2007 Annual Report

Bell Financial Group

ABN 59 083 194 763

Bell Financial Group is one of Australia's largest full service stockbroking firms offering investment and financial advisory services to private, institutional and corporate clients.

We have an experienced team of over 290 advisers across a network of 12 offices nationally, operating under our well-recognised brand.

Adelaide
Brisbane
Cairns
Geelong
Gold Coast
Hobart
Mackay
Melbourne
Mornington
Perth
Sydney
Toowoomba

Dear Shareholder,
On behalf of the Board, it's with great pleasure that I present Bell Financial Group Ltd's first annual report as a listed company. I would also like to welcome the large number of new shareholders, including clients and employees, following the Group's successful Listing on the Australian Securities Exchange in December.

Executive Chairman's letter

The Listing marked a significant moment in the history of the Group. The transformation from a private to public company has helped to underpin our success and opened up many opportunities for growth. Importantly, it has enabled us to extend share ownership across the employee base to attract, retain and reward outstanding staff. It has also allowed us to offer clients participation in the success and future growth of the Group.

As well as the Listing at the end of the year, I'd like to highlight the following achievements for the Group in the year:

Financial performance

The Group ended FY2007 with a strong finish. I am pleased to report that both pro forma revenue and pro forma profit before tax exceeded prospectus forecasts by 9% and 8.6% to $250 million and $50.6 million respectively. The result was off the back of stronger corporate deal flow in the final quarter coupled with higher than forecast equity trading volumes.

Internal product growth

Our internal products continued to go from strength to strength. Margin lending made a full year's contribution after its launch in mid-2006 with Funds Under Management (FUM) increasing significantly. The Portfolio Administration Service (PAS) also increased its revenue and FUM significantly for the year. A concerted effort was made to improve PAS over 2007, including the addition of an options reporting service. I believe that we now have one of the most competitive portfolio administration and reporting services in the market. In addition our superannuation service saw significant inflows as a result of the change in the legislation of 30 June.

Launch of Bell Direct

Our online broking service, Bell Direct, in which Bell Financial has a 25% stake, was launched in late November. The service targets the self-directed retail investor market with what we believe to be the most innovative and cost effective online broking platform in Australia. We anticipate that the platform will soon be made available to the wholesale market, including financial planners as well as large institutions. So far, we are very encouraged by the response to the service and excited by the number of planned service innovations – many a first for the Australian market – that are due to be launched in the year ahead.

As a Group, we are delighted with the results that have been achieved over the last 12 months. The quality and reach of our advisers, the loyalty of our clients and the strength of our internal products place the Group in a good position to benefit from good markets and withstand bad ones.

I would like to take this opportunity to thank our clients and staff for the contribution they have made to deliver an impressive result and for the support shown for our market Listing.

Colin Bell
Executive Chairman
Bell Financial Group

Managing Director's report

Dear Shareholder,

I am pleased to present Bell Financial Group Ltd's first annual report as a listed company and to highlight the key areas of the Group's performance and activities in FY2007.

Financial performance and operational review

A strong final quarter of FY2007 saw the Group exceed the Prospectus pro forma forecast profit before tax of $46.6 million by 8.6% to $50.6 million and pro forma forecast profit after tax by 8.5% to $35.3 million. The better than expected result was due to higher corporate fee income generated on equity capital market transactions and higher than forecast brokerage revenue in the final quarter of the year.

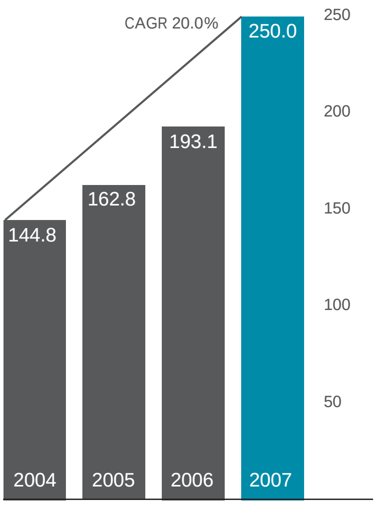
For comparative purposes the results include a full 12 months of earnings from the businesses that were acquired by Bell Financial Group as part of its Listing. The businesses acquired as at 5 December 2007 were: Bell Potter Capital Limited (margin lending and cash account) and the foreign exchange and commodities business of Bell Commodities Limited.

The Group earned revenues of $250 million for FY2007, 9% above the Prospectus pro forma forecast of $231 million. Prospectus pro forma forecast profit before tax was up 37.3% to $50.6 million and Prospectus pro forma forecast net profit after tax up 37.5% to $35.3 million, compared to the prior year.

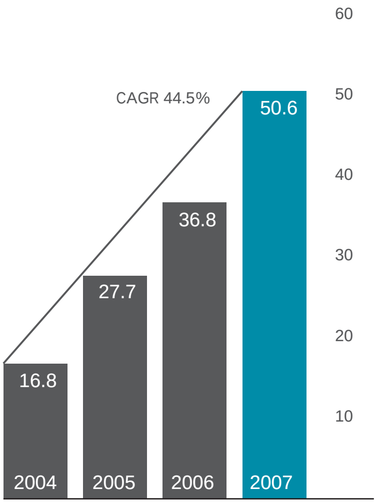
The Group's profit continued to grow faster than revenue (on a relative basis), demonstrating the effectiveness of our overhead model. Prospectus pro forma forecast profit before tax grew at an annual compound rate of 44.5% over the four-year period to 31 December 2007.

Pro forma earnings per share for FY2007 was 14.0 cents per share (fully diluted).

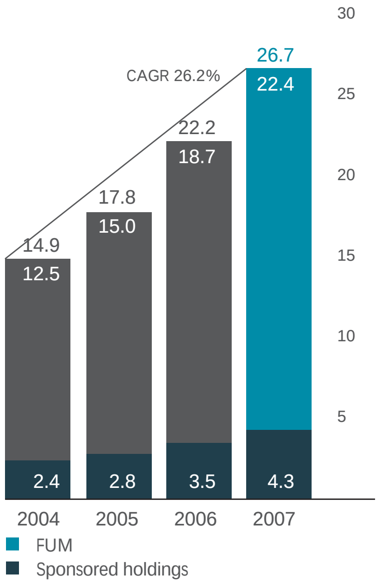
Managing Director's report
Continued



Revenue growth
($Am) 2004–2007



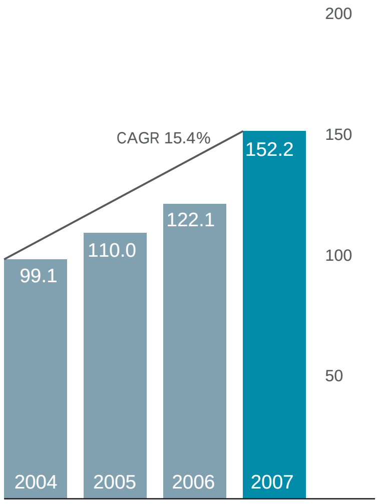
Net profit before tax
($Ab) 2004–2007



Funds Under Advice
($Ab) 2004–2007

- FY2007 saw total Funds Under Advice (FUA) grow 20.3% to $26.7 billion compared to FUA in the prior year.
- Funds Under Management (FUM) increased 22.9% or $800 million to $4.3 billion.
- The growth in FUM reflects an increase of fund inflows to the Group's in-house investment products: margin lending, cash, portfolio administration service and superannuation.
- We define FUM as funds under management, including all internal and external managed products and investment services.
- FUA is defined as FUM plus sponsored holdings.

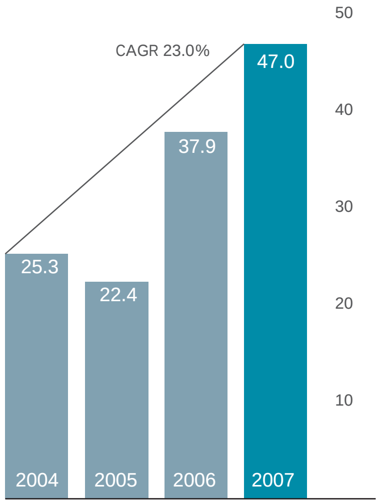
All graphs
Revenue ($Am)
2004–2007



Equities

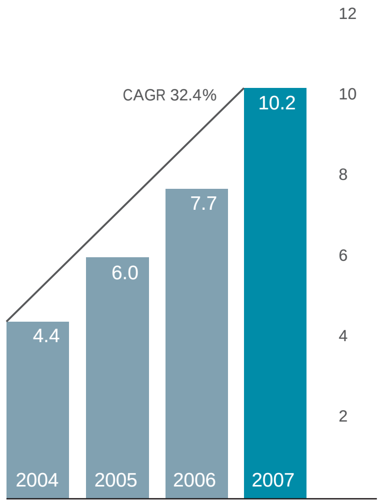
Australian and international equities and derivatives

- Revenue for FY2007 grew 24.6% to $152.2 million compared to the prior year.
- Higher than average daily trading volumes in the final quarter of FY2007 helped to increase revenue to 4.4% above Prospectus forecast of $145.8 million.
- The equities business continues to demonstrate consistent revenue growth. Over the four-year period to 31 December 2007 the equities business delivered a compound annual growth of 15.4%.



Equity capital markets

- Equity capital market activity during the year saw FY2007 revenue grow 24% to $47 million compared to the prior year.
- Higher than expected fee revenue in the last quarter of FY2007 resulted in revenues of $47 million, exceeding Prospectus forecast by 26%.
- Equity Capital Market fee income is derived from capital raisings and underwriting fees.

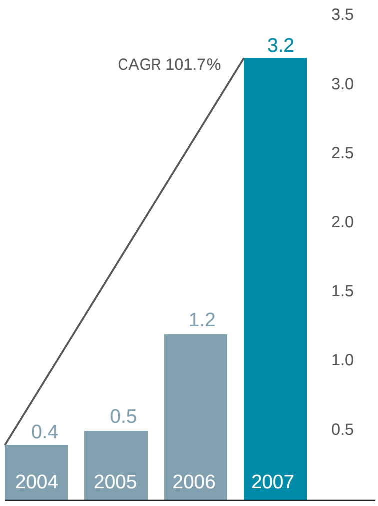


Investment products and services

Portfolio administration services

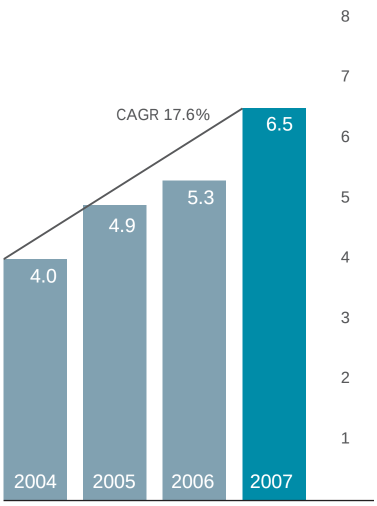
- Portfolio Administration Service (PAS) revenue grew 32.5% to $10.2 million in FY2007.
- The Group has developed a market leading Portfolio Administration Service incorporating accurate and timely portfolio, tax and consolidated reporting.
- New developments include the Options Reporting Service, which provides clients with, among other things, accurate and compliant annual tax statements.

Managing Director's report
Continued



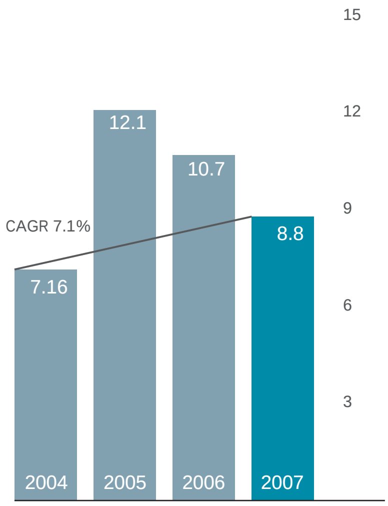
Internal sourced products (FUM)

- Revenue grew 166.7% to $3.2 million over the prior year, which was 7% above Prospectus pro forma forecast.
- Established in mid-2006, the margin lending and cash account business (Bell Potter Capital Limited) was acquired upon the Group's Listing in December 2007.
- The chart shows earnings as though Bell Potter Capital had been owned for the full 12 months of FY2007.
- Growth has been achieved through take up of the margin loan and cash deposit service.
- At 31 December FUM exceeded $287 million for margin lending, $156 million in cash and $332 million in self-managed superannuation solutions.



External product (FUM)

- External product revenue is generated from third party providers, including badged product, such as margin lending and cash facilities.
- Revenue grew 22.6% to $6.5 million compared to the prior year.
- We offer a white-labelled cash management product from Macquarie Bank and St.George Bank.
- At 31 December 2007 were, $1.0 billion in cash management, $479 million in margin lending, $94 million in superannuation and $114 million for managed funds.



Foreign exchange and futures

- The foreign exchange and futures business experienced the effects of increased competition in the sector.
- Revenue declined 17.8% to $8.8 million in FY2007 compared to the previous year.
- The foreign exchange and commodities businesses were acquired upon the Listing of Bell Financial in December 2007. However, the chart represents a full year's revenue contribution to the Group.

Overheads

Group overheads for the Group excluding commissions paid to advisers were $65.8 million for FY2007 (against pro forma forecast of $64.0 million). Compared to the prior year overheads increased 8.5%, while revenue grew by 29.5%, demonstrating the scalability of the business model.

Balance sheet

The Group has a sound capital and liquidity position. At 31 December the Group had cash at bank of $65m. Our broking business has no borrowings. The only borrowings within the Group directly fund our margin loan book which continues to be conservatively managed.

