BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
A.B.N. 54 085 797 735

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2016

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

The directors of Bell Potter Capital Limited (Company) present their report together with the consolidated financial report consisting of the Company and its controlled entities (Group) for the year ended 31 December 2016.

The directors holding office during the year are set out below. All directors held office for the full year.

Colin Bell	Chairman
Alastair Provan	Managing Director
Lewis Bell	Director
Andrew Bell	Director
Craig Coleman	Director
Dean Davenport	Director
Rowan Fell	Director

OPERATING AND FINANCIAL REVIEW

The principal activities of the Company are margin lending and cash businesses.

The Group's profit before income tax for the year ended 31 December 2016 was $2,142,822 (2015: $1,350,615).
The Company's profit before income tax for the year ended 31 December 2016 was $2,142,822 (2015: $1,350,615).
The Group's profit after income tax for the year ended 31 December 2016 was $1,499,949 (2015: $945,306).
The Company's profit after income tax for the year ended 31 December 2016 was $1,499,949 (2015: $945,306).

There were no significant changes in the nature of the Company's activities or its state of affairs during the year. The Company will continue to pursue its strategy of developing and building the margin lending and cash businesses in future.

DIVIDENDS

Dividends declared and paid by the Group and the Company during the financial year were $1,500,000 (2015: $1,500,000) (note 13).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since the end of the year that has significantly affected, or may significantly affect, the Company's operations, the results of those operations or the Company's state of affairs, in future financial years.

INDEMNIFICATION

The Company's parent entity, Bell Financial Group Limited (BFG), has agreed to indemnify the directors against all liabilities to another person (other than BFG or a related entity) that may arise from their position as officers of BFG or its controlled entities, except where the liability arises out of conduct including a lack of good faith. Except for the above, neither BFG (nor the Company) has indemnified any person who is or has been an officer or auditor of the Company.

INSURANCE

Since the end of the previous financial year, the Company's parent entity, BFG, has paid a premium for an insurance policy for the benefit of the directors, officers, company secretaries and senior executives of BFG and its controlled entities. In accordance with commercial practice, the policy prohibits disclosure of the nature of insurance or amount of the premium.

OPTIONS

No options over shares in the Company were granted during the financial year and there were no options outstanding at the end of the financial year.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' report for the financial year ended 31 December 2016.

Signed in accordance with a resolution of the Directors:

Dean Davenport
Director

Melbourne
Date: 22nd February 2017

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

To the Directors of Bell Potter Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 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

22 February 2017

Independent Auditor's Report

To the members of Bell Potter Capital Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Bell Potter Capital Limited (the Company).

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

- giving a true and fair view of the Group and Company's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statements of financial position as at 31 December 2016
- Income statements, Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Other Information

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

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Dean M Waters

Partner

Melbourne

22 February 2017

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Entity		Parent Entity	
		2016	2015	2016	2015
		$	$	$	$
Finance income	5 (a)	12,121,238	10,924,158	8,709,097	7,470,581
Finance costs	5 (b)	(4,379,763)	(4,522,767)	(2,873,351)	(2,972,980)
Total finance income		7,741,475	6,401,391	5,835,746	4,497,601
Other income	5 (c)	-	27,396	1,870,595	1,918,669
Total revenue		7,741,475	6,428,787	7,706,341	6,416,270
Management fees		(2,185,767)	(2,025,648)	(2,185,767)	(2,025,648)
Commission paid		(2,430,678)	(2,146,847)	(2,430,678)	(2,146,847)
System expenses		(464,953)	(448,930)	(464,953)	(448,930)
Professional expenses		(229,374)	(132,923)	(199,294)	(122,240)
Other expenses		(287,881)	(323,824)	(282,827)	(321,990)
Profit before income tax		2,142,822	1,350,615	2,142,822	1,350,615
Income tax (expense) / benefit	6	(642,873)	(405,309)	(642,873)	(405,309)
Profit for the year		1,499,949	945,306	1,499,949	945,306
Attributable to:					
Equity holders of the Company		1,499,949	945,306	1,499,949	945,306
Profit for the year		1,499,949	945,306	1,499,949	945,306

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Profit for the year	1,499,949	945,306	1,499,949	945,306
Other comprehensive income				
Changes in fair value of cash flow hedge	(31,168)	43,242	(17,418)	21,727
Other comprehensive income for the year, net of tax	(31,168)	43,242	(17,418)	21,727
Total comprehensive income for the year	1,468,781	988,548	1,482,531	967,033
Attributable to:				
Equity holders of the company	1,468,781	988,548	1,482,531	967,033
Total comprehensive income for the year	1,468,781	988,548	1,482,531	967,033

