

7 July 2008

Company Announcements Office
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Paul Vine
Company Secretary

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Dear Sir or Madam

Bell Financial Group Ltd – proposal to acquire Southern Cross Equities Limited

I enclose a media release issued today and investor presentation materials in relation to the proposed acquisition by Bell Financial Group Ltd of the issued capital in Southern Cross Equities Limited.

Yours faithfully



Paul Vine
Company Secretary

Media Release

Date 7 July 2008

Bell Financial Group proposes to acquire Southern Cross Equities to form Australia's largest independent broking house.

Bell Financial Group Ltd (BFG) today announced it has signed heads of agreement to acquire 100% of the issued capital in Southern Cross Equities Limited (SCE), in a transaction that will create one of the largest Australian-owned broking businesses.

Bell Potter Securities (BPS), which is 100% owned by BFG, is Australia's largest private client broking operation with well over 125,000 active clients and 290 advisers across 12 offices nationally, whilst SCE is one of the country's most successful and profitable stockbroking and emerging investment groups with a strong base of corporate, institutional and high net worth clients.

The total purchase price is expected to be approximately \$150 million based on SCE FY 2008 unaudited normalised financial results. The purchase price is subject to SCE achieving certain performance benchmarks over time, which will ensure that the acquisition remains earnings per share accretive for BFG.

The total consideration is 50% BFG shares and 50% cash, payable in four instalments over three years, with the first instalment due upon completion of the acquisition. The equity portion of the consideration will be issued at \$1.25 per share.

The cash portion of the transaction is expected to be financed from existing cash and future cash flows. BFG will continue to maintain cash reserves and remain debt free after the completion of the transaction.

BFG Executive Chairman Colin Bell said, "We are delighted to have entered into this agreement with Southern Cross. The acquisition will provide our business with immediate access to a significantly expanded product range and research base. This is a tremendous opportunity for both companies to leverage off each other's expertise to provide exceptional service to clients.

"Southern Cross is a highly profitable business with an unaudited actual net profit for FY08 of approximately \$25 million and the transaction will be significantly earnings per share accretive for BFG in the first year. On a proforma normalised basis for the 12 months to 30 June 2008, the combined businesses show total revenues of almost \$300 million and implied proforma EPS accretion of 33%," Mr. Bell said.

After an exceptional FY08 during which unaudited normalised profit rose by approximately 50%, Southern Cross Executive Chairman Brent Potts said the logic of the deal was compelling, "Joining two highly successful and complementary

businesses in a time of market dislocation creates several timely opportunities to expand both businesses.

“For instance, access to BFG’s comprehensive client base which currently includes in excess of \$25 billion of Funds Under Advice¹ provides us with a significant distribution platform for all of the major Australian capital raisings in the years ahead.

“Also, for some time we have been planning for growth beyond the domestic market and the transaction will accelerate that process,” Mr. Potts said.

In a joint statement, Mr. Bell and Mr. Potts said, “BPS and SCE have very similar cultures. Both have successful models that are reflective of their respective independence and Australian origins. The opportunity created by putting these two strong businesses together is unprecedented in the Australian stockbroking industry.

“We are confident that the enhanced model we are creating will appeal to many talented people who are attracted to the idea of working for an independent, Australian owned operation which will allow them to maximise their potential.

“At a time when broking houses around the globe are shedding staff, we plan to be hiring!

“Timing is a key element in this business and we both believe that joining forces at this point in the cycle provides a clear opportunity to build the strongest full service, domestically owned stock broking and corporate advisory firm in Australia,” they said.

Key transaction highlights:

- Transaction expected to be significantly accretive to BFG’s earnings per share (see Annexure),
 - Combined business shows an EPS accretion of 33% on an implied proforma basis for the 12 months to 30 June 2008²
 - Implied proforma EPS of the merged entities of 16 cents (assuming no synergies)² and
 - Implied proforma dividend per share of 10 cents (based on a 60% payout ratio)

¹ Funds Under Advice includes \$21.4 billion in sponsored holdings and \$4 billion in funds under management (internal and external managed products and investment services) as at 31 May 2008

² Based on unaudited normalised results for BFG and SCE for the 12 months to 30 June 2008. Assumes all of the scrip consideration payable to SCE is issued upon completion of the transaction (mid-September 2008) and the cash element of the consideration is paid in four instalments over three year (assumes that SCE meets its performance benchmarks over the three years)

Key transaction highlights (cont...)

- Significantly broadens BFG's existing capabilities
- Combines two highly complementary businesses
- Expands BFG's institutional and high net worth broking business through the addition of Australia's largest independent institutional broking business
- Enhances BFG's corporate advisory and research capabilities
- Adds a team of 30 advisers to BFG's existing team of 290 advisers

The acquisition is subject to the approval of BFG's shareholders and is expected to be completed by mid-September 2008. BFG expects to dispatch its Notice of Meeting in relation to the shareholder approvals as soon as practicable.

