors of Bell Financial Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Bell Financial Group Limited for the half-year ended 30 June 2018 there have been:

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

KPMG

KPMG

M. Bisetto

Maurice Bisetto

Partner

Melbourne

10 August 2018

Bell Financial Group Limited
Condensed Statement of Profit or Loss
For the half-year ended 30 June 2018

	Note	Consolidated half-year ended 30 June	
		2018 \$'000	2017 \$'000
Rendering of services		92,530	81,560
Finance income		8,889	7,640
Net fair value gains / (losses)		(555)	(1,075)
Other income		279	369
Total revenue	7.	101,143	88,494
Employee expenses		(62,106)	(55,722)
Depreciation and amortisation expenses		(847)	(847)
Occupancy expenses		(5,878)	(5,793)
Systems and communication expenses		(9,325)	(8,941)
Professional expenses		(1,144)	(1,541)
Finance expenses		(2,440)	(2,186)
Other expenses		(4,679)	(4,624)
Total expenses		(86,419)	(79,654)
Profit / (loss) before income tax		14,724	8,840
Income tax expense		(4,560)	(2,752)
Profit / (loss) for the half-year		10,164	6,088
Attributable to:			
Equity holders of the Company		9,786	5,853
Non-controlling interests		378	235
Profit / (loss) for the half-year		10,164	6,088
Earnings per share:		Cents	Cents
Basic earnings per share (AUD)		3.7	2.2
Diluted earnings per share (AUD)		3.7	2.2

The notes on pages 11 to 22 are an integral part of these Consolidated Interim Financial Statements.

Bell Financial Group Limited
Condensed Statement of Comprehensive Income
For the half-year ended 30 June 2018

	Consolidated half-year ended 30 June	
	2018 \$'000	2017 \$'000
Profit / (loss) for the half-year	10,164	6,088
Other comprehensive income		
Items that may be classified to profit or loss		
Change in fair value of cash flow hedge	33	40
Foreign operations – foreign currency translation differences	173	(123)
Other comprehensive income for the half-year, net of tax	206	(83)
Total comprehensive income for the half-year	10,370	6,005
Attributable to:		
Equity holders of the Company	9,992	5,770
Non-controlling interests	378	235
Total comprehensive income for the half-year	10,370	6,005

The notes on pages 11 to 22 are an integral part of these Consolidated Interim Financial Statements.

Bell Financial Group Limited
Condensed Statement of Financial Position
As at 30 June 2018

Consolidated		
Note	30 June 2018	31 Dec 2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	8. 168,601	197,976
Trade and other receivables	9. 205,668	101,360
Prepayments	1,077	737
Financial assets	1,454	3,812
Derivative assets	12	102
Loans and advances	10. 316,124	286,188
Deferred tax assets	9,611	9,492
Property, plant and equipment	742	731
Goodwill	11. 130,413	130,413
Intangible assets	9,523	8,738
Total assets	843,225	739,549
Liabilities		
Trade and other payables	12. 289,540	185,850
Deposits and borrowings	13. 330,295	317,380
Current tax liabilities	1,342	2,682
Derivative liabilities	-	24
Employee benefits	24,070	31,463
Provisions	300	300
Total liabilities	645,547	537,699
Net assets	197,678	201,850
Equity		
Contributed equity	15. 167,886	167,886
Other equity	1,806	1,806
Reserves	(468)	(693)
Non-controlling interests	6,204	5,826
Retained earnings	22,250	27,025
Total equity attributable to equity holders of the Company	197,678	201,850

The notes on pages 11 to 22 are an integral part of these Consolidated Interim Financial Statements.

Bell Financial Group Limited
Condensed Statement of Changes in Equity
For the half-year ended 30 June 2018