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

		Consolidated Entity		Parent Entity	
		2016	2015	2016	2015
		$	$	$	$
ASSETS					
Cash and cash equivalents	7	77,969,685	10,041,698	77,920,720	9,995,397
Loans and advances	8	227,398,389	234,519,021	145,578,823	136,059,760
Trade and other receivables	9	2,088,964	4,242,087	83,223,034	41,010,876
Prepayments		2,750	2,750	2,750	2,750
Investment in Controlled Entities	10	-	-	20,102	20,102
TOTAL ASSETS		307,459,788	248,805,556	306,745,429	187,088,885
LIABILITIES					
Deposits and other borrowings	11	296,967,848	236,094,363	296,967,848	175,094,363
Derivatives		48,424	17,256	28,393	10,975
Trade and other payables	12	4,162,919	6,444,738	3,448,560	5,728,067
Provisions		313,456	250,839	313,456	250,839
TOTAL LIABILITIES		301,492,647	242,807,196	300,758,257	181,084,244
NET ASSETS		5,967,141	5,998,360	5,987,172	6,004,641
EQUITY					
Contributed equity	13	3,000,000	3,000,000	3,000,000	3,000,000
Cash flow hedge reserve	13	(48,424)	(17,256)	(28,393)	(10,975)
Retained earnings	13	3,015,565	3,015,616	3,015,565	3,015,616
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		5,967,141	5,998,360	5,987,172	6,004,641

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital $	Cash Flow Hedge Reserve $	Retained Earnings $	Total Equity $
Consolidated Entity:				
Balance at 1 January 2015	3,000,000	(60,498)	3,570,310	6,509,812
Total comprehensive income				
Profit for the year	-	-	945,306	945,306
Other comprehensive income				
Changes in fair value of cash flow hedge	-	43,242	-	43,242
Total other comprehensive income	-	43,242	-	43,242
Total comprehensive income for the year	-	43,242	945,306	988,548
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2015	3,000,000	(17,256)	3,015,616	5,998,360
Balance at 1 January 2016	3,000,000	(17,256)	3,015,616	5,998,360
Total comprehensive income				
Profit for the year	-	-	1,499,949	1,499,949
Other comprehensive income				
Changes in fair value of cash flow hedge	-	(31,168)	-	(31,168)
Total other comprehensive income	-	(31,168)	-	(31,168)
Total comprehensive income for the year	-	(31,168)	1,499,949	1,468,781
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2016	3,000,000	(48,424)	3,015,565	5,967,141
Parent Entity:				
Balance at 1 January 2015	3,000,000	(32,702)	3,570,310	6,537,608
Total comprehensive income				
Profit for the year	-	-	945,306	945,306
Other comprehensive income				
Changes in fair value of cash flow hedge	-	21,727	-	21,727
Total other comprehensive income	-	21,727	-	21,727
Total comprehensive income for the year	-	21,727	945,306	967,033
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2015	3,000,000	(10,975)	3,015,616	6,004,641
Balance at 1 January 2016	3,000,000	(10,975)	3,015,616	6,004,641
Total comprehensive income				
Profit for the year	-	-	1,499,949	1,499,949
Other comprehensive income				
Changes in fair value of cash flow hedge	-	(17,418)	-	(17,418)
Total other comprehensive income	-	(17,418)	-	(17,418)
Total comprehensive income for the year	-	(17,418)	1,499,949	1,482,531
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2016	3,000,000	(28,393)	3,015,565	5,987,172

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES				
Cash receipts in the course of operations	128,994,117	27,396	123,744,080	19,158,633
Cash payments in the course of operations	(5,430,502)	(62,792,204)	(59,246,753)	(34,130,583)
Interest received	11,961,652	11,185,786	8,449,609	7,884,098
Interest paid	(4,454,112)	(4,531,265)	(2,878,445)	(3,012,771)
Net cash flows from operating activities	131,071,155	(56,110,287)	70,068,491	(10,100,623)
CASH FLOW FROM INVESTING ACTIVITIES				
Net cash flows provided by investing activities	-	-	-	-
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Drawdown / (Repayment) of intercompany borrowings	(643,168)	(785,804)	(643,168)	(785,804)
Drawdown / (Repayment) of borrowings	(61,000,000)	46,000,000	-	-
Dividend paid	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
Net cash flows from / (used in) financing activities	(63,143,168)	43,714,196	(2,143,168)	(2,285,804)
NET INCREASE / (DECREASE) IN CASH HELD	67,927,987	(12,396,091)	67,925,323	(12,386,427)
Cash and cash equivalents at 1 January	10,041,698	22,437,789	9,995,397	22,381,824
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	77,969,685	10,041,698	77,920,720	9,995,397

The notes on pages 11 to 26 are an integral part of these consolidated financial statements.

Bell Potter Capital Limited (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 of the Company and its subsidiaries (the "Group" or "Consolidated Entity") for the year ended 31 December 2016 and auditor's report thereon.

Bell Potter Capital Limited is a company limited by shares, incorporated in Australia.

The principal activities of the Company are margin lending and cash deposit businesses.

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

i) Statement of compliance

The financial report is a general purpose financial report which has been 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 authorised for issue by the Board of Directors on 22nd February 2017.

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.

ii) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivatives) at fair value through the profit and loss.

iii) 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 Group.

(b) Principles of consolidation

Subsidiaries
Subsidiaries are all entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases. All controlled entities have a 31 December balance date.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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

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

(c) Revenue recognition

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

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

(d) Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of 3 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Tax

Income tax expense or revenue for the period comprises current and deferred tax. Income tax is recognised in the Income Statements 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 included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statements of Financial Position.

Cash flows are included in the Statements of Cash Flows on a gross basis. The GST component 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 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 Statements of Cash Flows.

(h) Derivatives

Derivative financial instruments are contracts whose value is derived for one or more underlying price index or other variable. They include swaps, forward rate agreements or a combination of both.