Reconciliation of Pro Forma vs Statutory results

The preceding commentary is based on pro forma results (consistent with the pro forma format disclosed in the Prospectus). Pro forma results are considered more reflective of the Group's go forward operations on the basis they include full year operating results for the businesses acquired as part of the IPO process, and they exclude costs that will no longer be incurred on a go forward basis. For those interested, the following table reconciles pro forma to statutory results, and provides detail regarding adjusted, non-recurring items.

Reconciliation of Statutory 2007 Income Statement to Pro Forma actual 2007 Income Statement

	FY07 Statutory Actual $'000	Non-recurring items[1] $'000	IPO and restructure related costs[2] $'000	Part year effect of acquisitions[3] $'000	FY07 Pro forma Actual $'000	FY06 Pro forma Actual $'000
Revenue						
Rendering of services	218,126	–	–	7,858	225,984	184,925
Finance income	8,725	–	–	12,432	21,157	7,159
Other income	2,586	–	–	271	2,857	1,011
Total revenue	229,437	–	–	20,561	249,998	193,095
Expenses						
Employee expenses	170,407	(19,063)	–	7,025	158,369	127,100
Occupancy expenses	5,933	–	–	246	6,179	5,028
Systems and communication expenses	10,171	–	–	935	11,106	10,739
Professional fees expenses	4,070	–	(2,986)	321	1,405	1,558
Other expenses from ordinary activities	17,163	(9,739)	–	1,094	8,518	7,948
Finance costs	2,051	–	–	10,338	12,389	2,239
Depreciation and amortisation expenses	1,448	–	–	32	1,480	1,650
Profit before income tax	**18,194**	**28,802**	**2,986**	**570**	**50,552**	**36,834**
Income tax	8,474	5,719	896	187	15,276	11,188
Net profit/(loss) for the year	**9,720**	**23,083**	**2,090**	**383**	**35,276**	**25,646**

Managing Director's report
Continued

1. Non-recurring items
The 2007 Statutory Income Statement included $28.8 million of non-recurring items that are not representative of the ongoing results of Bell Financial. These adjustments include the following:

- Executive Directors' bonus – the historical Director's bonus scheme was terminated on the issue of Shares under the Initial Public Offer (IPO). The adjustment in the table below is a net adjustment being the addback of the current year bonus that was paid under the historical scheme ($23.8 million including on costs) less the estimated full year bonus which would be due to Directors under the new scheme introduced post completion of the Offer ($3.8 million including on costs);
- Phantom equity scheme – in connection with Listing, the Company terminated the existing employee incentive share scheme offered to key management personnel. Net one-off expenses incurred terminating the scheme was $6.6 million.
- Bell Financial offered a discount on the issue of Shares to its employees as part of the IPO. The discount was recognised in the current year income statement and is considered to be one-off in nature ($2.2 million).

2. IPO & Restructure related costs
Pursuant to AIFRS many of the costs associated with the IPO have been expensed in the current year and are considered to be one-off in nature and non-recurring ($3.0 million).

3. Part year effect of acquisitions
The Pro Forma Actual 2007 Income Statement includes the full year impact of the earnings of the acquisitions assuming that they were in place on 1 January 2007 (with the exception of Bell Financial's 25% equity interest in Bell Direct). The Statutory income statement includes only one month's earnings from the acquired entities.

Bell Direct online trading
Bell Financial owns 25% of Bell Direct with an option to purchase a further 25% exercisable two years from the date of Bell Financial's Listing. The Bell Direct online broking service was launched on 12 November 2007, and has been developed using the latest web 2.0 technologies.

The business provides an online trading service to the retail market and intends to offer a white label solution to a range of institutions. At $15 per trade, Bell Direct is one of the most cost effective and technologically advanced online broking services in the market.

Strategic relationship with UBS

At the time of Listing UBS retained an 18.6% holding in the Group. UBS has a three-year option to acquire further shares in the Group, which if exercised would increase their holding to 19.9%. The relationship with UBS remains important, both as a key shareholder and also as a provider of high quality research, which is re-branded and distributed to the Group's clients. Bell Financial provides UBS with a strong retail distribution network in the Australian market.

Strategy

In FY2008, the Group will focus on the growth, organically through its core business areas and when opportunities arise, through acquisition.

Outlook

We believe the business model we have established over time is ideally suited to deal with the challenges of market volatility. Over the long term the Group remains focused on growth opportunities both within the business and externally.

In FY2008 we will continue to focus on our strengths in equities advice and research, equity capital market execution and origination and growth in funds under management and advice.

People

We pride ourselves on the culture throughout the business. It remains a key element in our ability to attract and retain the best people. By Listing the Group we have made ownership of the business avaliable to staff and clients and provided the opportunity for them to share in our future success.

We continue to recruit across all areas of the business and during the year we made a number of senior appointments to the management team which will ensure the continued depth and experience required to effectively run and manage the business.

On behalf of the Board of Directors, I would like to thank all of our employees for their effort, commitment and contribution to an outstanding financial result.

Yours sincerely

Alastair Provan
Managing Director
Bell Financial Group Ltd

Bell Financial Group
Financial Report for the year ended 31 December 2007

Directors' report
For the year ended 31 December 2007

The Directors of Bell Financial Group Ltd (Bell Financial or the Company, formerly Bell Potter Group Pty Limited) present their report, together with the financial statements of the Company and its controlled entities (the consolidated entity or Group) and the Auditor's Report thereon, for the financial year ended 31 December 2007.

The Company listed on the Australian Securities Exchange (ASX) on 12 December 2007.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Mr CM Bell
Mr A Provan
Mr CE Coleman
Mr G Cubbin
Mr M Spry[1]
Mr LM Bell[2]
Mr AG Bell[2]
Mr LA McFadyen[2]
Mr PI Burrows[2]
Mr HW Robertson[2]

1 Appointed 8 January 2008

2 Resigned 25 September 2007

Directors' report continued

Particulars of the qualifications and experience of the Directors as at the date of this report are set out below.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Mr Colin Bell Executive Chairman	Colin Bell founded Bell Commodities in 1970 after working with the International Bank for Reconstruction and Development in Washington DC, USA. He is the Executive Chairman of Bell Financial and has responsibility for the business development of the Company and all associated business within the Group. He is also a Director of Bell Direct.
Mr Alastair Provan Managing Director	Alastair Provan joined Bell Commodities in 1983 and held a number of dealing and management roles prior to becoming Managing Director in 1989. In 1993, he assumed the role of Managing Director of Bell Commodities Limited. He is Managing Director of Bell Financial Group and is responsible for the day-to-day management of all businesses within the Group. He is also a Director of Bell Direct. Alastair is a member of the Remuneration Committee and was a member of the Group Risk and Audit Committee until 8 January 2008.
Mr Craig Coleman Non-executive Director BComm, University of Western Australia	Appointed 12 July 2007, Mr Coleman has been a Senior Adviser with Wylie Group since 2006, and is also a Non-executive Director of the Wylie Group. He is also a Director of Bell Direct. Previously, he was managing director and a non-executive director of Home Building Society Limited. Prior to joining Home Building Society, Craig held a number of senior executive positions and directorships with ANZ, including Managing Director – Banking Products, Managing Director – Wealth Management and non-executive director of E*Trade Australia Limited. He is also the Chairman of Rubik Financial Ltd. He is a member of the Group Risk and Audit Committee and the Remuneration Committee.
Mr Graham Cubbin Independent Non-executive Director BEcon (Hons), Monash University Fellow of the Australian Institute of Company Directors	Appointed 12 September 2007, Mr Cubbin was a senior executive with Consolidated Press Holdings Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, Graham held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company. He has 15 years experience as a director and audit committee member of public companies in Australia and the US. Graham is a director of Challenger Financial Services Group Limited and a member of its Audit, Compliance and Nomination Committees. He is also a director of non-listed ANZ Business Equity Fund Limited. He is the Chairman of both the Group Risk and Audit Committee and the Chairman of the Remuneration Committee.
Mr Malcolm Spry Independent Non-Executive Director BEcon, Monash University	Appointed 8 January 2008, Mr Spry has held a number of executive and non-executive positions with the Nielsen Company, one of the world's largest providers of business information products and services. He is currently a director of AGB Nielsen Media Research and was previously Executive Chairman of Mojo MDA Group and a director of various companies including E*Trade Australia Limited and Travel.com. Malcolm is a member of both the Group Risk and Audit Committee and the Remuneration Committee.

Principal activities

Bell Financial is an Australian-based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. Operating across 12 offices nationwide, Bell Financial has over 630 employees, including more than 250 experienced advisers, serving over 125,000 active clients with funds under advice exceeding $26 billion.

Bell Financial holds a 25% stake in Bell Direct and has a call option over a further 25% of Bell Direct, exercisable two years from 12 December 2007.

Operations

The consolidated operating profit after income tax attributable to members was $9.72 million. A review of the operations of the Group is set out in the Managing Director's Report on pages 3 to 9 of this Annual Report.

Listing

The Company was listed on the Australian Securities Exchange (ASX) on 12 December 2007 (Listing). Prior to that date it was an unlisted public company, having converted from a proprietary company and changing its name from Bell Potter Group Pty Limited to Bell Financial Group Ltd on 2 November 2007.

Two Non-executive Directors, Mr Craig Coleman and Mr Graham Cubbin, were appointed during the year. Mr Malcolm Spry was appointed as a Non-executive Director on 8 January 2008. Particulars of their qualifications and experience are set out on page 12.

At Listing, the Company had on issue 227,630,523 fully paid ordinary shares, of which 43,906,821 new shares were issued as part of the Initial Public Offering and were allocated as follows:

Offer	Number of shares allocated
General Offer	33,953,321
Employee Discount Offer	9,819,500
Employee Grant Offer	134,000
Total shares	**43,906,821**

Offer	Offer price
General Offer	$2.00 per share
Employee Discount Offer	$1.80 per share
Employee Grant Offer	Nil

Option to acquire shares in Bell Direct

The Company has been granted a call option to acquire 25% of the issued capital of Bell Direct (Bell Direct Call Option). The Company may exercise the Bell Direct Call Option in a period of 30 days after the date two years after Listing in consideration of the issue of $17,500,000 worth of shares to certain individuals.

The Board of the Company has not yet made the decision as to whether or not to exercise the Bell Direct Call Option and will assess that decision at the relevant time.

The Company applied to the Australian Securities and Investments Commission (ASIC) for relief from the takeover provisions of Chapter 6 of the *Corporations Act 2001* (Cth) in relation to the proposed issue of Bell Financial shares to the grantors of the Bell Direct Call Option. Following preliminary discussions with ASIC which indicated that the relief may not be obtained, the Company withdrew this application for relief in the view that the matter would be considered at a later stage. In the event that the Company does not later obtain the relevant ASIC relief, the Company may, if it is necessary to do so, seek shareholder approval to the proposed issue of Bell Financial shares in accordance with item 7 of section 611 of the *Corporations Act 2001* (Cth) at a future annual general meeting of the Company.

Directors' report continued

UBS option

UBS has a three-year option to acquire further shares in the Company which, when added to the number of shares held by UBS on Listing, would at Listing represent 19.9% of the Company's total issued capital (UBS Options).

The exercise price of the UBS Options is $2.00 per share. The UBS Options are not transferable by UBS (other than to a related body corporate), nor will they be quoted on the ASX. Any shares issued to UBS as a result of the exercise of the UBS Options will be subject to an escrow period restraining their sale until 12 months following Listing.

If, prior to the exercise of the UBS Options, the Company's share capital is consolidated or subdivided, there will be a corresponding adjustment to the Shares (and exercise price) the subject of the UBS Options in accordance with the Listing Rules.

UBS non-dilution rights

UBS has certain non-dilution rights with respect to its shareholding in the Company.

In summary, if immediately following the issue of new shares in the Company the UBS shareholding percentage is less than its percentage at Listing, then UBS will have the right, but not the obligation, to subscribe for up to that number of further shares so that following that subscription the UBS shareholding percentage will equal the UBS Listing percentage.

Save where UBS terminates the Strategic Alliance Agreement described below for cause, the non-dilution rights will cease on the termination of the Strategic Alliance Agreement.

Strategic Alliance Agreement

Under this agreement, UBS will supply to the Company for no fee a selection of research it produces relating to ASX listed entities which can be re-branded and given to the Company's retail clients. UBS may also supply research relating to entities listed on securities exchanges other than the ASX for the Company's internal use only.

UBS will also give the Company a priority broker firm allocation with respect to certain securities offerings and UBS derivative products offerings. The Company will make available to UBS its retail investor distribution capabilities in certain situations and has also given certain undertakings in relation to UBS competitors.

Unless terminated earlier by reason of default or other relevant event, the Strategic Alliance Agreement has an initial term of three years following Listing, with either party having the right to extend the term for a further three years, subject to 12 months' notice of termination.

Matters subsequent to the end of the financial year

Subsequent to 31 December 2007, Bell Financial Group Ltd signed a heads of agreement for the 100% acquisition of Tricom Group. The acquisition is subject to a number of conditions including satisfactory completion of due diligence prior to 7 March 2008.

Mr Malcolm Spry was appointed to the Board of the Company on 8 January 2008. Particulars of his qualifications and experience are set out on page 12.

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect:

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

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

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

Directors' meetings

The number of meetings of the Company's Board of Directors held during the year ended 31 December 2007, and the number of meetings attended by each Director, are set out below. Following Listing on 12 December 2007, there was one meeting of the Group Risk and Audit Committee. The Remuneration Committee was not required to meet between Listing and the end of the financial year.