Consolidated	Share Capital	Other Equity	Treasury Shares Reserve	Share Based Payments Reserve	Cash Flow Hedge Reserve	Foreign Currency Reserve	Non-Controlling Interests	Retained Earnings	Total Equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 1 January 2017	167,886	1,806	(2,106)	2,324	(48)	529	5,018	19,959	195,368
Total comprehensive income									
Profit / (loss) for the half-year	-	-	-	-	-	-	-	6,088	6,088
Other comprehensive income									
Change in fair value of cash flow hedges	-	-	-	-	40	-	-	-	40
Translation of foreign currency reserve	-	-	-	-	-	(123)	-	-	(123)
Total other comprehensive income	-	-	-	-	40	(123)	-	-	(83)
Total comprehensive income for the half-year	-	-	-	-	40	(123)	-	6,088	6,005
Transactions with owners, directly in equity									
Transfer of retained earnings	-	-	-	-	-	-	235	(235)	-
Share based payments	-	-	-	74	-	-	-	-	74
Employee options expired	-	-	-	(1,627)	-	-	-	1,627	-
Employee share awards exercised	-	-	710	(710)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(9,911)	(9,911)
Balance at 30 June 2017	167,886	1,806	(1,396)	61	(8)	406	5,253	17,528	191,536
Balance at 1 January 2018	167,886	1,806	(1,396)	387	(24)	340	5,826	27,025	201,850
Total comprehensive income									
Profit / (loss) for the half-year	-	-	-	-	-	-	-	10,164	10,164
Other comprehensive income									
Change in fair value of cash flow hedges	-	-	-	-	33	-	-	-	33
Translation of foreign currency reserve	-	-	-	-	-	173	-	-	173
Total other comprehensive income	-	-	-	-	33	173	-	-	206
Total comprehensive income for the half-year	-	-	-	-	33	173	-	10,164	10,370
Transactions with owners, directly in equity									
Transfer of retained earnings	-	-	-	-	-	-	378	(378)	-
Share based payments	-	-	-	19	-	-	-	9	28
Employee options expired	-	-	-	-	-	-	-	-	-
Employee share awards exercised	-	-	406	(406)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(14,570)	(14,570)
Balance at 30 June 2018	167,886	1,806	(990)	-	9	513	6,204	22,250	197,678

The notes on pages 11 to 22 are an integral part of these Consolidated Interim Financial Statements.

Bell Financial Group Limited
Condensed Statement of Cash Flows
For the half-year ended 30 June 2018

	Consolidated half-year ended 30 June	
	2018 \$'000	2017 \$'000
Cash flows from / (used in) operating activities		
Cash receipts in the course of operations	102,672	90,977
Cash payments in the course of operations	(101,077)	(93,190)
Net cash from / (used in) client related receivables and payables	(1,506)	10,008
Cash generated from / (used in) operations ¹	89	7,795
Dividends received	7	1
Interest received	8,931	7,662
Interest paid	(2,440)	(2,186)
Income taxes paid	(6,018)	(3,065)
Net cash from / (used in) operating activities	569	10,207
Cash flows from / (used in) investing activities		
Net proceeds from sale of investments	2,018	196
Acquisition of property, plant and equipment	(151)	(166)
Acquisition of other investments	(220)	(31)
Net cash from / (used in) investing activities	1,647	(1)
Cash flows from / (used in) financing activities		
Dividends paid	(14,570)	(9,911)
On market share purchases	-	-
<i>Bell Potter Capital (Margin Lending)</i>		
Deposits / (withdrawals) from client cash balances	(39,085)	10,181
(Drawdown) / repayment of margin loans	(29,936)	(56,569)
Drawdown / (repayment) of borrowings	52,000	-
Net cash from / (used in) financing activities	(31,591)	(56,299)
Net increase / (decrease) in cash and cash equivalents	(29,375)	(46,093)
Cash and cash equivalents at 1 January	197,976	189,830
Cash and cash equivalents at 30 June	168,601	143,737

The notes on pages 11 to 22 are an integral part of these Consolidated Interim Financial Statements.

1. 'Cash generated from operations' includes Group cash reserves and client balances. Refer to note 8 for further information on cash and cash equivalents.

Bell Financial Group Limited

Notes to the Condensed Interim Financial Statements

For the half-year ended 30 June 2018

1. Reporting entity

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

The Annual Report of Bell Financial Group Limited for the year ended 31 December 2017 is available upon request from the Company’s registered office at Level 29, 101 Collins Street, Melbourne or at www.bellfg.com.au.

2. Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated 2017 Annual Report and any public announcements made by the Company during the interim reporting period.

This condensed consolidated interim financial report was approved by the Board of Directors on 10 August 2018.

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

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in the condensed consolidated interim financial report are consistent with those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted AASB 15 *Revenue from Contracts with Customers* (Note 3a) and AASB 9 *Financial Instruments* (Note 3b) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group’s financial statements.

a) AASB 15 *Revenue from Contracts with Customers*

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

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

3. Significant accounting policies (continued)

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

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

b) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

There was no material impact on the Group's condensed consolidated interim financial statements for the half-year ended 30 June 2018.

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

i. Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

3. Significant accounting policies (continued)

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

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

Business model assessment

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

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

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

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

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

Measurement categories of financial assets

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

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

3. Significant accounting policies (continued)

ii. Impairment of financial assets

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

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

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

For all financial assets at amortised cost, the Group measures loss allowances at an amount equal to lifetime ECLs, except for loans and advances, which are measured at 12-month ECLs.