ENDS...

About Bell Financial Group

Bell Financial Group Ltd (www.bellfg.com.au, ASX: BFG) wholly owns BPS, one of Australia's leading full service stock broking and financial advisory firms with a strong track record of providing high quality, professional advice to private, institutional and corporate investors. BPS has 290 private client advisers, 12 offices nationally and one of the largest distribution networks in the country. Its consistent objective is to meet its clients' investment needs. In order to do so, BPS has focused on establishing a large, loyal and experienced national network of client advisers, whom BPS supports with quality products, research, robust operating systems, a well-recognised brand and an experienced management team.

About Southern Cross Equities

In less than ten years Southern Cross Equities (www.sceq.com.au) has evolved into one of Australia's largest independent stockbrokers and emerging investment groups delivering tailored services to corporations and institutions, and high net worth clients. SCE is fully owned by SCE management and staff.

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Annexure: Summary key transaction information

Offer consideration	<ul style="list-style-type: none"> Total potential acquisition price of approximately \$150 mm 7.7x unaudited normalised SCE FY08 NPAT 50% cash/ 50% scrip Payable in 4 equal instalments over 3 years, subject to vesting conditions 												
BFG share price for scrip component of consideration	<ul style="list-style-type: none"> \$1.25 												
Key Financials	<ul style="list-style-type: none"> Unaudited normalised results for 12 months to 30 June 2008 <table border="1" data-bbox="630 728 1412 878"> <thead> <tr> <th></th> <th>BFG</th> <th>SCE</th> <th>Pro Forma</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>\$232.1m</td> <td>\$59.6m</td> <td>\$291.7m</td> </tr> <tr> <td>NPAT</td> <td>\$27.8m</td> <td>\$19.6m[^]</td> <td>\$47.4m</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Standalone BFG EPS (basic): \$0.12 Implied Pro Forma EPS (basic)³: \$0.16 Implied BFG EPS accretion: 33% <p><i>[^]Unaudited actual results: \$25 million</i></p>		BFG	SCE	Pro Forma	Revenue	\$232.1m	\$59.6m	\$291.7m	NPAT	\$27.8m	\$19.6m [^]	\$47.4m
	BFG	SCE	Pro Forma										
Revenue	\$232.1m	\$59.6m	\$291.7m										
NPAT	\$27.8m	\$19.6m [^]	\$47.4m										
Vesting Conditions	<ul style="list-style-type: none"> 2nd, 3rd and 4th instalment payments subject to achieving performance benchmarks 												
Board Representation	<ul style="list-style-type: none"> 1 SCE representative appointed to BFG's board of directors 2 BFG representatives appointed to the SCE's board of directors 												
Conditions Precedent	<ul style="list-style-type: none"> Satisfactory mutual due diligence completion BFG shareholder approval and regulatory approvals 												

³ Assumes all of the scrip consideration payable to SCE is issued upon completion of the transaction (mid-September 2008) and the cash element of the consideration is paid in four instalments over three year (assumes that SCE meets its performance benchmarks over the three years)

Bell
Financial
Group



Proposed Acquisition of Southern Cross Equities

7 July 2008

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Agenda

- Acquisition Summary
- Acquisition Rationale
- SCE Overview
- Financial Impact
- Proposed Timing

Acquisition Summary

- **Bell Financial Group Ltd (“BFG”) has signed a Heads of Agreement to acquire Southern Cross Equities Limited (“SCE”), subject to a number of conditions including satisfactory completion of due diligence**
- **Total potential acquisition price of approximately \$150 m**
 - Based on SCE FY 2008 unaudited normalised financial results
 - PE multiple of 7.7x
 - 50% cash, 50% BFG scrip (based on BFG share price of \$1.25)
 - Payable in 4 instalments over 3 years, with the first instalment payable upon completion and future instalments subject to vesting conditions, including SCE meeting certain performance benchmarks
 - Cash portion expected to be financed from existing and future cash flows
- **Expected closing: mid September 2008**



SCE Overview

- **SCE is one of Australia's largest independent stockbrokers and emerging investment groups delivering tailored services to corporations, institutions and high net worth individuals**
- **Its advisers specialise in large through to medium and small cap companies, as well as international opportunities, in the basic materials, health, property, technology and banking sectors**
- **59 employees, including 30 advisors and 14 researchers**
- **Based in Sydney, with clients across Australia and overseas (USA, UK, Singapore and Hong Kong)**
- **Fully owned by 18 SCE management and staff**

Bell
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Southern Cross Equities