	Board meetings		Group Risk and Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
Mr CM Bell (Director for the full year)	10	10	–	–
Mr A Provan (Director for the full year)	10	10	1	1
Mr G Cubbin (appointed 12 September 2007)	4	5	1	1
Mr CE Coleman (appointed 12 July 2007)	6	7	1	1
Mr LM Bell (resigned 25 September 2007)	5	5	–	–
Mr AG Bell (resigned 25 September 2007)	5	5	–	–
Mr HW Robertson (resigned 25 September 2007)	5	5	–	–
Mr PI Burrows (resigned 25 September 2007)	5	5	–	–
Mr LA McFadyen (resigned 25 September 2007)	5	5	–	–

A – Number of meetings attended
B – Number of meetings held during the time the Director held office during the year

Directors' interests

The relevant interest of each Director in the shares and options over such instruments issued by the Company as at the date of this report is as follows:

Bell Financial Group Ltd	Ordinary shares			
Name	**Direct**	**Indirect**	**Total**	**Options**
Colin Bell	615,161	31,264,862	31,880,023	1,000,000
Alastair Provan	615,161	31,264,862	31,880,023	1,000,000
Graham Cubbin	130,000	–	130,000	50,000
Craig Coleman	1,660,283	–	1,660,283	–
Malcolm Spry	75,000	–	75,000	–

There were no changes to Directors' interests in the Company's shares between 31 December 2007 and the date of this report.

Dividends

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

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2007				
Final 2006 ordinary	10.1	10,765	Franked	18 April 2007
Interim 2007 ordinary	4.2	4,490	Franked	10 December 2007
Total amount		**15,255**		

Dividends declared as paid during the year were fully franked at the tax rate of 30%.

Directors' report continued

Company Secretary

The Company Secretary is Mr A Paul M Vine, LLB (European) Hons, CSA (Affiliate). Mr Vine was appointed to the position of Company Secretary on 27 November 2007. He is also the Company's General Counsel, with over 15 years experience in legal practices in public companies and leading law firms.

Corporate governance

Bell Financial recognises the importance of good corporate governance practices. This section outlines key aspects of its corporate governance policies and frameworks.

Bell Financial has developed its corporate governance framework by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd ed.) released in August 2007 ("ASX Recommendations"). The ASX Recommendations are guidelines of practices designed to optimise corporate performance and accountability.

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

1. Board of Directors

1.1 Composition of the Board

The members of the Board and their experience and qualifications are set out on page 12.

1.2 Chairman

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

1.3 Directors' independence

Directors are considered independent if they are a Non-executive Director who is not a member of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or be perceived to do so. The Board Charter contains the principles used by the Board in assessing independence.

At Listing there were two Non-executive Directors on the Board – Mr Graham Cubbin and Mr Craig Coleman. Mr Cubbin is an independent Non-executive Director. The Board did not consider that Mr Craig Coleman was an "independent" Director during 2007 due to his pre-existing role as a consultant to Bell Potter Securities, including his involvement with the Listing. His status may change over time and this will be disclosed to the market in a timely manner. On 8 January 2008, Mr Malcolm Spry was appointed to the Board, which as at the date of this report has a majority of Non-executive Directors, but not a majority of independent Directors.

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

1.4 Independent professional advice

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

1.5 Director education

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

2. Board responsibilities

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

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

3. Board committees

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

3.1 Group Risk and Audit Committee

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

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

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

During 2007 the members of the GRAC were Graham Cubbin (Chairman), Craig Coleman and Alastair Provan. The composition of the Committee in 2007 represented a departure from the ASX Recommendations that proposes such Committees should consist only of Non-executive Directors and a majority of members should be independent Directors. This was not possible given the composition of the Board up to 8 January 2008.

Following Listing, Alastair Provan was a temporary member of the Committee, appointed to assist it with the discharge of its functions. Upon the appointment of Malcolm Spry as an additional independent Director to the Board, he was asked to serve as a member of the Committee to replace Alastair Provan. The composition of the Committee at the date of this report follows the ASX Recommendations.

A copy of the GRAC Charter is available on Bell Financial's website, www.bellfg.com.au.

3.2 Remuneration Committee

The Remuneration Committee assists and advises the Board on remuneration matters. The role of the Remuneration Committee is to develop, review and make recommendations to the Board on the remuneration framework for the Non-executive Directors, the Executive Directors and other senior executives. This includes the recommendations in relation to incentive schemes and equity based plans where appropriate. Bell Financial's remuneration policy is set out in section 1 of the Remuneration Report.

The members of the Committee from Listing were Graham Cubbin (Chairman), Craig Coleman and Alastair Provan. The composition of the Committee represented a departure from the ASX Recommendations that propose that a majority of members should be independent Directors. This was not possible given the composition of the Board in 2007.

Directors' report continued

Upon the appointment of Malcolm Spry as an additional independent Director to the Board, he was also asked to serve as a member of the Committee, to further enhance the independence of the Committee. The current composition of the Committee represents a departure from the ASX Recommendations that propose a majority of members should be independent Directors, however the Board is satisfied that, given the majority of Non-executive Directors, the Committee has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

Mr Graham Cubbin was granted 50,000 options prior to Listing as set out in section 9 of the Remuneration Report. This represents a departure from ASX Recommendations that propose that Non-executive Directors should not receive options. The grant was disclosed in the Prospectus prior to Listing. The Board is satisfied that it was appropriate in attracting a Director of Mr Cubbin's experience and the exercise price ($2.00) is the same as the General Offer price, aligning his interests with those of the shareholders.

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

4. Board nominations and renewal

The Board has determined not to establish a separate Nominations Committee. This is a departure from the ASX Recommendations. The Board does not consider that delegating the Board selection and appointment practices of Bell Financial to a separate committee would enhance efficiency. Instead, the Board has reserved to itself relevant responsibilities, including appointing and removing the Managing Director, developing and approving succession plans for the Board and key senior executives and overseeing that membership of the Board is skilled and appropriate for Bell Financial's needs, as identified in the Board Charter.

There must be an election of Directors at each Annual General Meeting.

The Constitution of the Company provides, amongst other things, for a process of retirement of Directors by rotation (which will occur for each Director approximately every three years except for the Managing Director, Alastair Provan).

Directors who retire from office are eligible to stand for re-election.

5. Company policies

5.1 Ongoing disclosure

With a view to ensuring that investors are informed of all major developments affecting Bell Financial and its businesses, the Board has adopted policies designed to ensure that Bell Financial meets its continuous disclosure obligations imposed by the ASX Listing Rules and the Corporations Act.

Information is communicated to shareholders through ASX announcements, annual reports and half yearly updates which are accessible on Bell Financial's website, www.bellfg.com.au.

A copy of the Disclosure and Communications Policy and Guidelines is available on Bell Financial's website.

5.2 Securities trading guidelines

Bell Financial has adopted a Trading Policy that applies to the Directors, executives and employees of Bell Financial.

The Trading Policy is intended to explain the type of conduct in relation to dealings in Company securities that is prohibited under the Corporations Act, and establish procedures in relation to Directors, executives or employees dealing in securities of the Company. Under the Trading Policy, Directors and other designated employees may only deal in securities of the Company during the following "trading windows" (subject to limited exceptions):

- in the period between 24 hours and 30 working days after the release of the Company's half yearly and annual results and the close of the AGM;
- at any time a prospectus or other disclosure document is lodged with ASIC and open for acceptances; and
- such other times as the Board permits.

The Board permitted a "trading window" from Listing on 12 December 2007 to close of business on 27 December 2007. A copy of the Trading Policy is available on Bell Financial's website, www.bellfg.com.au.

5.3 Code of conduct

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

5.4 Risk assessment and management

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

The Company has implemented a Risk Management Policy and Framework based on Australian/New Zealand standard AS/NZ 4630:2004 Risk Management Standard. A summary of the Risk Management Policy and Framework is available from Bell Financial's website, www.bellfg.com.au.

5.5 Financial reporting

The Managing Director and Chief Financial Officer have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

5.6 External auditors

The Company policy is to appoint external auditors who demonstrate quality and independence. The performance of the auditor is reviewed annually. KPMG (appointed 23 August 2006) is Bell Financial's external auditor.

An analysis of fees paid to the external auditors is provided in note 38 of the Financial Report.

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

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Group is important. The Board has considered the position and, in accordance with the advice from the GRAC, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors outlined by the *Corporations Act 2001*. The Directors are satisfied that the auditor's independence is not compromised in relation to non-audit services for the following reasons:

- all non-audit services have been reviewed by the GRAC to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1.

5.7 Internal audit

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

Directors' report continued

6. ASX corporate governance recommendations

The ASX Listing Rules require listed entities to include in their annual report a statement disclosing the extent to which they have followed the 28 ASX corporate governance recommendations during the reporting period, identifying the recommendations that have not been followed and providing reasons for that variance.

As at the date of this report, Bell Financial complies with 25 of the 28 recommendations, with reasons for variance noted in the following table.

	ASX best practice corporate governance recommendation	Reference[1]	Comply
Principle 1:	Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	2	✓
Principle 2:	Structure the Board to add value		
2.1	A majority of the Board should be independent Directors	1.3	Non-comply
2.2	The chairperson should be an independent Director	1.3	Non-comply
2.3	The roles of chairperson and Group Chief Executive should not be exercised by the same individual	1.2, 2	✓
2.4	The Board should establish a nomination committee	4	Non-comply
2.5	Provide the information indicated in Guide to reporting on Principle 2	1, Directors' Report	✓
Principle 3:	Promote ethical and responsible decision making		
3.1	Establish a code of conduct to guide the Directors, the Managing Director, the Chief Financial Officer and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	5.3	✓
3.2	Disclose the policy concerning trading in company securities by Directors, officers and employees	5.2	✓
3.3	Provide the information indicated in Guide to reporting on Principle 3	5.2, 5.3	✓
Principle 4:	Safeguard integrity in financial reporting		
4.1	Require the Managing Director and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with relevant accounting standards	Directors' Report	✓
4.2	The Board should establish an audit committee	3.1	✓
4.3	Structure the audit committee so that it consists of: – only Non-executive Directors – a majority of independent Directors – an independent chairperson, who is not chairperson of the Board – at least three members	3.1	✓ (from 8 January 2008)
4.4	The audit committee should have a formal charter	3.1	✓
4.5	Provide the information indicated in Guide to reporting on Principle 4	3.1, 5.6, Directors' Report	✓

	ASX best practice corporate governance recommendation	Reference[1]	Comply
Principle 5:	Make timely and balanced disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	5.1	✓
5.2	Provide the information indicated in Guide to reporting on Principle 5	5.1	✓
Principle 6:	Respect the rights of shareholders		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	5.1	✓
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	5.6	✓
Principle 7:	Recognise and manage risk		
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management	5.4	✓
7.2	The Managing Director and the Chief Financial Officer should state to the Board in writing that:	5.5, Directors' Report	✓
	7.2.1 the statement given in accordance with best practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board		
	7.2.1 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.3	Provide the information indicated in Guide to reporting on Principle 7	5.4, Directors' Report	✓
Principle 8:	Encourage enhanced performance		
8.1	Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives	2, 3.2, Remuneration Report	✓
Principle 9:	Remunerate fairly and responsibility		
9.1	Provide disclosure of the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance	Remuneration Report	✓
9.2	The Board should establish a remuneration committee	3.2	✓
9.3	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executives	Remuneration Report	✓
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Remuneration Report	✓
9.5	Provide the information indicated in Guide to reporting on Principle 9	3.2, Remuneration Report, Directors' Report	✓
Principle 10:	Recognise the legitimate interests of stakeholders		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	5.3	✓

1. Cross-references to the relevant sections of this corporate governance statement, the Directors' Report, or to the Remuneration Report in the 2007 Annual Report

Directors' report continued

Remuneration report

1. Remuneration policy

Bell Financial remunerates key executives, management and advisers by a combination of fixed salary, commission entitlements and other short-term incentives.

The Company has established the following equity-based plans to assist in the attraction, retention and motivation of Directors, management and employees of the Company:

– Long-Term Incentive Plan ("LTIP") (pursuant to which the Option Offer, open to the Executive Chairman, the Managing Director and selected other Directors, senior executives and employed advisers, is made); and

– Employee Share Acquisition (Tax Exempt) Plan (pursuant to which the Employee Grant Offer, open to eligible employees, is made).

Each plan contains customary and standard terms for dealing with the administration of the plan, and the termination and suspension of the plan.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

2. Fixed compensation

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

3. Commission

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

4. Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company.

5. Short-term incentive bonus

The Company pays its key executives, including the Executive Chairman and Managing Director, a short-term incentive payable annually. The Company's Remuneration Committee is responsible for determining who is eligible to participate in STI arrangements, as well as the structure of those arrangements.

There are two types of STI arrangements:

– the STI payable to executives who are not remunerated by reference to commission is a discretionary annual cash bonus determined based on the Company's financial performance during the year, key performance indicators and industry competitive measures as well as individual performance over the period;

– the STI payable to the Executive Chairman and the Managing Director is a discretionary annual cash bonus, up to three times their annual salary, which is determined based on the Company's financial performance during the year, key performance indicators, as well as individual performance over the period.

These STI arrangements ensure that executive remuneration is aligned with the Company's financial performance and growth.

6. Long-term incentive plan ("LTIP")

The LTIP is part of the Company's remuneration strategy and is designed to align the interests of the Company's Directors, executives and advisers with the interests of shareholders to assist the Company in the attraction, motivation

and retention of Directors, executives and advisers. In particular, the LTIP is designed to provide relevant executives and advisers with an incentive for future performance, with conditions for the vesting and exercise of the options under the LTIP, therefore encouraging those Directors, executives and advisers to remain with the Company and contribute to its future performance.

Under the LTIP eligible persons participating may be granted options on terms and conditions determined by the Board from time to time. An option is a right, subject to the satisfaction of the applicable vesting conditions and exercise conditions, to subscribe for a share in the Company.

If persons become entitled to participate in the LTIP and their participation requires approval under Chapter 10 of the Listing Rules, they will not participate in the LTIP until shareholder approval is received pursuant to Listing Rule 10.4.