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Presentation of impairment

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

Impairment losses are presented separately in the condensed consolidated statement of profit or loss and OCI. There were no impairment losses for the half-year ended 30 June 2018.

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

3. Significant accounting policies (continued)

Trade and other receivables

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

Loans and advances

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

iii. Hedge accounting

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

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

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

iv. Transition

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

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

4. Estimates

The preparation of the condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2017. During the period, management reviewed estimates in respect of:

- Recovery of deferred tax assets;
- Impairment of loans and advances;
- Long service leave provisions;
- Legal provisions;
- Intangible assets; and
- Impairment of goodwill.

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 the Retail and Wholesale segment 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 30 June 2018, goodwill allocated to the cash-generating units was \$57.5 million for Retail and \$72.9 million for the Wholesale segment.

Key assumptions used in discounted cash flow projections

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

The assumptions used for the consolidated financial report as at and for the year ended 31 December 2017 remain applicable to the interim period.

5. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 31 December 2017.

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

6. 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.

30 June 2018	Retail \$'000	Wholesale \$'000	Consolidated \$'000
Revenue from operations	82,546	18,597	101,143
Profit / (loss) after tax	7,291	2,873	10,164
Segment assets	763,868	79,357	843,225
Total assets	763,868	79,357	843,225
Segment liabilities	641,634	3,913	645,547
Total liabilities	641,634	3,913	645,547
Other segment details			
Interest revenue	8,889	-	8,889
Interest expense	(2,440)	-	(2,440)
Depreciation / amortisation	(824)	(23)	(847)
30 June 2017			
Revenue from operations	75,098	13,396	88,494
Profit / (loss) after tax	4,969	1,119	6,088
Segment assets	690,769	79,647	770,416
Total assets	690,769	79,647	770,416
Segment liabilities	576,553	2,327	578,880
Total liabilities	576,553	2,327	578,880
Other segment details			
Interest revenue	7,640	-	7,640
Interest expense	(2,186)	-	(2,186)
Depreciation / amortisation	(825)	(22)	(847)

Geographical segments

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

7. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table, revenue is disaggregated by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments in note 6.

30 June	Retail		Wholesale		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Brokerage	49,400	47,518	9,825	8,215	59,225	55,733
Fee income	12,061	8,298	8,980	5,889	21,041	14,187
Trailing commissions	4,920	4,748	-	-	4,920	4,748
Portfolio administration fees	6,693	6,231	-	-	6,693	6,231
Other	9,472	8,303	(208)	(708)	9,264	7,595
	82,546	75,098	18,597	13,396	101,143	88,494

8. Cash and cash equivalents

	Consolidated	
	2018 \$'000	2017 \$'000
Group cash reserves¹		
Cash on hand	13	12
Cash at bank	67,326	84,962
	67,339	84,974
Margin lending cash		
Cash at bank and short-term deposits	19,436	34,001
	19,436	34,001
Client cash		
Cash at bank (Trust account)	54,109	55,754
Segregated cash at bank (client)	27,717	23,247
	81,826	79,001
Cash and cash equivalents in the Statement of Cash Flows	168,601	197,976

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

8. Cash and cash equivalents (continued)

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

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

Segregated cash and Trust bank balances are restricted cash balances of the Group. A corresponding liability is recognised within trade and other payables (note 12).

\$'000

¹ Group cash reserves – summary of key movements

Group cash - 1 January 2018	84,974
Profit (before tax)	14,724
Tax instalments paid	(6,018)
Dividend paid	(14,570)
Clearing House deposits lodged	(2,570)
Capitalised software development costs (net)	(785)
General Working Capital movement	(8,416)
Group cash - 30 June 2018	<u>67,339</u>

Movement in Group cash reflects:

- profit, offset by tax instalments paid and payment of the final 2017 dividend,
- deposits (house cash) paid to Clearing Houses; and
- payment of accrued employee entitlements.

9. Trade and other receivables

	Consolidated	
	2018	2017
	\$'000	\$'000
Trade debtors	177,124	70,071
Less: provision for impairment	-	-
	<u>177,124</u>	<u>70,071</u>
Clearing house deposits	7,126	4,420
Segregated deposits with clearing brokers	17,616	21,463
Less: provision for impairment	-	-
	<u>24,742</u>	<u>25,883</u>
Sundry debtors	3,802	5,406
	<u>205,668</u>	<u>101,360</u>

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

10. Loans and advances

	Consolidated	
	2018 \$'000	2017 \$'000
Margin lending	316,124	286,188
	<u>316,124</u>	<u>286,188</u>

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 30 June 2018 (2017: nil).