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 with gains or losses for subsequent reassessment at fair value being recognised in the Income Statements. Where the derivative is designated effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the Income Statements is dependant on the hedging designation. The Group has designated its interest rate swaps as cash flow hedges during the period.
Details of these hedging instruments are outlined below:

Cash flow hedges
Changes in the fair value of the derivative hedging instrument as a cash flow hedge 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 the profit and loss. Hedge effectiveness is tested at each reporting date and is calculated using the dollar offset method. Effectiveness will be assessed on a cumulative basis by calculating the change in fair value of the interest rate swap as a percentage of the change in fair value of the designated hedge item. If the ratio change in the fair value is within the 80 - 125% range, the 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

Trade debtors to be settled within 2 trading days are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(j) 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 Group. Trade accounts payable are normally settled within 60 days.

(k) Borrowing Costs

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

(l) 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.

(m) Deposits and other 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.

(n) Financial instruments

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

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

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

(o) New standards and interpretations not yet adopted

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

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

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 2010). AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 9 and does not expect a material impact on the Consolidated Financial Statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 15 and does not expect a material impact on the Consolidated Financial Statements.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

AASB 16 Leases

AASB 16 Leases introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. there are optional exemptions for short-term leases and leases of low value items. lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 Leases replaces existing leases guidance including AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives, and SIC-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 Revenue from Contracts with Customers at or before the initial date of initial application of AASB 16. The Group has assessed the potential impact on its Consolidated Financial Statements resulting from the application of AASB 16 and whilst there will be an impact on certain line items of the Consolidated Financial Statements, the Group does not expect there to be a material impact to the profit or net assets of the Group.

(p) Changes in accounting policies

There have been no changes to accounting policies for the year ended 31 December 2016.

The Company has consistently applied the accounting policies set out in note 1 to all periods presented in these financial statements.

2 SIGNIFICANT ACCOUNTING JUDGMENTS, 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:

Impairment of loans and advances
The Company assesses impairment of all loans at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. In the Director's opinion, no such impairment exists beyond that provided at 31 December 2016 (refer to note 15).

3 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise 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 below.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company and 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 Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group. Internal Audit assists the Board of Directors in its oversight role. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The main risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk.

Market risk
Market risk is the risk that changes in market prices, such as interest 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 with acceptable parameters, while optimising return.

Interest rate risk
Interest rate risk arises from the potential for changes in interest rates to have an adverse effect on the Group's net earnings. The Group continually monitors movements in interest rates and is in regular communication with borrowers whenever these rates change.

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 a designated cash flow hedging instrument) are monitored on a six-monthly basis.

3 FINANCIAL RISK MANAGEMENT (continued)

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

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

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

The Group prepares rolling cash projections which assists in monitoring cash flow requirements and optimising its cash return on investments. It also has a bank facility that it is able to draw upon in order to meet both short and long-term liquidity requirements.

Credit risk
Credit risk is the risk of 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 Statement of Financial Position exceed their carrying amount, net of any provisions for doubtful debts. In relation to client debtor's, the Groups client risk concentration is minimised as the transactions are settled on a delivery versus payment basis with a regime of trade plus three days.

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

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

4 DETERMINATION OF FAIR VALUE

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 the asset or liability.

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.

5 REVENUE AND EXPENSES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
(a) Finance income:	$	$	$	$
Interest income on loans and advances	11,511,620	10,576,863	7,050,524	6,147,300
Interest income on bank deposits	609,618	347,295	609,162	346,574
Seller series interest revenue	-	-	700,652	502,987
Subordinated note interest revenue	-	-	348,759	473,720
Total finance income	12,121,238	10,924,158	8,709,097	7,470,581

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
(b) Finance costs:	$	$	$	$
Interest expense on deposits	(2,406,823)	(2,287,644)	(2,406,823)	(2,287,644)
Bank interest expense	(232,154)	(455,892)	(207,295)	(402,322)
Interest paid to related parties	(259,233)	(283,014)	(259,233)	(283,014)
Cash advance facility fees	(1,481,553)	(1,496,217)	-	-
Total finance costs	(4,379,763)	(4,522,767)	(2,873,351)	(2,972,980)

5 REVENUE AND EXPENSES (continued)

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
(c) Other income	$	$	$	$
Service fee revenue	-	-	191,308	169,207
Residual income	-	-	1,679,287	1,722,066
Sundry income	-	27,396	-	27,396
Total other income	-	27,396	1,870,595	1,918,669

6 INCOME TAX

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Current tax expense				
Current income tax charge	642,873	405,309	642,873	405,309
Deferred income tax				
Origination and reversal of temporary differences	-	-	-	-
Total income tax expense / (benefit)	642,873	405,309	642,873	405,309
Numerical reconciliation between tax expense and pre-tax accounting profit				
Accounting profit (before income tax)	2,142,822	1,350,615	2,142,822	1,350,615
Income tax using the Company's domestic tax rate of 30% (2015: 30%)	642,847	405,185	642,847	405,185
Expenditure not allowable for income tax purposes	26	124	26	124
Income tax expense	642,873	405,309	642,873	405,309

7 CASH AND CASH EQUIVALENTS

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Cash at bank	77,969,685	10,041,698	77,920,720	9,995,397
Short-term deposits	-	-	-	-
	77,969,685	10,041,698	77,920,720	9,995,397

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.
Short-term deposits are made for periods between 7 days and 90 days.

