

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2016**

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
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**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

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) as at and for the half-year ended 30 June 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 deposit businesses.

The Group's profit before income tax for the half year was \$875,693 (2015: \$598,099).

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The Group's profit after income tax for the half year was \$612,959 (2015: \$418,669).

The Company's profit after income tax for the half year was \$612,959 (2015: \$418,669).

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 deposit businesses in future.

DIVIDENDS

Dividends declared and paid by the Group and the Company during the half year to 30 June 2016 were \$1,000,000 (2015: \$1,500,000).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since the end of the half-year period 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 2 and forms part of the Directors' report for the half-year ended 30 June 2016.

Signed in accordance with a resolution of the Directors:



Dean Davenport
Director

Melbourne
Date: 10th August 2016



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 review for the half-year ended 30 June 2016 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

Dean M Waters
Partner

Melbourne

10 August 2016



Independent auditor's review report to the members of Bell Potter Capital Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Bell Potter Capital Limited, which comprises the condensed consolidated statements of financial position as at 30 June 2016, condensed consolidated income statements and condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company 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* and 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

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 2016 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 Potter Capital 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*.



Conclusion

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 Bell Potter Capital Limited is not 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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Dean M Waters
Partner

Melbourne

10 August 2016

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Consolidated Entity		Parent Entity	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
Finance income	5,946,211	5,119,268	4,121,040	3,742,733
Finance costs	<u>(2,312,223)</u>	<u>(2,087,895)</u>	<u>(1,398,245)</u>	<u>(1,579,496)</u>
Total finance income	3,633,988	3,031,373	2,722,795	2,163,237
Other income	5,670	23,480	903,189	889,456
Total revenue	3,639,658	3,054,853	3,625,984	3,052,693
Management fees	(1,083,299)	(968,542)	(1,083,299)	(968,542)
Commission paid	(1,173,507)	(1,056,503)	(1,173,507)	(1,056,503)
System expenses	(235,670)	(206,729)	(235,670)	(206,729)
Professional expenses	(127,926)	(49,720)	(116,926)	(47,620)
Other expenses	<u>(143,563)</u>	<u>(175,260)</u>	<u>(140,889)</u>	<u>(175,200)</u>
Profit before income tax	875,693	598,099	875,693	598,099
Income tax (expense) / benefit	(262,734)	(179,430)	(262,734)	(179,430)
Profit for the year	612,959	418,669	612,959	418,669
Attributable to:				
Equity holders of the Company	612,959	418,669	612,959	418,669
Profit for the year	612,959	418,669	612,959	418,669

The notes on pages 10 to 11 are an integral part of these consolidated financial statements.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Consolidated Entity		Parent Entity	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
Profit for the year	612,959	418,669	612,959	418,669
Other comprehensive income				
Changes in fair value of cash flow hedge	5,218	(11,724)	3,319	(22,881)
Other comprehensive income for the year, net of tax	<u>5,218</u>	<u>(11,724)</u>	<u>3,319</u>	<u>(22,881)</u>
Total comprehensive income for the year	<u>618,177</u>	<u>406,945</u>	<u>616,278</u>	<u>395,788</u>
Attributable to:				
Equity holders of the company	<u>618,177</u>	<u>406,945</u>	<u>616,278</u>	<u>395,788</u>
Total comprehensive income for the year	<u>618,177</u>	<u>406,945</u>	<u>616,278</u>	<u>395,788</u>

The notes on pages 10 to 11 are an integral part of these consolidated financial statements.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

		Consolidated Entity		Parent Entity	
		30 June 2016	31 December 2015	30 June 2016	31 December 2015
		\$	\$	\$	\$
ASSETS					
Cash and cash equivalents		5,324,138	10,041,698	5,282,284	9,995,397
Loans and advances	5	229,410,454	234,519,021	143,096,420	136,059,760
Trade and other receivables		8,186,027	4,242,087	63,150,411	41,010,876
Prepayments		-	2,750	-	2,750
Investment in controlled entities		-	-	20,102	20,102
TOTAL ASSETS		242,920,619	248,805,556	211,549,217	187,088,885
LIABILITIES					
Deposits and other borrowings	6	225,295,377	236,094,363	195,295,377	175,094,363
Derivatives		12,038	17,256	7,656	10,975
Trade and other payables		11,704,769	6,444,738	10,333,367	5,728,067
Provisions		291,898	250,839	291,898	250,839
TOTAL LIABILITIES		237,304,082	242,807,196	205,928,298	181,084,244
NET ASSETS		5,616,537	5,998,360	5,620,919	6,004,641
EQUITY					
Contributed equity		3,000,000	3,000,000	3,000,000	3,000,000
Cash flow hedge reserve		(12,038)	(17,256)	(7,656)	(10,975)
Retained earnings		2,628,575	3,015,616	2,628,575	3,015,616
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		5,616,537	5,998,360	5,620,919	6,004,641