Acquisition Rationale

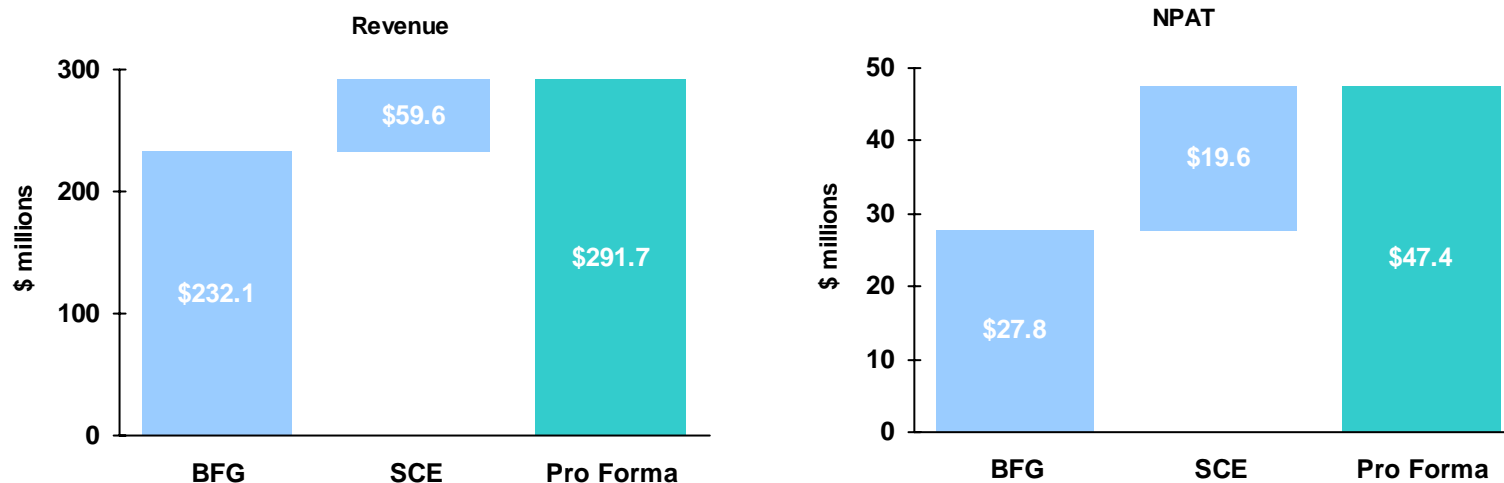
- **Combines two highly complementary businesses**
 - Significantly broadens BFG's existing capabilities
 - Expands BFG's institutional and high net worth broking businesses through the addition of Australia's largest independent institutional broking business
 - Enhances BFG's corporate advisory and research capabilities
 - Adds a team of 30 advisers to BFG's existing team of 290 advisers
- **Expected to be significantly accretive to BFG's earnings per share⁽¹⁾**
 - Combined business shows an EPS accretion of 33%, on a normalised proforma basis for the 12 months to 30 June 2008
 - Implied proforma EPS of the merged entities of 16 cents (assuming no synergies)
 - Implied proforma dividend per share of 10 cents (based on a 60% payout ratio)

(1) *Assumes total scrip consideration issued upon completion and cash consideration paid in four instalments*

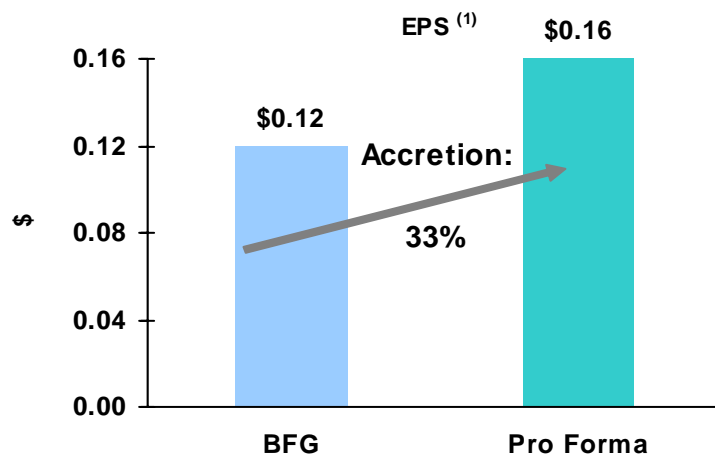


Financial Impact

■ Unaudited normalised financials for the year ended 30 June 2008



■ EPS Accretion (12 months to 30 June 2008) based on unaudited numbers



(1) Assumes total scrip consideration issued upon completion and cash consideration paid in four instalments



Proposed Timing

Transaction Announced

7 July 2008

Due Diligence

6 – 8 weeks

ASX and Shareholder Approvals

~ 6 weeks

Anticipated Merger Completion

Mid September 2008

Questions & Answers