8 LOANS AND ADVANCES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Margin Lending	227,398,389	234,519,021	145,578,823	136,059,760
	227,398,389	234,519,021	145,578,823	136,059,760

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 31 December 2016 (2015: Nil).

There is significant turnover in loans and advances. Based on historical experience the Group's expectation is all but approximately 5% of loans may be realised in the next 12 months (2015: 2%), with the balance being realised after 12 months. Refer to note 15 for further detail on the margin lending loans.

9 TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Parent Entity	
	2016	2015	2016	2015
	$	$	$	$
Subordinated note	-	-	18,000,000	18,000,000
Seller note	-	-	59,628,039	16,984,611
Trade receivables	1,961,322	4,213,497	1,961,322	4,213,482
Interest receivable	127,642	28,590	220,241	74,622
Residual income receivable	-	-	3,396,637	1,717,349
Service fee receivable	-	-	16,795	20,812
Carrying amount of trade and other receivables	2,088,964	4,242,087	83,223,034	41,010,876

Trade receivables are non-interest bearing and are normally settled on 3-day term.
For further information relating to related parties refer to note 17.

10 INVESTMENTS IN CONTROLLED ENTITIES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Investment in Controlled Entities at cost	-	-	20,102	20,102
	-	-	20,102	20,102

11 DEPOSITS AND OTHER BORROWINGS

This note provides information about the contractual terms of the Company's and Group's interest-bearing deposits and borrowings. For more information about the Company's and Group's exposure to interest rates, see note 15.

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Deposits (Cash Account)[1]	42,894,391	151,028,902	42,894,391	151,028,902
Subordinated Debt - Bell Financial Group Ltd	8,000,000	8,000,000	8,000,000	8,000,000
Cash advance facility (refer to Note 20)	-	61,000,000	-	-
Due to Bell Cash Trust[2]	246,073,457	16,065,461	246,073,457	16,065,461
	296,967,848	236,094,363	296,967,848	175,094,363

[1] Borrowings relate to Margin Lending / Cash Account which are largely at call.
[2] Represents funds held (Bell Cash Trust) which are held at call.
For further information relating to related parties refer to Note 17.

Terms and debt repayment schedule

Consolidated:	2016 Effective Interest Rate	2015 Effective Interest Rate	2016 Face Value	2016 Carrying Amount	2015 Face Value	2015 Carrying Amount
Deposits (Cash Account)	1.14%	1.39%	42,894,391	42,894,391	151,028,902	151,028,902
Subordinated Debt	3.23%	3.60%	8,000,000	8,000,000	8,000,000	8,000,000
Bell cash trust	1.14%	1.39%	246,073,457	246,073,457	16,065,461	16,065,461
Cash advance facility	2.59%	2.72%	-	-	61,000,000	61,000,000
			296,967,848	296,967,848	236,094,363	236,094,363

Parent:	2016 Effective Interest Rate	2015 Effective Interest Rate	2016 Face Value	2016 Carrying Amount	2015 Face Value	2015 Carrying Amount
Deposits (Cash Account)	1.14%	1.39%	42,894,391	42,894,391	151,028,902	151,028,902
Subordinated Debt	3.23%	3.60%	8,000,000	8,000,000	8,000,000	8,000,000
Bell cash trust	1.14%	1.39%	246,073,457	246,073,457	16,065,461	16,065,461
			296,967,848	296,967,848	175,094,363	175,094,363

12 TRADE AND OTHER PAYABLES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Trade payables	2,321,152	4,463,921	2,249,176	4,405,553
Interest payable in advance	1,630,631	1,765,514	988,148	1,107,111
GST payable	-	3,872	-	3,872
Due to related parties	211,136	211,431	211,236	211,531
Carrying amount of trade and other payables	4,162,919	6,444,738	3,448,560	5,728,067

13 CONTRIBUTED EQUITY AND RESERVES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Ordinary shares				
3,000,000 fully paid Ordinary Shares (2015: 3,000,000)	3,000,000	3,000,000	3,000,000	3,000,000
	3,000,000	3,000,000	3,000,000	3,000,000
Cash Flow Hedge Reserve				
At 1 January	(17,256)	(60,498)	(10,975)	(32,702)
Cash flow hedge movement	(31,168)	43,242	(17,418)	21,727
At 31 December	(48,424)	(17,256)	(28,393)	(10,975)
Retained earnings				
At 1 January	3,015,616	3,570,310	3,015,616	3,570,310
Profit / (loss) for the year	1,499,949	945,306	1,499,949	945,306
Dividend paid	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
At 31 December	3,015,565	3,015,616	3,015,565	3,015,616

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

14 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Cash flows from operating activities				
Profit after tax	1,499,949	945,306	1,499,949	945,306
Changes in assets and liabilities:				
(Increase) / decrease receivables	2,153,123	(2,567,952)	(42,212,158)	14,720,097
(Increase) / decrease prepayments	-	175,917	-	175,917
(Increase) / decrease loans and advances	7,120,632	(63,136,024)	(9,519,063)	(34,500,578)
Increase / (decrease) deposits and other borrowings	121,873,485	5,308,629	121,873,485	5,308,629
Increase / (decrease) payables	(1,638,651)	3,185,132	(1,636,339)	3,271,301
Increase / (decrease) provisions	62,617	(21,295)	62,617	(21,295)
Net cash flow (used) / provided in operating activities	131,071,155	(56,110,287)	70,068,491	(10,100,623)

Reconciliation of cash
For the purpose of the Statements of Cash Flows, cash and cash equivalents comprise the following:

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Cash at bank	77,969,685	10,041,698	77,920,720	9,995,397
Short-term deposits	-	-	-	-
	77,969,685	10,041,698	77,920,720	9,995,397

15 FINANCIAL INSTRUMENTS

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

Credit risk
Management has a process in place and the exposure to credit risk is monitored on an ongoing basis. The Group requires collateral in respect of margin loans made in the course of business within the Group. 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.