The notes on pages 10 to 11 are an integral part of these consolidated financial statements.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 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	-	-	418,669	418,669
Other comprehensive income				
Changes in fair value of cash flow hedge	-	(11,724)	-	(11,724)
Total other comprehensive income	-	(11,724)	-	(11,724)
Total comprehensive income for the year	-	(11,724)	418,669	406,945
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 30 June 2015	3,000,000	(72,222)	2,488,979	5,416,757
Balance at 1 January 2016	3,000,000	(17,256)	3,015,616	5,998,360
Total comprehensive income				
Profit for the year	-	-	612,959	612,959
Other comprehensive income				
Changes in fair value of cash flow hedge	-	5,218	-	5,218
Total other comprehensive income	-	5,218	-	5,218
Total comprehensive income for the year	-	5,218	612,959	618,177
Transactions with owners, directly in equity				
Dividends	-	-	(1,000,000)	(1,000,000)
Balance at 30 June 2016	3,000,000	(12,038)	2,628,575	5,616,537
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	-	-	418,669	418,669
Other comprehensive income				
Changes in fair value of cash flow hedge	-	(22,881)	-	(22,881)
Total other comprehensive income	-	(22,881)	-	(22,881)
Total comprehensive income for the year	-	(22,881)	418,669	395,788
Transactions with owners, directly in equity				
Dividends	-	-	(1,500,000)	(1,500,000)
Balance at 30 June 2015	3,000,000	(55,583)	2,488,979	5,433,396
Balance at 1 January 2016	3,000,000	(10,975)	3,015,616	6,004,641
Total comprehensive income				
Profit for the year	-	-	612,959	612,959
Other comprehensive income				
Changes in fair value of cash flow hedge	-	3,319	-	3,319
Total other comprehensive income	-	3,319	-	3,319
Total comprehensive income for the year	-	3,319	612,959	616,278
Transactions with owners, directly in equity				
Dividends	-	-	(1,000,000)	(1,000,000)
Balance at 30 June 2016	3,000,000	(7,656)	2,628,575	5,620,919

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	Consolidated Entity		Parent Entity	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES				
Cash receipts in the course of operations	25,315,291	23,480	20,306,888	92,550
Cash payments in the course of operations	(2,687,100)	(33,876,008)	(27,075,235)	(12,612,850)
Interest received	7,336,266	6,779,490	4,783,714	4,961,897
Interest paid	(2,356,881)	(2,089,630)	(1,403,344)	(1,595,136)
Net cash flows from operating activities	27,607,576	(29,162,668)	(3,387,977)	(9,153,539)
CASH FLOW FROM INVESTING ACTIVITIES				
Payment for investments	-	-	-	-
Net cash flows provided by investing activities	-	-	-	-
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Repayment of intercompany borrowings	(325,136)	(251,803)	(325,136)	(251,803)
Cash advance facility repayment / (drawdown)	(31,000,000)	20,000,000	-	-
Dividend paid	(1,000,000)	(1,500,000)	(1,000,000)	(1,500,000)
Net cash flows from / (used in) financing activities	(32,325,136)	18,248,197	(1,325,136)	(1,751,803)
NET INCREASE / (DECREASE) IN CASH HELD	(4,717,560)	(10,914,471)	(4,713,113)	(10,905,342)
Cash and cash equivalents at 1 January	10,041,698	22,437,789	9,995,397	22,381,824
CASH AND CASH EQUIVALENTS AT 30 JUNE	5,324,138	11,523,318	5,282,284	11,476,482

The notes on pages 10 to 11 are an integral part of these consolidated financial statements.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

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 condensed consolidated interim financial statements of the Company comprise of the Company and its subsidiaries (the "Group" or "Consolidated Entity") for the half year ended 30 June 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 STATEMENT OF COMPLIANCE

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

The 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 annual financial report of the Group as at and for the year ended 31 December 2015.

The condensed consolidated interim financial report was approved by the Board of Directors on 10 August 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

Other than described below the accounting policies applied by the Group in this 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 2015.