There is significant turnover in loans and advances. Based on historical experience the Group's expectation is all but approximately 8% of loans may be realised in the next 12 months (2017: 8%), with the balance being realised after 12 months.

11. Goodwill

	Consolidated
	\$'000
Balance at 1 July 2017	130,413
Impairment	-
Balance at 31 December 2017	<u>130,413</u>
Balance at 1 January 2018	130,413
Impairment	-
Balance at 30 June 2018	<u>130,413</u>

12. Trade and other payables

	Consolidated	
	2018 \$'000	2017 \$'000
Settlement obligations	206,541	101,688
Sundry creditors and accruals	22,913	20,923
Segregated client liabilities	60,086	63,239
	<u>289,540</u>	<u>185,850</u>

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

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

13. Deposits and borrowings

This note provides information about the contractual terms of the Group's interest-bearing deposits and borrowings.

	Consolidated	
	2018 \$'000	2017 \$'000
Deposits (cash account) ¹	1,420	3,806
Due to Bell Cash Trust ²	276,875	313,574
Cash advance facility ³	52,000	-
	330,295	317,380

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

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

3 Represents drawn funds from available Bell Potter Capital cash advance facility of \$100m (2017:\$100m).

Terms and debt repayment schedule

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

Consolidated	2018	2017	2018		2017	
	Average effective interest rate		Face value	Carrying amount	Face value	Carrying amount
Deposits (cash account)	1.24%	1.21%	1,420	1,420	3,806	3,806
Due to Bell Cash Trust	1.24%	1.21%	276,875	276,875	313,574	313,574
Cash advance facility	2.64%	0.00%	52,000	52,000	-	-
			330,295	330,295	317,380	317,380

14. Dividends

Dividends paid or declared by the Group to shareholders during the period were as follows:

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of payment
2018				
Final 2017 ordinary	5.50	14,570	100% Franked	21 March 2018
2017				
Final 2016 ordinary	3.75	9,911	100% Franked	22 March 2017
Interim 2017 ordinary	2.00	5,286	100% Franked	13 September 2017

15. Contributed equity

The authorised capital of the Group is \$167,885,511 (2017: \$167,885,511) representing 267,286,480 (2017: 267,286,480) fully paid ordinary shares. There were no shares issued during the period.

Bell Financial Group Limited
Notes to the Condensed Interim Financial Statements (continued)
For the half-year ended 30 June 2018

16. Subsequent events

On 3rd July 2018 Bell Financial Group Ltd completed the acquisition of the remaining 43.37% (\$36.86m consideration paid) of Third Party Platform Pty Ltd it did not already own, increasing its ownership to 100%. The acquisition received very strong support from shareholders, both at the AGM on 30 May 2018 (where 99.69% of votes were in favour), and as reflected in the successful completion of the renounceable entitlement offer (\$36.35m raised), to fund the acquisition which completed on the 2nd July 2018 (with 95.4% take-up from eligible shareholders).

Other than the above, no matters or circumstances have arisen since the end of the half-year period that in the opinion of the Directors of the Group have significantly affected or may significantly affect the operations of the Group, results of those operations, or the state of affairs of the Group in future financial years.

17. Related parties

There have been no significant changes to the arrangements with related parties. Refer to the full 2017 Annual Report for details.

18. Commitments and contingencies

The Directors are of the opinion that apart from that already provided for in the financial statements, no further provisions are required in respect of any matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bell Financial Group Limited Directors' Declaration

In the opinion of the Directors of Bell Financial Group Limited (**Bell Financial**):

1. the financial statements and notes set out on pages 6 to 22, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Bell Financial will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Colin Bell
Executive Chairman
10 August 2018



Independent Auditor's Review Report

To the shareholders of Bell Financial Group Limited

Report on the half-year Financial Report

Conclusion

We have reviewed the accompanying **half-year Financial Report** of Bell Financial Group Limited (the Company).

The **Group** comprises the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year Financial Report of the Company is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **half-year Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018;
- Condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date;
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

Responsibilities of the Directors for the half-year Financial Report

The Directors are responsible for:

- the preparation of the half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- for such internal control as the Directors determine is necessary to enable the preparation of the half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the half-year Financial Report

Our responsibility is to express a conclusion on the half-year Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year Financial Report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Bell Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

KPMG

Maurice Bisetto

Partner

Melbourne

10 August 2018