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. There were no impaired, past due or renegotiated loans at 31 December 2016 (2015: Nil).

	Note	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Subordinated note	9	-	-	18,000,000	18,000,000
Seller note	9	-	-	59,628,039	16,984,611
Trade receivables	9	1,961,322	4,213,497	1,961,322	4,213,482
Interest receivable	9	127,642	28,590	220,241	74,622
Residual income receivable	9	-	-	3,396,637	1,717,349
Service fee receivable	9	-	-	16,795	20,812
Loans and advances	8	227,398,389	234,519,021	145,578,823	136,059,760

The ageing of the Group's trade receivables at reporting date was:

Ageing of receivables Consolidated Entity:	2016 Gross $	2016 Impairment $	2015 Gross $	2015 Impairment $
Not past due	1,961,322	-	4,213,497	-
Past Due 0 - 30 Days	-	-	-	-
Past Due 31 - 120 Days	-	-	-	-
More than 1 year	-	-	-	-

Ageing of receivables Parent Entity:	2016 Gross $	2016 Impairment $	2015 Gross $	2015 Impairment $
Not past due	1,961,322	-	4,213,482	-
Past Due 0 - 30 Days	-	-	-	-
Past Due 31 - 120 Days	-	-	-	-
More than 1 year	-	-	-	-

15 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

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

Liquidity risk

The following are the contractual maturities of financial liabilities, excluding impacting of netting agreements.

	Carrying Amount $	Contracted Cash flow $	6-months or less $	6- 12 months $	1 - 2 years $
Consolidated Entity 2016:					
Trade and other payables	4,162,919	(4,162,919)	(4,162,919)	-	-
Deposits (Cash Accounts)	42,894,391	(42,894,391)	(42,894,391)	-	-
Bell cash trust	246,073,457	(246,073,457)	(246,073,457)		
Cash advance facility	-	-	-	-	-
Subordinated Debt	8,000,000	(8,000,000)	(8,000,000)	-	-
Hedging derivative	48,424	(48,424)	(48,424)	-	-
Parent Entity 2016:					
Trade and other payables	3,448,560	(3,448,560)	(3,448,560)	-	-
Deposits (Cash Accounts)	42,894,391	(42,894,391)	(42,894,391)	-	-
Bell cash trust	246,073,457	(246,073,457)	(246,073,457)	-	-
Cash advance facility	-	-	-	-	-
Subordinated Debt	8,000,000	(8,000,000)	(8,000,000)	-	-
Hedging derivative	28,393	(28,393)	(28,393)	-	-

	Carrying Amount $	Contracted Cash flow $	6-months or less $	6- 12 months $	1 - 2 years $
Consolidated Entity 2015:					
Trade and other payables	6,444,738	(6,444,738)	(6,444,738)	-	-
Deposits (Cash Accounts)	151,028,902	(151,028,902)	(151,028,902)	-	-
Bell cash trust	16,065,461	(16,065,461)	(16,065,461)	-	-
Cash advance facility	61,000,000	(61,000,000)	(61,000,000)	-	-
Subordinated Debt	8,000,000	(8,000,000)	(8,000,000)	-	-
Hedging derivative	17,256	(17,256)	(17,256)	-	-
Parent Entity 2015:					
Trade and other payables	5,728,067	(5,728,067)	(5,728,067)	-	-
Deposits (Cash Accounts)	151,028,902	(151,028,902)	(151,028,902)	-	-
Bell cash trust	16,065,461	(16,065,461)	(16,065,461)	-	-
Cash advance facility	-	-	-	-	-
Subordinated Debt	8,000,000	(8,000,000)	(8,000,000)	-	-
Hedging derivative	10,975	(10,975)	(10,975)	-	-

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.

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. An interest rate swap is used to hedge exposure to fluctuations in interest rates. Changes in the fair value of this derivative hedging instrument 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 the profit and loss.

Short-term receivables and payables are not exposed to interest rate risk.

15 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.