7. Service agreements

7.1 Executive Chairman and Managing Director

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

A summary of the remuneration packages including benefits under the short- and long-term incentive plans for each of Colin Bell and Alastair Provan is set out in the following section of this report.

Bell Financial may terminate those service agreements on twelve (12) months notice, or immediately for cause.

If such agreements are terminated on 12 months notice, Bell Financial has agreed to vest early any unvested options under the LTIP and to allow their early exercise.

Colin Bell and Alastair Provan may terminate their respective service agreements on six (6) months notice. Each of Colin Bell and Alastair Provan have entered into non-competition covenants with Bell Financial which operate for six (6) months from termination of their respective service agreements.

7.2 Craig Coleman

Craig Coleman is currently a Non-executive Director of the Company. Before he was appointed to that role, he served as an Executive Director of Bell Financial from 6 June 2007 to 29 October 2007. The services provided related, among other things, to managing the Initial Public Offer process for the Company. For these services, he was paid $400,000 per annum (including superannuation). He also holds 1,660,283 shares (refer Related Parties, note 35).

Mr Coleman is a Director of Bell Direct.

7.3 Non-executive Directors

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

Name	Directors' fees	Superannuation	LTIP or share-based payments options	Total
Mr G Cubbin	$91,743	$8,257	$110	$100,110
Mr C Coleman	$91,743	$8,257	–	$100,000
Mr M Spry	$91,743	$8,257	–	$100,000

7.4 Executives

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

A summary of the remuneration package for the individual key executives is in the following section of this report.

Directors' report continued

8. Directors' and executive officers' remuneration (Company and consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

		Short-term			
		Salary & fees $	STI cash bonus (A) $	Non-monetary benefits $	Total
Directors					
Executive Directors					
Colin Bell, Executive Chairman	2007	577,503	8,356,980*	–	8,934,483
	2006	469,473	6,850,000*	–	7,319,473
Alastair Provan, Managing Director	2007	531,368	8,356,980*	–	8,888,348
	2006	531,863	6,850,000*	–	7,381,863
Non-executive Directors					
Graham Cubbin	2007	38,226	–	–	38,226
	2006	–	–	–	–
Craig Coleman	2007	199,252	–	–	199,252
	2006	–	–	–	–
Executives					
Lewis Bell#, Head of Compliance	2007	376,594	2,875,520~	–	3,252,114
	2006	377,089	2,250,000~	–	2,627,089
Andrew Bell#, Executive Director of Bell Potter Securities	2007	1,317,552	2,875,520~	–	4,193,072
	2006	789,783	2,250,000~	–	3,039,783
Peter Burrows#, Executive Director of Bell Potter Securities	2007	1,770,881	–	–	1,770,881
	2006	1,494,554	250,000	–	1,744,554
Mr Lionel McFadyen#, Executive Director of Bell Potter Securities	2007	1,534,621	–	–	1,534,621
	2006	1,244,497	250,000	–	1,494,497
Mr Hugh Robertson#, Executive Director of Bell Potter Securities	2007	6,860,067	–	–	6,860,067
	2006	3,780,979	1,000,000	–	4,780,979
Mr Dean Davenport, Chief Financial Officer and Chief Operating Officer	2007	207,392	250,000	–	457,392
	2006	251,040	180,000	–	431,040
Total compensation: key management personnel (consolidated)	**2007**	**12,067,107**	**6,001,040**	**–**	**18,068,147**
	2006	7,937,942	6,180,000	–	14,117,942
Total compensation: key management personnel (company)	**2007**	**12,067,107**	**6,001,040**	**–**	**18,068,147**
	2006	7,937,942	6,180,000	–	14,117,942

* Bonus was paid in accordance with the pre-publicly listed company executive bonus scheme. From the date of Listing, the discretionary annual cash bonus for the Executive Chairman and the Managing Director will be determined by the Remuneration Committee using the guidelines outlined in section 5 of the Remuneration Report on page 22.

Resigned as a Director of the Company effective 25 September 2007

~ Bonus was paid in accordance with the pre-publicly listed company executive bonus scheme. From the date of Listing, the discretionary annual cash bonus for all executives will be determined by the Remuneration Committee using the guidelines outlined in section 5 of the Remuneration Report on page 22.

Post-employment	Other long-term		Share-based payments			
Superannuation benefits $	$	Termination benefits $	Options and rights (B) $	Total $	Proportion of remuneration performance related	Value of options as proportion of remuneration
12,908	–	–	2,183	8,949,574	93%	–
99,803	–	–	–	7,419,276	92%	–
12,908	–	–	2,183	8,903,439	94%	–
12,413	–	–	–	7,394,276	93%	–
3,440	–	–	110	41,776	–	–
–	–	–	–	–	–	–
3,440	–	–	–	202,692	–	–
–	–	–	–	–	–	–
12,908	–	–	873	3,265,895	88%	–
118,982	–	–	–	2,746,071	82%	–
89,967	–	–	–	4,283,039	67%	–
119,459	–	–	–	3,159,242	71%	–
38,095	–	–	–	1,808,976	–	–
42,886	326,159	–	–	2,113,599	12%	–
12,908	–	–	–	1,547,529	–	–
12,458	228,311	–	–	1,735,266	14%	–
–	–	–	–	6,860,067	–	–
–	–	–	–	4,780,979	21%	–
65,047	–	–	1,330	523,769	48%	–
12,413	–	–	–	443,453	41%	–
218,925	**–**	**–**	**2,203**	**18,289,275**	**33%**	**–**
306,198	554,470	–	–	14,978,610	41%	–
218,925	**–**	**–**	**2,203**	**18,289,275**	**33%**	**–**
306,198	554,470	–	–	14,978,610	41%	–

Directors' report continued

Notes in relation to the table of Directors' and executive officers' remuneration

(A) In relation to executive officers, the short-term incentive bonus is for performance during the financial year ended 31 December 2007 using the criteria set out in section 5 of the Remuneration Report.

(B) The fair value of the options is calculated at the date of grant using an option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. In valuing the options, market conditions have been taken into account.

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

Grant date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
10 Oct 07	15 Dec 2010	$0.0262	$3.10*	$1.55	25%	6.55%	5.0%

* Represents exercise price at grant. Exercise price at Listing date is outlined in the table below

Equity instruments

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

9. Options granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that were vested during the reporting period are as follows:

	Number of options granted during 2007	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2007
Directors						
Colin Bell	1,000,000	10 Oct 07	$0.0262	$2.00	15 Dec 2010	–
Alastair Provan	1,000,000	10 Oct 07	$0.0262	$2.00	15 Dec 2010	–
Graham Cubbin	50,000	10 Oct 07	$0.0262	$2.00	15 Dec 2010	–
Craig Coleman	–	–	–	–	–	–
Executives						
Lewis Bell	400,000	10 Oct 07	$0.0262	$2.00	15 Dec 2010	–
Andrew Bell	–	–	–	–	–	–
Peter Burrows	–	–	–	–	–	–
Lionel McFadyen	–	–	–	–	–	–
Hugh Robertson	–	–	–	–	–	–
Dean Davenport	608,959	10 Oct 07	$0.0262	$2.00	15 Dec 2010	–

The options were granted at no cost to the recipient. The options will vest on, and are exercisable on or after, a date three years from grant (the vesting date) provided that the executive remains employed as an executive or is a Director of the Company as at that date.

No options were issued during the year ended 31 December 2006.

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

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

9.2 Exercise of options granted as compensation

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

No options granted as compensation were exercised during the period.

9.3 Analysis of options granted as compensation

Details of vesting profile of the options granted as remuneration to each Director of the Company and each of the six named Company executives are detailed below.

	Options granted			
	Number	Date	% vested in year	Financial years in which grant vests
Directors				
Colin Bell	1,000,000	10 Oct 07	–	15 Dec 2010
Alastair Provan	1,000,000	10 Oct 07	–	15 Dec 2010
Graham Cubbin	50,000	10 Oct 07	–	15 Dec 2010
Craig Coleman	–	–	–	15 Dec 2010
Executives				
Lewis Bell	400,000	10 Oct 07	–	15 Dec 2010
Andrew Bell	–	–	–	–
Peter Burrows	–	–	–	–
Lionel McFadyen	–	–	–	–
Hugh Robertson	–	–	–	–
Dean Davenport	608,959	10 Oct 07	–	15 Dec 2010

Directors' report continued

9.4 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company Director and each of the six named Company executives is detailed below:

	Value of Options			
	Granted in year $ (A)	Exercised in year $ (B)	Forfeited in year $ (C)	Total options value in year $
Directors				
Graham Cubbin	1,310	–	–	1,310
Craig Coleman	–	–	–	–
Colin Bell	26,200	–	–	26,200
Alastair Provan	26,200	–	–	26,200
Executives				
Lewis Bell	10,480	–	–	10,480
Andrew Bell	–	–	–	–
Peter Burrows	–	–	–	–
Lionel McFadyen	–	–	–	–
Hugh Robertson	–	–	–	–
Dean Davenport	15,955	–	–	15,955

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (10 October 2007 to 15 December 2010).

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Black Scholes option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

9.5 Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options
15 December 2010	$2.00	23,622,211

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

Indemnification and insurance of Directors

Indemnification

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

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

Insurance premiums

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

Environmental regulation

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

Non-audit services

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise with the Group is important. The provision of these services and the auditor's independence are discussed in the Corporate Governance Statement.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 38. Amounts paid to other auditors for the statutory audit have been disclosed.

Likely developments

Further details of likely developments in the operations of the Group and its prospects in future financial years are contained in the Chairman's and the Managing Director's Report set out on pages 2 to 9. In the opinion of Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 30 and forms part of the Directors' report for financial year ended 31 December 2007.

Rounding of amounts

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

This report is made with a resolution of the Directors:

Colin Bell

Colin Bell
Executive Chairman

Sydney
27 February 2008

KPMG

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

To: the directors of Bell Financial Group Ltd (formerly Bell Potter Group Pty Limited)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 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

Don Pasquariello

Don Pasquariello
Partner

Melbourne

27th February 2008

Financial statements
For the year ended 31 December 2007

Income statements
For the year ended 31 December 2007

	Note	Consolidated $'000 2007	Consolidated $'000 2006	Company $'000 2007	Company $'000 2006
Rendering of services	7.	218,126	174,199	–	–
Finance income	10.	8,725	4,677	172	–
Investing income	8.	1,606	404	15,265	20,000
Other income	9.	980	597	9,500	396
Total revenue		**229,437**	**179,877**	**24,937**	**20,396**
Employee expenses	12.	(170,407)	(138,898)	–	–
Depreciation & amortisation expenses		(1,448)	(1,613)	(217)	(14)
Occupancy expenses		(5,933)	(4,782)	–	–
Systems expenses		(8,600)	(8,266)	–	–
Communication expenses		(1,571)	(1,705)	–	–
Professional expenses		(4,070)	(1,413)	(2,986)	(10)
Finance expenses	10.	(2,051)	(153)	(67)	(127)
Other expenses	11.	(17,108)	(7,470)	(10,218)	(380)
Results from operating activities		**18,249**	**15,577**	**11,449**	**19,865**
Share of profit/(loss) of equity accounted investments	19.	(55)	–	(55)	–
Profit before income tax		**18,194**	**15,577**	**11,394**	**19,865**
Income tax (expense) / benefit	13.	(8,474)	(4,811)	(1,792)	176
Profit for the period		**9,720**	**10,766**	**9,602**	**20,041**
Attributable to:					
Equity holders of the Company		9,720	10,766	9,602	20,041
Profit for the period		**9,720**	**10,766**	**9,602**	**20,041**

		Cents	Cents
Earnings per share:			
Basic earnings per share (AUD)	30.	4.3	10.2
Diluted earnings per share (AUD)	30, 31.	3.9	10.2

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Statements of recognised income and expense
For the year ended 31 December 2007

	Consolidated $'000		Company $'000	
	2007	2006	2007	2006
Income and expense recognised directly in equity	–	–	–	–
Profit for the period	9,720	10,766	9,602	20,041
Total recognised income and expense for the period	**9,720**	**10,766**	**9,602**	**20,041**
Attributable to:				
Equity holders of the Company	9,720	10,766	9,602	20,041
Minority interest	–	–	–	–
Total recognised income and expense for the period	**9,720**	**10,766**	**9,602**	**20,041**

Other movements in equity arising from transactions with owners as owners are set out in note 28.