3 ESTIMATES

The preparation of the condensed consolidated interim financial reports 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 expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgments 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 2015. During the period, management reassessed estimates in respect of:

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 Directors' opinion, no such impairment exists beyond that provided at 30 June 2016.

4 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 2015.

5 LOANS AND ADVANCES

	Consolidated Entity		Parent Entity	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	\$	\$	\$	\$
Margin Lending	229,410,454	234,519,021	143,096,420	136,059,760
	<u>229,410,454</u>	<u>234,519,021</u>	<u>143,096,420</u>	<u>136,059,760</u>

Loans and advances are repayable on demand. There were no impaired, past due or renegotiated loans at 30 June 2016 (2015: nil).

There is significant turnover in loans and advances. Based on historical experience the Group's expectation is all but approximately 1% of loans may be realised in the next 12 months (2015: 2%), with the balance being realised after 12 months.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

6 DEPOSITS AND OTHER BORROWINGS

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

	Consolidated Entity		Parent Entity	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	\$	\$	\$	\$
Deposits (Cash Account)	25,336,155	151,028,902	25,336,155	151,028,902
Subordinated Debt - Bell Financial Group Ltd ¹	8,000,000	8,000,000	8,000,000	8,000,000
Cash advance facility ²	30,000,000	61,000,000	-	-
Due to Bell Cash Trust	161,959,222	16,065,461	161,959,222	16,065,461
	<u>225,295,377</u>	<u>236,094,363</u>	<u>195,295,377</u>	<u>175,094,363</u>

¹ Represents drawn funds from available subordinated debt facility of \$15 million.

² Represents drawn funds from available cash advance facility of \$100 million.

Terms and debt repayment schedule

	Effective Interest Rate		30 June 2016		31 December 2015	
	2016	2015	Face Value	Carrying Amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Consolidated:						
Deposits (Cash Account)	1.12%	1.29%	25,336,155	25,336,155	151,028,902	151,028,902
Subordinated Debt	3.42%	3.50%	8,000,000	8,000,000	8,000,000	8,000,000
Due to Bell Cash Trust	1.12%	1.28%	161,959,222	161,959,222	16,065,461	16,065,461
Cash advance facility	2.55%	2.61%	30,000,000	30,000,000	61,000,000	61,000,000
			<u>225,295,377</u>	<u>225,295,377</u>	<u>236,094,363</u>	<u>236,094,363</u>
Parent:						
Deposits (Cash Account)	1.12%	1.29%	25,336,155	25,336,155	151,028,902	151,028,902
Subordinated Debt	3.42%	3.50%	8,000,000	8,000,000	8,000,000	8,000,000
Due to Bell Cash Trust	1.12%	1.28%	161,959,222	161,959,222	16,065,461	16,065,461
			<u>195,295,377</u>	<u>195,295,377</u>	<u>175,094,363</u>	<u>175,094,363</u>

7 DIVIDENDS

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

Declared and paid during the year	Cents per Share	Total Amount \$	Franked / Unfranked	Date of Payment
Group				
2015 Dividend	0.33	1,000,000	Franked	18 March 2016
Company				
2015 Dividend	0.33	1,000,000	Franked	18 March 2016
Group				
2014 Dividend	0.50	1,500,000	Franked	18 March 2015
Company				
2014 Dividend	0.50	1,500,000	Franked	18 March 2015

8 RELATED PARTY DISCLOSURE

There have been no significant changes to the arrangements with related parties. Refer to the full 2015 annual financial report for details.

Bell Potter Capital loan payable to Bell Cash Trust: \$161,959,222. The Bell Cash Trust is a managed investment scheme that is registered with ASIC. Money which is invested in the Trust is lent to Bell Potter Capital by the Responsible Entity. Bell Potter Capital is responsible for paying to the Responsible Entity the principal and interest made to it by the Responsible Entity and the obligation is guaranteed by the Bell Financial Group Limited.

9 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.

10 SUBSEQUENT EVENTS

There were no significant events from 30 June 2016 to the date of this report.

**BELL POTTER CAPITAL LIMITED
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

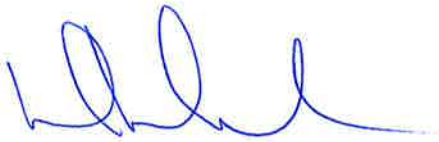
Directors' Declaration

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

- (a) the condensed financial statements and notes set out on pages 5 to 11, are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2016 and of their performance, for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standards (AASB 134) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 10th day of August 2016.

Signed in accordance with a resolution of the Directors:



Dean Davenport
Director
Date: 10th August 2016