	Note	Average Effective Interest Rate	Total $	6-months or less $	6- 12 months $	1 - 2 years $	2 - 5 years $
Consolidated Entity 2016:							
Fixed rate instruments							
Loans and advances	8	4.35%	84,826,219	80,114,126	1,088,093	3,624,000	-
Cash advance facility	11	2.59%	-	-	-	-	-
Deposits and other borrowings	11	0.25%	-	-	-	-	-
			84,826,219	80,114,126	1,088,093	3,624,000	-
Variable rate instruments							
Cash and cash equivalents	7	1.73%	77,969,685	77,969,685	-	-	-
Loans and advances	8	4.98%	142,572,170	142,572,170	-	-	-
Subordinated Debt	11	3.23%	(8,000,000)	(8,000,000)	-	-	-
Deposits and other borrowings	11	1.14%	(42,894,391)	(42,894,391)	-	-	-
Bell cash trust	11	1.14%	(246,073,457)	(246,073,457)	-	-	-
			(76,425,993)	(76,425,993)	-	-	-

	Note	Average Effective Interest Rate	Total $	6-months or less $	6- 12 months $	1 - 2 years $	2 - 5 years $
Consolidated Entity 2015:							
Fixed rate instruments							
Loans and advances	8	4.67%	86,014,623	77,221,516	2,643,107	4,850,000	1,300,000
Cash advance facility	11	2.72%	(61,000,000)	(61,000,000)	-	-	-
Deposits and other borrowings	11	3.03%	(415,000)	(415,000)	-	-	-
			24,599,623	15,806,516	2,643,107	4,850,000	1,300,000
Variable rate instruments							
Cash and cash equivalents	7	2.10%	10,041,698	10,041,698	-	-	-
Loans and advances	8	5.49%	148,504,398	148,504,398	-	-	-
Subordinated Debt	11	3.60%	(8,000,000)	(8,000,000)	-	-	-
Deposits and other borrowings	11	1.34%	(150,613,902)	(150,613,902)	-	-	-
Bell cash trust	11	1.34%	(16,065,461)	(16,065,461)	-	-	-
			(16,133,267)	(16,133,267)	-	-	-

15 FINANCIAL INSTRUMENTS (continued)

Effective interest rates (continued)

	Note	Average Effective Interest Rate	Total $	6-months or less $	6- 12 months $	1 - 2 years $	2 - 5 years $
Parent Entity 2016:							
Fixed rate instruments							
Loans and advances	8	4.35%	53,881,561	49,872,872	384,689	3,624,000	-
Deposits and other borrowings	11	0.25%	-	-	-	-	-
			53,881,561	49,872,872	384,689	3,624,000	-
Variable rate instruments							
Cash and cash equivalents	7	1.73%	77,920,720	77,920,720	-	-	-
Loans and advances	8	4.98%	91,697,262	91,697,262	-	-	-
Subordinated note	9	1.93%	18,000,000	18,000,000	-	-	-
Seller note	9	1.93%	59,628,039	59,628,039	-	-	-
Subordinated Debt	11	3.23%	(8,000,000)	(8,000,000)	-	-	-
Deposits and other borrowings	11	1.14%	(42,894,391)	(42,894,391)	-	-	-
Bell cash trust	11	1.14%	(246,073,457)	(246,073,457)	-	-	-
			(49,721,827)	(49,721,827)	-	-	-

	Note	Average Effective Interest Rate	Total $	6-months or less $	6- 12 months $	1 - 2 years $	2 - 5 years $
Parent Entity 2015:							
Fixed rate instruments							
Loans and advances	8	4.67%	58,042,633	49,922,633	1,970,000	4,850,000	1,300,000
Deposits and other borrowings	11	3.03%	(415,000)	(415,000)	-	-	-
			57,627,633	49,507,633	1,970,000	4,850,000	1,300,000
Variable rate instruments							
Cash and cash equivalents	7	2.10%	9,995,397	9,995,397	-	-	-
Loans and advances	8	5.49%	78,017,127	78,017,127	-	-	-
Subordinated note	9	2.20%	18,000,000	18,000,000	-	-	-
Seller note	9	2.20%	16,984,611	16,984,611	-	-	-
Subordinated Debt	11	3.60%	(8,000,000)	(8,000,000)	-	-	-
Deposits and other borrowings	11	1.34%	(150,613,902)	(150,613,902)	-	-	-
Bell cash trust	11	1.34%	(16,065,461)	(16,065,461)	-	-	-
			(51,682,228)	(51,682,228)	-	-	-

Sensitivity analysis

Interest rate risk

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 or loss.

At 31 December 2016, 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 $0.78 million (2015: $0.1 million). For the Company, the impact of a one-percentage point decrease in interest rates would be a decrease to profit before income tax by approximately $0.78 million (2015: $0.1 million). A general increase of one-percentage point in interest rates would have an equal but opposite effect.

15 FINANCIAL INSTRUMENTS (continued)

Fair value of fixed loans (continued)

(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.

Consolidated Entity:

31 DECEMBER 2016		CARRYING AMOUNT							FAIR VALUE			
	NOTE	HELD-FOR-TRADING	DESIGNATED AT FAIR VALUE	FAIR VALUE - HEDGING INSTRUMENTS	HELD TO MATURITY	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		$	$	$	$	$	$	$	$	$	$	$
Financial assets not measured at fair value												
Trade and other receivables	9	-	-	-	-	2,088,964	-	**2,088,964**	-	-	-	-
Cash and cash equivalents	7	-	-	-	-	77,969,685	-	**77,969,685**	-	-	-	-
Loans and advances	8	-	-	-	-	227,398,389	-	**227,398,389**	-	-	-	-
		-	-	-	-	**307,457,038**	-	**307,457,038**	-	-	-	-
Financial laibilities measured at fair value												
Interest rate swaps used for hedging	15	-	-	48,424	-	-	-	**48,424**	-	48,424	-	**48,424**
		-	-	**48,424**	-	-	-	**48,424**	-	**48,424**	-	**48,424**
Financial laibilities not measured at fair value												
Trade payables	12	-	-	-	-	-	4,162,919	**4,162,919**	-	-	-	-
Deposits and borrowings	11	-	-	-	-	-	296,967,848	**296,967,848**	-	-	-	-
		-	-	-	-	-	**301,130,767**	**301,130,767**	-	-	-	-