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Balance sheets
As at 31 December 2007

		Consolidated $'000		Company $'000	
	Note	2007	2006	2007	2006
Assets					
Cash and cash equivalents	14.	155,377	48,015	175	3
Trade and other receivables	15.	89,420	93,641	51,270	23,867
Loans and advances	21.	286,043	–	–	–
Financial assets	16.	9,149	13,346	–	–
Derivative asset		280	–	–	–
Prepayments		533	596	–	–
Total current assets		**540,802**	**155,598**	**51,445**	**23,870**
Financial assets	16.	–	–	68,794	13,291
Other financial assets		20	20	–	–
Investments in equity accounted investees	19.	5,133	–	–	–
Loans and advances	21.	1,350	–	–	–
Deferred tax assets	20.	2,981	3,025	674	595
Property, plant and equipment	17.	3,868	4,778	507	672
Goodwill	18.	49,806	3,098	–	–
Intangible assets	18.	2,920	–	–	–
Total non-current assets		**66,078**	**10,921**	**69,975**	**14,558**
Total assets		**606,880**	**166,519**	**121,420**	**38,428**

Balance sheets
As at 31 December 2007 continued

	Note	Consolidated $'000 2007	Consolidated $'000 2006	Company $'000 2007	Company $'000 2006
Liabilities					
Trade and other payables	22.	119,010	94,897	894	1,789
Deposits and borrowings	23.	336,543	141	137	141
Current tax liabilities	24.	86	2,509	86	2,509
Employee benefits	26.	21,811	23,002	–	301
Provisions	25.	1,552	950	1,552	950
Total current liabilities		**479,002**	**121,499**	**2,669**	**5,690**
Trade and other payables	22.	–	894	–	894
Deposits and borrowings	23.	393	2,031	393	2,031
Employee benefits	26.	1,118	4,391	–	–
Total non-current liabilities		**1,511**	**7,316**	**393**	**2,925**
Total liabilities		**480,513**	**128,815**	**3,062**	**8,615**
Net assets		**126,367**	**37,704**	**118,358**	**29,813**
Equity					
Contributed equity	28.	133,891	39,693	133,891	39,693
Reserves	28.	7,855	13,391	89	5,742
Retained earnings/(losses)	28.	(15,379)	(15,379)	(15,622)	(15,622)
Total equity attributable to equity holders of the Company		**126,367**	**37,704**	**118,358**	**29,813**

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Statements of cash flows
For the year ended 31 December 2007

	Note	Consolidated $'000 2007	Consolidated $'000 2006	Company $'000 2007	Company $'000 2006
Cash flows from operating activities					
Cash receipts from customers		292,829	173,991	9,500	202
Cash paid to suppliers and employees		(234,518)	(132,485)	(3,535)	–
Cash generated from operations		58,311	41,506	5,965	202
Dividends received		–	–	15,265	20,000
Interest received		8,470	4,852	172	–
Interest paid		(2,052)	(153)	(67)	(127)
Income taxes paid		(11,191)	(9,615)	(11,191)	(9,615)
Net cash from operating activities	27.	**53,538**	**36,590**	**10,144**	**10,460**
Cash flows from investing activities					
Net proceeds from sale of investments		7,095	6,236	–	(11)
Net proceeds from sale of property, plant and equipment		–	112	–	–
Acquisition of subsidiary, net of cash acquired		–	–	(189)	–
Acquisition of property, plant and equipment		(537)	(1,941)	(51)	(672)
Acquisition of other investments		(1,508)	(7,997)	–	–
Repayment of loans to controlled entities		–	–	–	–
Net cash from investing activities		**5,050**	**(3,590)**	**(240)**	**(663)**
Cash flows from financing activities					
Net proceeds from the issue of share capital		28,459	–	29,459	–
Repayment of borrowings		(3,429)	(3,136)	(1,641)	(1,348)
Related party loans (advanced)/repaid		21,001	(1,796)	(22,294)	11,538
Dividends paid		(15,256)	(20,000)	(15,256)	(20,000)
Net cash from financing activities		**30,775**	**(24,932)**	**(9,732)**	**(9,810)**
Net increase in cash and cash equivalents		89,363	8,068	172	(11)
Cash acquired from subsidiary		17,999	–	–	–
Cash and cash equivalents at 1 January		48,015	39,947	3	14
Cash and cash equivalents at 31 December	28.	**155,377**	**48,015**	**175**	**3**

The notes on pages 37 to 77 are an integral part of these consolidated financial statements.

Notes to the financial statements
For the year ended
31 December 2007

Bell Financial Group Ltd (the Company), formerly Bell Potter Group Pty Limited, is domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its subsidiaries (the Group or consolidated entity) and the Group's interest in associates and jointly controlled entities.

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

The financial statements were approved by the Board of Directors on 27 February 2008.

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

These consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments) at fair value through the profit and loss, investment in subsidiaries and certain classes of property, plant and equipment.

(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 majority of the Group. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and, in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

1. Significant accounting policies continued

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.

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

Change in accounting policy

In the Company's financial statements for the year ended 31 December 2007, investments in subsidiaries are carried at cost. During the year the Company changed its accounting policy with respect to the carrying value of investments in subsidiaries. In previous years, the investments in subsidiaries were revalued at each balance date to fair value. This change in accounting policy was made to provide more relevant information to the users of the financial statements. Comparatives have been restated.

Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Special purpose entities

The Group has established a special purpose entity (SPE) to manage margin lending loans. 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.

SPEs 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 incident 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.

Rendering of services

Revenue arising from brokerage, commissions and fee income and corporate finance transactions are recognised by the Group on an accruals basis as and when services have been provided, net of the amount of goods and services tax (GST). Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues. Provision is made for uncollectible debts arising from such services.

Interest income

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

Dividend income

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

d) Statement of cash flows

The statement of cash flows is prepared on the basis of net cash flows in relation to settlement of trades. This is consistent with the entity's revenue recognition policy whereby the entity acts as an agent and receives and pays funds on behalf of its clients, however only recognises as revenue, the entity's entitlement to brokerage commission.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

It is important to note that the balance sheet discloses trade debtors and payables that represent net client accounts being the accumulation of gross trading.

e) Income tax

Income tax expense or revenue for the period comprises current and deferred tax. Income tax is recognised in the income statement 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.

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 1st January 2003, the Company elected to apply the tax consolidation legislation. In accordance with UIG 1052, 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 balance sheet.

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the financial statements continued

1. Significant accounting policies continued

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 instruments entered into for hedging purposes and are used to hedge the Company'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 statement. Where the derivative is designated effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. The Company has not designated any derivatives as hedges during the period.

i) Impairment of assets

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

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

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

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

j) Trade and other receivables

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

k) Trade and other payables

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

l) Leased assets

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

Other leases are operating leases and are not recognised on the Group's balance sheet.

m) Borrowing costs

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

n) Provisions

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

o) Deposits and borrowings

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

p) Goodwill and intangible assets

Goodwill

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

Following initial recognition, goodwill is measured at costs less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount is impaired.

Other intangible assets

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

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

	2007	**2006**
Customer list	10 years	N/A

q) Financial instruments

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

Fair value estimation

For investments actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Dividends are brought to account when received or declared.

For investments where there is no quoted market price and a reliable estimate of fair value is not available, the security is recorded at the lower of cost and recoverable amount, being a Directors' valuation, by reference to the current market value of another instrument that is substantially the same. Realised and unrealised gains and losses are included in the income statements. Dividends are brought to account when declared.

Financial assets at fair value through profit or loss

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

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. Provision would be raised in the event the recoverable amount is less than the carrying value of the loan. Loans are secured by holding equity as collateral.

Share capital

Ordinary shares

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

Dividends

Dividends are recognised as a liability in the period in which they are declared, being appropriately authorised and no longer at the discretion of the entity.

Notes to the financial statements continued

1. Significant accounting policies continued

r) Property, plant and equipment

Property, plant and equipment is included at cost less accumulated depreciation and any impairment in value. All property, plant and equipment is depreciated over its estimated useful life, commencing from the time assets are held ready for use.

Items of property, plant and equipment are depreciated/amortised using the straight-line method over their estimated useful lives.

The depreciation rates for each class of asset are as follows:

	2007	2006
Leasehold improvements	20%	20%
Office equipment	25–40%	25–40%
Furniture and fittings	20%	20%

s) Employee entitlements

Wages, salaries and annual leave

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

Long service leave

The provision for salaried employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' service provided up to reporting date. Liabilities for employee entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and experience with staff departures. Related on-costs have also been included in the liability.

Bonuses

The Company recognises a liability and an expense for bonuses. The Company recognises a provision where contractually obliged or where there is a past performance that has created a constructive obligation.

Share-based payments

The Company has adopted a number of share-based equity incentive plans in which employees and Directors participate.

The grant date fair value of shares expected to be issued under the various equity incentive plans, including options, granted to employees and Directors is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the shares.

The fair value of options at grant date is independently determined using the Black Scholes option-pricing model that takes into account the exercise price, the vesting period, the vesting and performance criteria, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share and the risk free interest rate for the vesting period.

t) Finance income and expenses

Finance income includes interest on funds invested, dividends, gains on disposal of available-for-sale assets and changes in fair value of assets at fair value through profit and loss.

Finance expenses include interest expenses on borrowings.

u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares and share options granted to employees and Directors.

v) Foreign currency transactions

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

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

w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those that may impact the Group in the period of initial application. They are available for early adoption at 31 December 2007, but have not been applied in preparing this financial report:

– AASB 8 operating segments introduces “management approach” to segment reporting and will require segment information based on the internal reports regularly reviewed by the Group’s Chief Operating decision-maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group presents segments on a material business basis only. Under the management approach, the Group will present segment information in respect of all businesses within the Group. The revised AASB 8 will be mandatory for the Group’s 31 December 2009 financial statements.

– AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formally “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group’s 31 December 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s disclosures.

– AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group’s 31 December 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provision, the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

– Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group’s 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139, respectively (i.e. 1 January 2004 and 1 January 2005, respectively).

Notes to the financial statements continued

1. Significant accounting policies continued

w) New standards and interpretations not yet adopted continued

- Interpretation 11 AASB 2 *Share-based Payment – Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any material impact on the consolidated financial report.
- AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11* amends AASB 2 *Share-based Payments* to insert the transitional provisions of AASB 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any material impact on the consolidated financial report.

2. Significant accounting judgements, estimates and assumptions

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

Recovery of deferred tax assets

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

Impairment of non-financial assets other than goodwill

The Company assesses impairment of all assets 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 31 December 2007.

Long service leave provisions

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

Legal provision

As at 31 December 2007, a provision has been accrued to reflect potential claims. In the Directors' opinion, the outcome of these legal claims is unlikely to give rise to any significant loss beyond the amounts provided at 31 December 2007.

Intangible assets

The *intangible assets* acquired have been valued using the net present value of the unlevered free cash flow from each business's client list. These valuations are outlined below:

Bell Foreign Exchange and Futures business

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

Impairment of goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicated that they might be impaired. For the purpose of impairment testing, goodwill is allocated to Equities, Margin Lending and the Bell Foreign Exchange and Futures business which represents the lowest level at which it is monitored for internal management purposes.

3. Financial risk management

The Group's principal financial instruments comprise listed securities, derivatives, term deposits and cash. The main risks arising from the Group's financial instruments are market risk, interest rate risk and credit risk.

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. The Company assesses its liquid capital on a daily basis.

The Group also has a bank facility that it is able to draw upon in order to meet both short- and long-term liquidity requirements.

Market rate risk

All instruments are subject to the risk that future changes in market conditions may make an instrument less valuable. As trading instruments are recognised at market value, changes in market value directly affect reported income in each period.

Interest rate risk

Interest rate risk arises from the potential for change in interest rates to have an adverse effect on the net earnings of the Group. The Board has approved the use of derivatives, in the form of interest rate swaps, to mitigate its exposure to interest rate risk.

Currency risk

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

Credit risk

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

Security arrangements

The ANZ Bank has a Registered Mortgage Debenture over the assets and undertaking of Bell Financial Group Ltd.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined and disclosed based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the assets.

Investments in equity

The fair values of financial assets at fair value through profit and loss and available-for-sale assets are determined with reference to its quoted bid price at reporting date. Non-listed investments are valued based on their net asset value.

Derivatives

The fair value of interest rate swaps is based on broker quotes. 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.

Share-based payments

The fair value of employee stock options is determined using a Black Scholes model. Measurement inputs include share price, exercise price, volatility, weighted average expected life of the instrument, expected dividends and risk free interest rate.

Notes to the financial statements continued

5. Business combinations

On 5 December 2007 the Group acquired all of the shares in Bell Potter Capital Limited for 12,918,784 Bell Financial Group Ltd shares valued at $40 million. This represents approximately 9.2% of the issued capital of Bell Financial. In the one month to 31 December 2007, the subsidiary contributed a loss of $144,000. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been $14.6 million and the consolidated loss for the period would have been $625,000.

The acquisition had the following effect on the Group's assets and liabilities at acquisition date:

	Pre -acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Cash and cash equivalents	17,999	–	17,999
Trade and other receivables	12,997	–	12,997
Loans and advances	269,025	–	269,025
Deposits and borrowings	(279,775)	–	(279,775)
Trade and other payables	(19,504)	–	(19,504)
Net identifiable assets and liabilities	742	–	742
Goodwill on acquisition			39,258
Consideration paid (scrip for scrip)			40,000
Net cash outflow			Nil

On 5 December 2007, the Group also acquired the Futures and Foreign Exchange business unit for 3,229,696 Bell Financial Group Ltd shares valued at $10 million. In the one month to 31 December 2007, the business contributed a profit of $50,000. If the acquisition had occurred on 1 January 2007, management estimates that consolidated revenue would have been $8.5 million and the consolidated profit for the period would have been $926,000.

The acquisition of this business unit had the following effect on the Group's assets and liabilities on acquisition date:

	Pre -acquisition carrying amounts $'000	Fair value adjustments $'000	Recognised values on acquisition $'000
Cash and cash equivalents	12,909	–	12,909
Trade and other receivables	11,433	–	11,433
Intangible assets	–	2,945	2,945
Trade and other payables	(24,342)	–	(24,342)
Net identifiable assets and liabilities	–	2,945	2,945
Goodwill on acquisition			7,055
Consideration paid (scrip for scrip)			10,000
Cash acquired			12,909
Net cash inflow			Nil

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on the acquisition is attributable to the future economic benefits Bell Financial Group Ltd expects to achieve with the integration of the business within its own operation.

Notes to the financial statements continued

6. Segment reporting

Business segments

The Group comprises the following main business segments:

– Equities – brokerage, corporate fee income and portfolio administration services

– Margin lending

– Other operations

Other operations include the futures and foreign exchanges business units that were immaterial for segment reporting purposes given they were acquired in December 2007. No comparatives have been provided as the Group only operated in the equities segment for the year ended 31 December 2006.