31 DECEMBER 2015		CARRYING AMOUNT							FAIR VALUE			
	NOTE	HELD-FOR-TRADING	DESIGNATED AT FAIR VALUE	FAIR VALUE - HEDGING INSTRUMENTS	HELD TO MATURITY	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		$	$	$	$	$	$	$	$	$	$	$
Financial assets not measured at fair value												
Trade and other receivables	9	-	-	-	-	4,242,087	-	**4,242,087**	-	-	-	-
Cash and cash equivalents	7	-	-	-	-	10,041,698	-	**10,041,698**	-	-	-	-
Loans and advances	8	-	-	-	-	234,519,021	-	**234,519,021**	-	-	-	-
		-	-	-	-	**248,802,806**	-	**248,802,806**	-	-	-	-
Financial laibilities measured at fair value												
Interest rate swaps used for hedging	15	-	-	17,256	-	-	-	**17,256**	-	17,256	-	**17,256**
		-	-	**17,256**	-	-	-	**17,256**	-	**17,256**	-	**17,256**
Financial laibilities not measured at fair value												
Trade payables	12	-	-	-	-	-	6,444,738	**6,444,738**	-	-	-	-
Deposits and borrowings	11	-	-	-	-	-	236,094,363	**236,094,363**	-	-	-	-
		-	-	-	-	-	**242,539,101**	**242,539,101**	-	-	-	-

15 FINANCIAL INSTRUMENTS (continued)

Fair value of fixed loans (continued)
(a) Accounting classifications and fair values (continued)

Parent Entity:

31 DECEMBER 2016	NOTE	CARRYING AMOUNT HELD-FOR-TRADING	DESIGNATED AT FAIR VALUE	FAIR VALUE - HEDGING INSTRUMENTS	HELD TO MATURITY	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		$	$	$	$	$	$	$	$	$	$	$
Financial assets not measured at fair value												
Trade and other receivables	9	-	-	-	-	83,223,034	-	**83,223,034**	-	-	-	-
Cash and cash equivalents	7	-	-	-	-	77,920,720	-	**77,920,720**	-	-	-	-
Loans and advances	8	-	-	-	-	145,578,823	-	**145,578,823**	-	-	-	-
		-	-	-	-	**306,722,577**	-	**306,722,577**	-	-	-	-
Financial laibilities measured at fair value												
Interest rate swaps used for hedging	15	-	-	28,393	-	-	-	**28,393**	-	28,393	-	**28,393**
		-	-	**28,393**	-	-	-	**28,393**	-	**28,393**	-	**28,393**
Financial laibilities not measured at fair value												
Trade payables	12	-	-	-	-	-	3,448,560	**3,448,560**	-	-	-	-
Deposits and borrowings	11	-	-	-	-	-	296,967,848	**296,967,848**	-	-	-	-
		-	-	-	-	-	**300,416,408**	**300,416,408**	-	-	-	-

31 DECEMBER 2015	NOTE	CARRYING AMOUNT HELD-FOR-TRADING	DESIGNATED AT FAIR VALUE	FAIR VALUE - HEDGING INSTRUMENTS	HELD TO MATURITY	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	TOTAL	FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		$	$	$	$	$	$	$	$	$	$	$
Financial assets not measured at fair value												
Trade and other receivables	9	-	-	-	-	41,010,876	-	**41,010,876**	-	-	-	-
Cash and cash equivalents	7	-	-	-	-	9,995,397	-	**9,995,397**	-	-	-	-
Loans and advances	8	-	-	-	-	136,059,760	-	**136,059,760**	-	-	-	-
		-	-	-	-	**187,066,033**	-	**187,066,033**	-	-	-	-
Financial laibilities measured at fair value												
Interest rate swaps used for hedging	15	-	-	10,975	-	-	-	**10,975**	-	10,975	-	**10,975**
		-	-	**10,975**	-	-	-	**10,975**	-	**10,975**	-	**10,975**
Financial laibilities not measured at fair value												
Trade payables	12	-	-	-	-	-	5,728,067	**5,728,067**	-	-	-	-
Deposits and borrowings	11	-	-	-	-	-	175,094,363	**175,094,363**	-	-	-	-
		-	-	-	-	-	**180,822,430**	**180,822,430**	-	-	-	-

(b) Accounting classifications and fair values

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

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

16 LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Key management personnel are defined as the Directors of the Company and their related parties.

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

	Balance 1 January 2016	Balance 31 December 2016	Interest paid and (payable) in the period	Highest balance in period
	$	$	$	$
Andrew Bell	300,000	318,310	15,069	631,997
Colin Bell	2,544,708	3,001,099	130,163	3,084,618
Lewis Bell	312,470	415,051	17,632	559,430
Dean Davenport	87,606	107,094	4,938	107,094
Rowan Fell	337,290	534,325	21,054	599,949
Craig Coleman	-	779,553	12,494	1,152,559
Alastair Provan	-	-	-	-

	Balance 1 January 2015	Balance 31 December 2015	Interest paid and (payable) in the period	Highest balance in period
	$	$	$	$
Andrew Bell	250,000	300,000	13,846	473,387
Colin Bell	1,951,884	2,544,708	111,320	2,757,121
Lewis Bell	107,253	312,470	8,267	396,316
Dean Davenport	55,029	87,606	3,210	87,606
Rowan Fell	349,162	337,290	18,311	566,503
Craig Coleman	1,020,412	-	27,039	1,216,916
Alastair Provan	-	-	-	-

Loans totalling $5,155,432 (2015: $3,582,074) were made to key management personnel and their related parties during the year. The recipients of these loans were Colin Bell, Andrew Bell, Dean Davenport, Rowan Fell, Lewis Bell and Craig Coleman. The loans represent margin loans held with the Company. 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 period	Number in Group at 31 December
	$	$	$	$
Total for key management personnel 2016	3,582,074	5,155,432	201,350	31
Total for key management personnel 2015	3,733,740	3,582,074	181,993	28
Total for other related parties 2016	-	-	-	-
Total for other related parties 2015	-	-	-	-
Total for key management personnel and their related parties 2016	3,582,074	5,155,432	201,350	31
Total for key management personnel and their related parties 2015	3,733,740	3,582,074	181,993	28

Interest is payable at prevailing market rates on all loans to key management persons and their related parties. 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 $201,350 (2015: $181,993). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectible.

17 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Bell Potter Capital and its controlled entities listed in the following table:

Name	Country of Incorporation	% Equity Interest 2016	% Equity Interest 2015	Investment 2016 $	Investment 2015 $
BPC Securities Pty Ltd	Australia	100%	100%	20,002	20,002
BPC Custody Pty Ltd	Australia	100%	100%	100	100
The Bell Potter Master Trust[1]	-	-	-	-	-
				20,102	20,102

[1] Bell Potter Capital Limited is the sole residual income unitholder of The Bell Potter Margin Loan Trust ("Trust"). The Company consolidates the Trust as it has the majority of risks and benefits, and ownership of the residual interest.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year (for information regarding outstanding balances at year end, refer to note 9 and 12).

Related Parties		Amounts owed by related parties $	Amounts owed to related parties $	Interest received / (paid) $
Parent Entity				
Bell Financial Group Ltd	2016	-	(8,095,463)	(259,233)
	2015	-	(8,032,902)	(283,014)
Bell Potter Securities Limited	2016	-	(115,773)	-
	2015	-	(178,630)	-
Bell Potter Margin Loan Trust	2016	77,737,434	-	1,049,411
	2015	35,051,454	-	976,707
Consolidated Entity				
Bell Financial Group Ltd	2016	-	(8,095,463)	(259,233)
	2015	-	(8,032,902)	(283,014)
Bell Potter Securities Limited	2016	-	(115,673)	-
	2015	-	(178,530)	-

The ultimate parent entity of Bell Potter Capital Limited is Bell Financial Group Ltd.

18 AUDITORS REMUNERATION

	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
Amounts due to KPMG for:				
Audit of the financial report of the Company	44,000	44,000	33,000	33,000
Other services in relation to the Company				
- audit required by regulators	8,000	12,500	7,000	11,500
	52,000	56,500	40,000	44,500

19 REMUNERATION OF DIRECTORS

(a) The directors of Bell Potter Capital Limited during the financial year and to the date of this report were:

Name:	Position:	Date Appointed:
C M Bell	Chairman	January 1999
D A Provan	Managing Director	December 1993
L M Bell	Director	January 1999
A G Bell	Director	January 1999
R Fell	Director	November 2007
D A Davenport	Director	November 2007
C Coleman	Director	November 2007

(b) Compensation of key management personnel	2016 $	2015 $
Short-term employee benefits	743,933	791,025
Long-term employee benefits	-	-
Post employment benefits	49,280	46,180
	793,213	837,205

Key management personnel compensation disclosed above has been determined based on management's allocation of work effort across each of the Bell Financial Group entities.

20 FINANCING ARRANGEMENTS	Consolidated Entity 2016 $	Consolidated Entity 2015 $	Parent Entity 2016 $	Parent Entity 2015 $
The Company has access to the following lines of credit:				
Cash advance facility	100,000,000	100,000,000	-	-
Indemnity/Guarantee facility	1,000,000	1,000,000	-	-
Subordinated Debt facility	15,000,000	15,000,000	15,000,000	15,000,000
Facilities utilised at balance date:				
Cash advance facility	-	61,000,000	-	-
Indemnity/Guarantee facility	1,000,000	1,000,000	-	-
Subordinated Debt facility	8,000,000	8,000,000	8,000,000	8,000,000

21 CONTINGENCIES

The Directors are of the opinion that provisions are not 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.

22 GUARANTEES

The Group has provided financial guarantees in the ordinary course of business which amount to $1,000,000 (2015: $1,000,000) and are not recorded in the Statement of Financial Position as at 31 December 2016.

23 SUBSEQUENT EVENTS

There were no significant events from 31 December 2016 to the date of this report.

Directors' Declaration

In the opinion of the Directors of Bell Potter Capital Limited:

(a) the financial statements and notes that are set out on pages 6 to 26 are in accordance with the Corporations Act 2001, including;

(i) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to note 1(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dean Davenport
Director

Melbourne
Date: 22nd February 2017