	Equities 2007 $'000	Margin lending 2007 $'000	Other operations 2007 $'000	Eliminations 2007 $'000	Consolidated 2007 $'000
Revenue from operations	226,507	2,333	597	–	229,437
Profit/(loss) after tax	9,814	(144)	50		9,720
Segment assets	235,722	359,243	24,342	(17,560)	601,747
Investment in associates	–	–	5,133	–	5,133
Total assets	**235,722**	**359,243**	**29,475**	**(17,560)**	**606,880**
Segment liabilities	115,266	358,465	24,342	(17,560)	480,513
Total liabilities	**115,266**	**358,465**	**24,342**	**(17,560)**	**480,513**
Other segment details					
Depreciation and amortisation	(1,232)	–	–	–	(1,232)
Share of net losses of associates	–	–	(55)	–	(55)

No segment information has been provided for income and expense related items as the amounts contributed by segments other than equities were considered immaterial.

Geographical segments

The entity operates entirely within Australia.

7. Rendering of services

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Brokerage	152,272	122,127	–	–
Corporate fee income	46,967	37,858	–	–
Trailing commissions	8,459	6,173	–	–
Portfolio administration fees	10,237	7,712	–	–
Other	191	329	–	–
	218,126	**174,199**	**–**	**–**

8. Investing income

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Dividends received	83	53	15,265	20,000
Profit on trading securities	703	129	–	–
House unrealised profit and loss on listed securities	820	222	–	–
	1,606	**404**	**15,265**	**20,000**

9. Other income

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Bad debts recovered	–	22	–	–
Management fee	–	–	9,500	–
Sundry income	980	575	–	396
	980	**597**	**9,500**	**396**

Notes to the financial statements continued

10. Finance income and expenses

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Bank interest received	7,473	3,641	80	–
Interest received from related parties	1,252	1,036	92	–
Total finance income	8,725	4,677	172	–
Bank interest expense	(1,959)	(150)	(67)	(127)
Interest paid to related parties	(92)	(3)	–	–
Total finance expense	(2,051)	(153)	(67)	(127)
Net finance income/(expense)	**6,674**	**4,524**	**105**	**(127)**

11. Other expenses from ordinary activities

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Legal expenses	(481)	(343)	(474)	(343)
Employee share offer	(9,739)	–	(9,739)	–
Sundry expenses	(6,888)	(7,127)	(5)	(37)
	(17,108)	**(7,470)**	**(10,218)**	**(380)**

12. Employee expenses

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Wages and salaries	(150,501)	(122,020)	–	–
Superannuation	(10,216)	(8,932)	–	–
Payroll tax	(7,952)	(6,222)	–	–
Other employee expenses	(1,738)	(1,724)	–	–
	(170,407)	**(138,898)**	**–**	**–**

13. Income tax expense

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current tax expense				
Current period	8,425	5,424	1,872	9
Adjustment for prior periods	–	(14)	–	(13)
	8,425	5,410	1,872	(4)
Deferred tax expense				
Origination and reversal of temporary differences	49	(599)	(80)	(172)
Change in unrecognised temporary differences	–	–	–	–
Total income tax expense/(benefit)	**8,474**	**4,811**	**1,792**	**(176)**

Numerical reconciliation between tax-expense and pre-tax net profit

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Accounting profit (before income tax)	18,194	15,577	11,394	19,865
Income tax using the Company's domestic tax rate of 30% (2006: 30%)	5,458	4,673	3,418	5,959
Non-deductible expenses	3,016	152	2,955	–
Tax exempt income	–	–	(4,581)	(6,122)
Adjustments in respect of current income tax of previous year	–	(14)	–	(14)
Change in unrecognised temporary differences	–	–	–	–
	8,474	**4,811**	**1,792**	**(176)**

Tax consolidation

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

Notes to the financial statements continued

14. Cash and cash equivalents

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Cash on hand	5	5	–	–
Cash at bank	20,169	11,361	175	3
Short-term deposits	45,073	18,096	–	–
Cash at bank – Trust account	23,717	18,553	–	–
Segregated fund bank balances	11,373	–	–	–
Short-term deposits Margin Lending	55,040	–	–	–
Cash and cash equivalents in the statement of cash flows	**155,377**	**48,015**	**175**	**3**

Cash on hand, cash at bank and short-term deposits represent Company cash reserves.

Cash at bank – Trust account, segregated fund bank balances and short-term deposits (Margin Lending) represent client funds.

Cash on hand and at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods of between seven days and 31 days.

Segregated fund bank balance earn interest at floating rates based on daily bank rates. Trust bank balance earns interest at floating rates based on daily bank rates.

The Group's exposure to interest rate risk for financial assets and liabilities is disclosed in note 32.

15. Trade and other receivables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current				
Trade debtors	86,142	69,565	–	–
Less: Impairment	(261)	(74)	–	–
Due from related entities	560	21,561	51,270	23,867
Sundry debtors	2,979	2,589	–	–
	89,420	**93,641**	**51,270**	**23,867**

16. Financial assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current investments (at fair value)				
Shares (listed)	3,229	2,426	–	–
Unit – Managed Investment Schemes	5,920	10,920	–	–
	9,149	**13,346**	**–**	**–**
Non-current investments (at cost)				
Investment in subsidiaries	–	–	68,794	13,291
	–	**–**	**68,794**	**13,291**

17. Property, plant and equipment

Consolidated	Fixtures and fittings $'000	Office equipment $'000	Leasehold improvements $'000	Total $'000
Year ended 31 December 2007				
Balance at 1 January 2007 (net accumulated depreciation)	736	1,885	2,157	4,778
Additions	145	258	87	490
Disposals	(4)	–	–	(4)
Revaluations	–	–	–	–
Impairment loss	–	–	–	–
Depreciation charge for the year	(155)	(691)	(550)	(1,396)
Balance at 31 December 2007	**722**	**1,452**	**1,694**	**3,868**
Balance at 1 January 2007				
Cost	1,703	5,795	4,952	12,450
Accumulated depreciation	(967)	(3,910)	(2,795)	(9,068)
Net carrying amount	**736**	**1,885**	**2,157**	**4,778**
Balance at 31 December 2007				
Cost	1,844	6,053	5,039	12,936
Accumulated depreciation	(1,122)	(4,601)	(3,345)	(9,068)
Net carrying amount	**722**	**1,452**	**1,694**	**3,868**
Year ended 31 December 2006				
Balance at 1 January 2006 (net of accumulated depreciation)	802	1,849	1,960	4,611
Additions	142	935	864	1,941
Disposals	(43)	(118)	–	(161)
Revaluations	–	–	–	–
Impairment loss	–	–	–	–
Depreciation charge for the year	(165)	(781)	(667)	(1,613)
Balance at 31 December 2006	**736**	**1,885**	**2,157**	**4,778**
Balance at 1 January 2006				
Cost	1,707	5,229	4,938	11,874
Accumulated depreciation	(905)	(3,380)	(2,978)	(7,263)
Net carrying amount	**802**	**1,849**	**1,960**	**4,611**
Balance at 31 December 2006				
Cost	1,703	5,795	4,952	12,450
Accumulated depreciation	(967)	(3,910)	(2,795)	(7,672)
Net carrying amount	**736**	**1,885**	**2,157**	**4,778**

Notes to the financial statements continued

17. Property, plant and equipment continued

Company	Office equipment $'000	Leasehold improvements $'000	Fixtures and fittings $'000	Total $'000
Year ended 31 December 2007				
Balance at 1 January 2007 (net of accumulated depreciation)	672	–	–	672
Additions	–	–	–	–
Disposals	–	–	–	–
Revaluations	–	–	–	–
Depreciation charge for the year	(165)	–	–	(165)
Balance at 31 December 2007	**507**	**–**	**–**	**507**
Balance at 1 January 2007				
Cost	672	–	–	672
Accumulated depreciation	–	–	–	–
Net carrying amount	**672**	**–**	**–**	**672**
Balance at 31 December 2007				
Cost	672	–	–	672
Accumulated depreciation	(165)	–	–	(165)
Net carrying amount	**507**	**–**	**–**	**507**
Year ended 31 December 2006				
Balance at 1 January 2006 (net of accumulated depreciation)	–	14	–	14
Additions	672	–	–	672
Disposals	–	–	–	–
Revaluations	–	–	–	–
Depreciation charge for the year	–	(14)	–	(14)
Balance at 31 December 2006	**672**	**–**	**–**	**672**
Balance at 1 January 2006				
Cost	–	847	–	847
Accumulated depreciation	–	(833)	–	(833)
Net carrying amount	**–**	**14**	**–**	**14**
Balance at 31 December 2006				
Cost	672	–	–	672
Accumulated depreciation	–	–	–	–
Net carrying amount	**672**	**–**	**–**	**672**

18. Intangible assets

	Consolidated			Company		
	Goodwill $'000	Identifiable intangibles $'000	Total $'000	Goodwill $'000	Identifiable intangibles $'000	Total $'000
Year ended 31 December 2007						
Balance at 1 January 2007	3,098	–	3,098	–	–	–
Additions	46,708	2,945	49,653	–	–	–
Amortisation/impairment	–	(25)	(25)	–	–	–
Balance at 31 December 2007	**49,806**	**2,920**	**52,726**	**–**	**–**	**–**
Balance at 1 January 2007						
Cost (gross carrying amount)	3,098	–	3,098	–	–	–
Accumulated amortisation/impairment	–	–	–	–	–	–
Net carrying amount	**3,098**	**–**	**3,098**	**–**	**–**	**–**
Balance at 31 December 2007						
Cost (gross carrying amount)	49,806	2,945	52,751	–	–	–
Accumulated amortisation/impairment	–	(25)	(25)	–	–	–
Net carrying amount	**49,806**	**2,920**	**52,726**	**–**	**–**	**–**
Year ended 31 December 2006						
Balance at 1 January 2006	3,098	–	3,098	–	–	–
Additions	–	–	–	–	–	–
Amortisation/impairment	–	–	–	–	–	–
Balance at 31 December 2006	**3,098**	**–**	**3,098**	**–**	**–**	**–**
Balance at 1 January 2006						
Cost (gross carrying amount)	3,098	–	3,098	–	–	–
Accumulated amortisation/impairment	–	–	–	–	–	–
Net carrying amount	**3,098**	**–**	**3,098**	**–**	**–**	**–**
Balance at 31 December 2006						
Cost (gross carrying amount)	3,098	–	3,098	–	–	–
Accumulated amortisation/impairment	–	–	–	–	–	–
Net carrying amount	**3,098**	**–**	**3,098**	**–**	**–**	**–**

Notes to the financial statements continued

18. Intangible assets continued

Impairment testing for cash-generating units containing goodwill

Following initial recognition, goodwill is measured at costs less accumulated impairment losses. In respect of equity accounted investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount is impaired.

For the purpose of impairment testing, goodwill is allocated to Equities, Margin Lending and the Bell Foreign Exchange and Futures business which represents the lowest level at which it is monitored for internal management purposes.

19. Investments in equity accounted investees

The Group's share of the loss in its equity accounted investees for the year was $55,451 (before tax).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

	Ownership	Total Assets $'000	Total Liabilities $'000	Revenues $'000	Expenses $'000	Profit/ (loss) $'000
2006						
Bell Direct	–	–	–	–	–	–
		–	**–**	**–**	**–**	**–**
2007						
Bell Direct	25%	2,159	(387)	12	(2,894)	(2,882)
		2,159	**(387)**	**12**	**(2,894)**	**(2,882)**

Bell Direct is a start-up online share trading business that launched its commercial operations in November 2007. A major portion of the 2007 expenditure incurred related to the build and development of the share trading platform.

The Company acquired a 25% interest in Bell Direct on 1 December 2007 for 1,614,848 Bell Financial Group shares (valued at $5 million). It also has a call option with respect to a further 25% interest that is exercisable in a period of 30 days after the date two years after Listing. Consideration is the issue of $17,500,000 worth of shares.

20. Deferred tax assets

Deferred tax assets are attributable to the following:

The balance comprises temporary differences attributable to:

	Balance sheet		Income statement	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Consolidated				
Depreciation	584	572	12	31
Employee benefits	780	2,116	(1,335)	513
Other items	1,617	337	1,274	55
Gross deferred income tax assets	2,981	3,025	–	–
Deferred income tax charge			**(49)**	**599**
Parent				
Depreciation	216	219	(3)	(8)
Provisions	458	376	83	180
Gross deferred income tax assets	674	595	–	–
Deferred income tax charge			**80**	**172**

21. Loans and advances

The following loans and advances were acquired during the year ended 31 December 2007:

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current				
Balance at 1 January	–	–	–	–
New acquisitions				
Margin lending	286,043	–	–	–
Balance at 31 December	**286,043**	**–**	**–**	**–**
Non-current				
Balance at 1 January	–	–	–	–
New acquisitions				
Margin lending	1,350	–	–	–
Balance at 31 December	**1,350**	**–**	**–**	**–**

Notes to the financial statements continued

22. Trade and other payables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current				
Settlement obligations	79,585	75,074	–	–
Sundry creditors and accruals	14,189	18,034	–	–
Segregated client liabilities	24,342	–	–	–
Other borrowings	894	1,789	894	1,789
	119,010	**94,897**	**894**	**1,789**
Non-current				
Other borrowings – unsecured	–	894	–	894
Other	–	–	–	–
	–	**894**	**–**	**894**

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

For terms and conditions relating to related party balances, refer to note 35.

23. Deposits and borrowings

This note provides information about the contractual terms of the Company's and the Group's interest-bearing loans and borrowings. For more information about the Company's and the Group's exposure to interest rate and foreign currency risk, see note 32.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Current liabilities				
Finance lease liabilities	137	141	137	141
Deposits (cash account)	156,406	–	–	–
Cash advance facility	180,000	–	–	–
	336,543	**141**	**137**	**141**
Non-current liabilities				
Finance lease liabilities	393	531	393	531
Bank bills	–	1,500	–	1,500
	393	**2,031**	**393**	**2,031**

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 3.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2007 Face value $'000	2007 Carrying amount $'000	2006 Face value $'000	2006 Carrying amount $'000
Consolidated							
Cash advance facility*	AUD	7.90%	2008	180,000	180,000	–	–
Deposits (cash account)*	AUD	6.29%	2008	156,406	156,406	–	–
Finance lease liabilities	AUD	7.76%	2010	530	530	671	672
				336,936	**336,936**	**671**	**672**

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

	Currency	Nominal interest rate	Year of maturity	2007 Face value $'000	2007 Carrying amount $'000	2006 Face value $'000	2006 Carrying amount $'000
Company							
Finance lease liabilities	AUD	7.76%	2010	530	530	672	672
Bank bills	AUD	7.74%	2007	–	–	1,500	1,500
				530	**530**	**2,172**	**2,172**

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	Minimum lease payments 2007 $'000	Interest 2007 $'000	Principal 2007 $'000	Minimum lease payments 2006 $'000	Interest 2006 $'000	Principal 2006 $'000
Consolidated						
Less than one year	190	36	137	190	47	141
Between one and five years	365	38	393	571	74	531
More than five years	–	–	–	–	–	–
	555	**74**	**530**	**761**	**121**	**672**
Company						
Less than one year	190	36	137	190	47	141
Between one and five years	365	38	393	571	74	531
More than five years	–	–	–	–	–	–
	555	**74**	**530**	**761**	**121**	**672**

During the year ended 31 December 2006, the Company entered into an arrangement to lease equipment. The arrangement was assessed by management and deemed to be a finance lease as the Company (the lessee) substantially retains all the risks and rewards of ownership.

Notes to the financial statements continued

24. Current tax liabilities

The current tax liability for both the Group and the Company of $85,885 (2006: $2,509,163) represents the amount of income taxes payable in respect of current and prior financial periods.

The Company liability includes the income tax payable by all members for the tax-consolidated Group.

25. Provisions

	Consolidated		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Current				
Legal provision	1,525	950	1,525	950
Other	27	–	27	–
	1,552	**950**	**1,552**	**950**
Balance at 1 January	950	650	950	650
Arising during the year	602	300	602	300
Utilised	–	–	–	–
Balance at 31 December	**1,552**	**950**	**1,552**	**950**
Current	1,552	950	1,552	950
Non-current	–	–	–	–
	1,552	**950**	**1,552**	**950**

Legal provision

The amount represents a provision for certain legal claims brought against the Group. In the Directors' opinion, the outcome of these legal claims is unlikely to give rise to any significant loss beyond the amounts provided at 31 December 2007.

26. Employee benefits

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current				
Salaries and wages accrued	20,209	21,412	–	301
Liability for annual leave	1,602	1,590	–	–
Total employee benefits – current	**21,811**	**23,002**	**–**	**301**
Non-current				
Salaries and wages accrued	–	3,589	–	–
Liability for long-service leave	1,118	802	–	–
Total employee benefits – non-current	**1,118**	**4,391**	**–**	**–**

The present value of employee entitlements not expected to be settled within 12 months of balance date have been calculated using the following weighted averages:

	Consolidated	
	2007	2006
Assumed rate of increase on wages/salaries	5.7%	5.5%
Discount rate	6.6%	6.4%
Settlement term (years)	10	10
Number of employees at year-end	649	602

Notes to the financial statements continued

27. Reconciliation of cash flows from operating activities

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash flows from operating activities				
Profit from ordinary activities after tax:	9,720	10,766	9,602	20,041
Adjustments for:				
Depreciation and amortisation	1,448	1,613	216	14
Provision for doubtful debts	192	7	–	–
Net gain on sale of investments	(703)	(129)	–	–
Loss on disposal of fixed assets	–	49	–	–
Employee expenses – IPO	9,739	–	9,739	–
Debt forgiveness	–	–	–	(396)
Unrealised gain on investments	(820)	(222)	–	–
Share of losses of equity accounted investees	–	–	55	–
Operating profit before changes in working capital and provisions	**19,576**	**12,084**	**19,612**	**19,659**
(Increase)/decrease current receivables	2,117	(27,820)	(4,001)	(5,423)
(Increase)/decrease other current assets	(162)	(122)	–	–
(Increase)/decrease deferred tax assets	44	(599)	(79)	(172)
(Increase)/decrease loans and advances	(18,367)	–	–	–
(Increase)/decrease fixed assets	911	–	164	–
Increase/(decrease) current payables	4,609	36,491	(894)	–
Increase/(decrease) current loans and borrowings	41,638	–	9	–
Increase/(decrease) current tax liabilities	(2,423)	(4,205)	(2,423)	(4,204)
Increase/(decrease) current provisions	(589)	19,187	602	600
Increase/(decrease) non-current payables	(894)	–	(894)	–
Increase/(decrease) non-current loans and borrowings	28,351	–	(1651)	–
Increase/(decrease) non-current provisions	(3,273)	1,574	(301)	–
Less: Cash acquired from subsidiary	(17,999)	–	–	–
Net cash from operating activities	**53,538**	**36,590**	**10,144**	**10,460**

Reconciliation of cash

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

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash at bank/on hand	20,174	11,365	175	3
Cash at bank – Trust account	22,181	18,553	–	–
Segregated fund bank balances	12,909	–	–	–
Short-term deposits	45,073	18,096	–	–
Short-term deposits Margin Lending	55,040	–	–	–
	155,377	**48,015**	**175**	**3**

28. Capital and reserves

Share capital

Ordinary shares	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
On issue at 1 January	39,693	39,693	39,693	39,693
Issued for cash	31,691	–	31,691	–
Scrip for scrip	55,000	–	55,000	–
Other	7,507	–	7,507	–
Exercise of share options	–	–	–	–
On issue at 31 December	**133,891**	**39,693**	**133,891**	**39,693**

Movements in ordinary share capital

Date	Details	Number of shares
1 January 2006	Opening Balance	105,482,214
31 December 2006	**Balance**	**105,482,214**
30 January 2007	Share issue	1,041,000
29 June 2007	Share issue	1,041,000
31 October 2007	Share issue	4,843,333
3 December 2007	Share issue	1,000,000
5 December 2007	Share issue	17,763,328
5 December 2007	Share split @ 1.62	212,630,523
12 December 2007	Share issue (IPO)	15,000,000
31 December 2007	**Balance**	**227,630,523**

The authorised capital of the Group is $133,890,923 representing 227,630,523 fully paid ordinary shares.

The Group has issued employee share options. Details of these arrangements can be found in the Remuneration Report. In addition to those included in the Remuneration Report, options have been issued to UBS under the same terms and conditions. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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

Notes to the financial statements continued

28. Capital and reserves continued

Reserves

	Consolidated		Company	
	Distributable profits reserve $'000	Total reserves $'000	Distributable profits reserve $'000	Total reserves $'000
Balance at 1 January 2006	22,625	22,625	5,701	5,701
Transfer of retained earnings	10,766	10,766	20,041	20,041
Dividends	(20,000)	(20,000)	(20,000)	(20,000)
Revaluation of investments	–	–	–	–
Balance at 31 December 2006	**13,391**	**13,391**	**5,742**	**5,742**
Balance at 1 January 2007	13,391	13,391	5,742	5,742
Transfer of retained earnings	9,720	9,720	9,602	9,602
Dividends	(15,255)	(15,255)	(15,255)	(15,255)
Revaluation of investments	–	–	–	–
Balance at 31 December 2007	**7,855**	**7,855**	**89**	**89**

Distributable profits reserve

The distributable profits reserve records profits that are distributable as dividends.

Retained profits

	Consolidated Retained profits		Company Retained profits	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance 1 January	(15,379)	(15,379)	(15,622)	(15,622)
Profit for the year	9,720	10,766	9,602	20,041
Transfer to distributable profit reserve	(9,720)	(10,766)	(9,602)	(20,041)
Balance 31 December	**(15,379)**	**(15,379)**	**(15,622)**	**(15,622)**

29. Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2007				
Final 2006 ordinary	10.1	10,765	Franked	18 April 2007
Final 2007	4.2	4,490	Franked	10 December 2007
Total amount		**15,255**		
2006				
Final 2005 ordinary		20,000	Franked	3 April 2006
Total amount		**20,000**		

	Company	
	2007 $'000	2006 $'000
Dividend franking account		
30% franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	5,621	1,270

As outlined in the Prospectus, all 2007 dividends were paid prior to Listing. The first available dividend to current shareholders is expected to be the 2008 interim dividend.

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

1 Franking credits that will arise from the payment of current tax liabilities.

2 Franking debits that will arise from payment of dividends recognised as a liability at year-end.

3 Franking credits that will arise from the receipt of dividends recognised as receivable at year-end.

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

Notes to the financial statements continued

30. Earnings per share

Earnings per share at 31 December 2007 based on profit and a weighted average number of shares outlined below was 4.3 cents (2006: 10.2 cents). Diluted earnings per share at 31 December 2007 was 3.9 cents (2006: 10.2 cents).

Reconciliation of earnings used in calculating EPS

	Consolidated	
	2007 $'000	2006 $'000
Basic earnings per share		
Profit from continuing operations	9,720	10,766
Profit attributable to ordinary equity holders used for basic EPS	9,720	10,766
Adjustments for calculation of diluted earnings per share		
Profit attributable to ordinary equity holders used to calculate basic EPS	9,720	10,766
Effect of stock options issued	–	–
Profit attributable to ordinary equity holders used for diluted EPS	9,720	10,766

Weighted average number of ordinary shares used as the denominator (basic)

		Consolidated	
	Note	2007 Number	2006 Number
Issued ordinary shares at year-end	28.	227,630,523	105,482,214
Effect of share options exercised		–	–
Weighted average number of ordinary shares used to calculate basic EPS		227,630,523	105,482,214
Adjustments for calculation of diluted earnings per share			
Effect of stock options granted		23,622,211	–
Weighted average number of ordinary shares at year-end		251,252,734	105,482,214
Weighted average number of ordinary shares used to calculate diluted EPS		251,252,734	105,482,214

Options

Options granted to Directors, key management personnel and UBS are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

31. Share-based payments

Long-term Incentive Plan (LTIP)

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

– The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.

– A person participating in the LTIP (Executive) may be granted options on conditions determined by the Board.

– There is no consideration payable for the grant of the options.

– The options will vest on, and become exercisable on or after, a date predetermined by the Board (the Vesting Date), provided that the executive remains employed as an executive of the Company as at that date. These terms may be accelerated at the discretion of the Board under specified circumstances.

– An unvested option will generally lapse at the expiry of the exercise period applicable to that option.

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

Fair value of options granted

The assessed fair value at grant date of options granted during the year to 31 December 2007 is $319,923. The fair value was independently determined using the Black-Scholes option-pricing model. An outline of details and assumptions used in the valuation of share options granted is provided below:

Fair value of share options and assumptions	2007
Fair value at grant date	$0.0262
Share price at grant date	$1.55
Exercise price at grant date	$3.10
Option life (expected weighted average life)	15 December 2010
Expected volatility (weighted average volatility)	25%
Risk-free interest rate (based on government bonds)	6.55%

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

	Weighted average exercise price 2007	Number of options 2007	Weighted average exercise price 2006	Number of options 2006
Outstanding 1 January	–	–	–	–
Granted during the year	$2.00	19,739,959	–	–
Forfeited during period	–	–	–	–
Outstanding 31 December	–	19,739,959	–	–
Exercised 31 December	–	–	–	–

Notes to the financial statements continued

31. Share-based payments continued

Expenses arising from share-based payment transactions

	Consolidated 2007 $'000	Consolidated 2006 $'000	Company 2007 $'000	Company 2006 $'000
Share options granted in 2006 – equity settled	–	–	–	–
Share options granted in 2007 – equity settled	27	–	27	–
Total expense recognised as employee costs	27	–	27	–
Total carrying amount of liabilities for cash-settled arrangements	–	–	–	–

Total intrinsic value of liability for vested benefits

32. Financial instruments

Exposure to credit, interest rate, currency and liquidity 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 Bell Potter Capital. This collateral is generally in the form of the underlying security the margin loan is used to invest in.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivatives are with counterparties with whom the Group has a signed netting agreement and who have sound credit ratings. Management does not expect any counterparty to fail to meet its obligations.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the balance sheet.

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

Ageing of receivables	Gross 2007 $'000	Impairment 2007 $'000	Gross 2006 $'000	Impairment 2006 $'000
Not past due	85,886	–	69,491	–
Past due 0–30 days	–	–	–	–
Past due 31–120 days	188	(188)	–	–
More than one year	73	(73)	74	(74)

Collectibility 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, including estimated interest excluding impacting of netting agreements.

2007	Carrying amount $'000	Contracted cash flow $'000	6 months or less $'000	6–12 months or less $'000	1–2 years or less $'000	2–5 years $'000	5+ years $'000
Consolidated							
Trade and other payables	119,010	(119,010)	(119,010)	–	–	–	–
Finance lease liabilities	531	(531)	(67)	(70)	(122)	(271)	–
Cash deposits	156,406	(156,406)	(156,111)	(295)	–	–	–
Cash advance facilities	180,000	(180,000)	–	(180,000)	–	–	–
Bank bills	–	–	–	–	–	–	–
Company							
Trade and other payables	894	(894)	(894)	–	–	–	–
Finance lease liabilities	531	(531)	(67)	(70)	(122)	(271)	–
Margin lending deposits	–	–	–	–	–	–	–
Cash advance facilities	–	–	–	–	–	–	–
Bank bills	–	–	–	–	–	–	–
2006							
Consolidated							
Trade and other payables	94,897	(94,897)	(93,109)	(894)	(894)	–	–
Finance lease liabilities	672	(672)	(77)	(64)	(137)	(394)	–
Bank bills	1,500	(1,500)	(1,000)	(500)	–	–	–
Company							
Trade and other payables	1,789	(1,789)	(894)	(895)	–	–	–
Finance lease liabilities	672	(672)	(77)	(64)	(137)	(394)	–
Bank bills	1,500	(1500)	(1,000)	(500)	–	–	–

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. This derivative financial instrument is recognised initially at fair value with gains or losses for subsequent reassessment at fair value being recognised in the income statement.

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

Notes to the financial statements continued

32. 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:

2007	Note	Average effective interest rate	Total $'000	6 months or less $'000	6–12 months $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000
Consolidated								
Fixed rate instruments								
Cash and cash equivalents	14.	7.09%	100,113	100,113	–	–	–	–
Finance lease liabilities	23.	7.76%	(530)	(67)	(70)	(122)	(271)	–
Loans and advances	21.	7.63%	92,028	90,150	528	1,350	–	–
Deposits and borrowings	23.	7.11%	(7,990)	(7,696)	(294)	–	–	–
Cash advance facility	23.	7.66%	(180,000)	–	(180,000)	–	–	–
			3,621	182,500	(179,836)	1,228	(271)	–
Variable rate instruments								
Cash and cash equivalents	14.	6.09%	55,259	55,259	–	–	–	–
Loans and advances	21.	8.82%	195,365	195,365	–	–	–	–
Deposits and borrowings	23.	6.24%	(148,270)	(148,270)	–	–	–	–
			102,354	**102,354**	**–**	**–**	**–**	**–**
Company								
Fixed rate instruments								
Finance lease abilities	23.	7.76%	(530)	(67)	(70)	(122)	(271)	–
			(530)	**(67)**	**(70)**	**(122)**	**(271)**	**–**
Variable rate instruments								
Cash and cash equivalents	14.	5.80%	175	175	–	–	–	–
Borrowings	23.		–	–	–	–	–	–
			175	**175**	**–**	**–**	**–**	**–**
2006								
Consolidated								
Fixed rate instruments								
Cash and cash equivalents	14.	6.33%	18,096	18,096	–	–	–	–
Finance lease liabilities	23.	7.76%	(672)	(77)	(64)	(137)	(394)	–
Loans and advances	21.		–	–	–	–	–	–
Deposits and borrowings	23.		–	–	–	–	–	–
Cash advance facility	23.		–	–	–	–	–	–
			17,424	18,019	(64)	(137)	(394)	–

Variable rate instruments								
Cash and cash equivalents	14.	5.60%	29,919	29,919	–	–	–	–
Loans and advances	21.		–	–	–	–	–	–
Deposits and borrowings	23.	5.75%	(1,500)	(1,000)	(500)	–	–	–
			28,419	**28,919**	**(500)**	**–**	**–**	**–**
Company								
Fixed rate instruments								
Finance lease abilities	23.	7.76%	(672)	(77)	(64)	(137)	(394)	–
			(672)	**(77)**	**(64)**	**(137)**	**(394)**	**–**
Variable rate instruments								
Cash and cash equivalents	14.	5.60%	3	3	–	–	–	–
Borrowings	23.	5.75%	(1,500)	(1,000)	(500)	–	–	–
			(1,497)	**(997)**	**(500)**	**–**	**–**	**–**

Foreign currency risk

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

Sensitivity analysis

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.

At 31 December 2007 it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before income tax by approximately $1.6 million (2006: $0.5 million). Interest rate swaps have been included in this calculation.

Fair values

All assets and liabilities have been recognised at the balance date at values which approximate net fair values.

33. Operating lease commitments

Leases as lessee

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

	Consolidated		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Less than one year	5,081	4,010	–	–
Between one and five years	18,466	15,337	–	–
More than five years	10,100	15,053	–	–
	33,647	**34,400**	**–**	**–**

The Group has entered into commercial property leases for its office accommodation. These leases have an average life of between one month and 10 years.

The Group has no other capital or lease commitments.

34. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of consolidated benefits will be required or that the amount is not capable of reliable measurement.

Notes to the financial statements continued

35. Related parties

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

Executive Directors	Executives
C Bell	LM Bell*
A Provan	AG Bell
	HW Robertson*
Non-executive Directors	PI Burrows*
C Coleman	LA McFadyen*
G Cubbin	D Davenport

* Directors until 25 September 2007

Key management personnel disclosures

Refer to section 8 of the Remuneration Report for details of remuneration to key management personnel.

Loans to key management personnel and their related parties

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

2007	Balance 1 January $	Balance 31 December $	Interest paid and payable in the reporting period $	Highest balance in period $
Directors				
C Bell	–	927,957	24,948	1,052,025
A Provan	–	–	–	–
C Coleman	–	1,148,449	8,249	1,148,449
G Cubbin	–	–	–	–
Executives				
LM Bell	–	126,378	1,946	126,378
AG Bell	599,734	696,162	39,251	1,223,972
HW Robertson	–	2,830,805	19,721	2,830,805
PI Burrows	–	–	–	–
LA McFadyen	–	–	–	–
D Davenport	77,713	299,098	9,184	299,098

2006	Balance 1 January $	Balance 31 December $	Interest paid and payable in the reporting period $	Highest balance in period $
Directors				
C Bell	–	–	–	–
A Provan	–	–	–	–
C Coleman	–	–	–	–
G Cubbin	–	–	–	–
Executives				
LM Bell	–	–	–	–
AG Bell	–	599,734	19,116	804,473
HW Robertson	–	–	–	–
PI Burrows	–	–	–	–
LA McFadyen	–	–	–	–
D Davenport	–	77,713	3,248	77,713

Loans totalling $6,028,849 (2006: $677,447) were made to key management personnel and their related parties during the year. The recipients of these loans were Colin Bell, Andrew Bell, Lewis Bell, Craig Coleman, Hugh Robertson and Dean Davenport. The loans represent margin loans held with Bell Potter Capital Limited. Interest is payable at prevailing market rates.

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 $'000	Closing Balance $'000	Interest paid and payable in the reporting period $'000	Number in group at 31 December
Total for key management personnel 2007	677	6,029	103	10
Total for key management personnel 2006	–	677	22	10
Total for other related parties 2007	–	–	–	–
Total for other related parties 2006	–	–	–	–
Total for key management personnel and their related parties 2007	677	6,029	103	10
Total for key management personnel and their related parties 2006	–	677	22	10

Interest is payable at prevailing market rates on all loans to key management persons and their related entities. These rates are available to all clients and may vary marginally depending on individual negotiations. The principal amounts are repayable per terms agreed on an individual basis. Interest received on the loans totalled $103,299 (2006: $22,364) and is payable annually. No amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

Notes to the financial statements continued

35. Related parties continued

Other key management personnel transactions

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

Movements in shares

The movement during the reporting period in the number of ordinary shares in Bell Financial Group Ltd held, directly, indirectly or beneficially, by each Director and key management person, including their related parties, is as follows:

	Held at 12 December 2007	Purchases	Received on exercise of options	Sales	Held at 31 December 2007
Directors					
C Bell	31,880,023	–	–	–	31,880,023
A Provan	31,880,023	–	–	–	31,880,023
C Coleman	1,660,283	–	–	–	1,660,283
G Cubbin	130,000	–	–	–	130,000
Executives					
LM Bell	31,314,862	151,540	–	–	31,466,402
AG Bell	24,162,421	–	–	–	24,162,421
HW Robertson	6,660,270	–	–	–	6,660,270
PI Burrows	2,598,590	–	–	–	2,598,590
LA McFadyen	2,294,101	–	–	–	2,294,101
D Davenport	180,651	–	–	–	180,651

The number of shares held by Colin Bell, Alastair Provan, Lewis Bell and Andrew Bell includes those held indirectly through Bell Group Holdings Limited (formerly Bell Commodities Limited).

Ultimate parent

Bell Group Holdings Limited (formerly Bell Commodities Limited) is the ultimate parent company of Bell Financial Group. The outstanding amount owed by the ultimate parent entity is $559,676 at 31 December 2007 (2006: $21,527,431). Interest receivable at 31 December 2007 was $nil (2006: $998,414) and was calculated at normal commercial rates.

All loans made to related entities of the ultimate parent entity have been repaid at 31 December 2007 (outstanding at 31 December 2006: $33,298). Interest receivable at 31 December 2007 was $nil (2006: $36,834) and was calculated at normal commercial rates.

Subsidiaries

The table below outlines loans made by the Company to wholly owned subsidiaries. All loans are interest free and unsecured.

	2007 $'000	2006 $'000
Subsidiary		
Bell Potter Securities	36,206	20,729
Bell Potter Financial Planning	1	–
Bell Potter Investments	50	50
Bell Potter Capital	15,013	–
	51,270	**20,779**
Parent		
Bell Group Holdings	–	3,088
	51,270	**23,867**

The loans from the parent entity to Bell Potter Securities Limited and Bell Potter Capital Limited represent subordinated loans that attract interest at 6.5%. This interest has been waived by the Company for Bell Potter Securities Limited.

Notes to the financial statements continued

36. Group entities

	Country of incorporation	Ownership interest 2007	2006
Parent entity			
Bell Financial Group Ltd			
Significant subsidiaries			
Bell Potter Securities Limited	Australia	100%	100%
Bell Potter Capital Limited	Australia	100%	–
BPC Custody Pty Ltd	Australia	100%	–
BPC Securities Pty Ltd	Australia	100%	–
Bell Potter Financial Planning Limited	Australia	100%	100%
Bell Potter Investment Pty Ltd	Australia	100%	100%
Bell First Pacific Limited	Australia	100%	100%
CFP Management Pty Ltd	Australia	100%	100%
Global U & I Management Pty Ltd	Australia	100%	–

In the financial statements of the Company investments in subsidiaries and investments in associates are accounted for at cost. The Company has no jointly controlled entities.

37. Subsequent events

Subsequent to 31 December 2007, Bell Financial Group Ltd signed a heads of agreement for the 100% acquisition of Tricom Group. The acquisition is subject to a number of conditions including satisfactory completion of due diligence prior to 7 March 2008. In addition, Mr Malcolm Spry was appointed as an independent Director on 8 January 2008. There were no other significant events from 31 December 2007 to the date of this report.

38. Auditors' remuneration

	Consolidated		Company	
	2007	2006	2007	2006
Audit services	$	$	$	$
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	311,000	120,000	110,000	10,000
Other auditors				
Other audit services	9,000	–	–	–
Total remuneration for audit services	**320,000**	**120,000**	**110,000**	**10,000**
Audit related services				
Auditors of the Company				
KPMG Australia:				
Other regulatory audit services	43,000	12,000	–	–
Investigating accountant's report	400,000	–	–	–
Other fees	9,000	–	–	–
Other auditors				
Other audit services	–	–	–	–
Total remuneration for audit related	**452,000**	**12,000**	**–**	**–**
Other services				
Auditors of the Company				
KPMG Australia				
Other advisory services	25,000	–	–	–
Other auditors				
Taxation services	30,000	24,000	–	–
Other advisory services	54,000	18,000	–	–
Total remuneration for non-audit services	**109,000**	**42,000**	**–**	**–**
	881,000	**174,000**	**110,000**	**10,000**

Directors' declaration

1 In the opinion of the Directors of Bell Financial Group Ltd (the Company):

(a) the financial statements and notes and the remuneration disclosures that are contained on pages 22 to 28 of the Remuneration Report in the Directors' report, set out on pages 31 to 77, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance, for the financial year ended on that date; and

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

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1(a)(i);

(c) the remuneration disclosures that are contained on pages 22 to 28 of the Remuneration Report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

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

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 31 December 2007.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 27th day of February 2008.

Colin Bell

Colin Bell
Executive Chairman

Independent auditor's report to the members of Bell Financial Group Ltd

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Bell Financial Group Ltd (formerly Bell Potter Group Pty Limited) (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a)(i), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Company and Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit

KPMG

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

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

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

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

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

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report under the heading "remuneration report" comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Don Pasquariello

Don Pasquariello
Partner

Melbourne

27th February 2008

ASX Additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholder information was applicable at 22 February 2008.

Voting rights

Ordinary shares

Refer to note 27 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders

	Number of equity security holders		
Category	**Number of holders**	**Number of shares**	**% of total shares issued**
1–1,000	333	238,593	0.10
1,001–5,000	1,502	5,263,406	2.31
5,001–10,000	620	5,503,611	2.43
10,000–100,000	577	16,663,943	7.32
100,000 and over	75	199,960,970	87.84
	3,107	**227,630,523**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares is six.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Melbourne.

Other information

Bell Financial Group Ltd, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.

ASX Additional information (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
Bell Group Holdings Limited	117,967,345	51.82
UBS Nominees Pty Ltd	42,232,044	18.55
Bungeeltap Pty Ltd	6,660,270	2.93
ANZ Nominees Limited	2,307,813	1.01
Mr Lionel McFadyen	2,294,101	1.01
HSBC Custody Nominees (Australia) Limited	1,855,000	0.81
Trabatu Pty Limited	1,687,481	0.74
Fatty Holdings Pty Ltd	1,621,019	0.71
Hawk Capital Pty Ltd	1,349,985	0.59
Mark Paterson & Suzanne Paterson	1,349,985	0.59
Fadmoor Pty Ltd	1,100,000	0.48
Katana Capital Limited	1,100,000	0.48
Bell Potter Nominees Ltd	933,000	0.41
Mr Peter Irving Burrows AO	911,109	0.40
Snowlove Pty Ltd	750,000	0.33
John William Murray	725,000	0.32
Interstate Investments Pty Ltd	695,000	0.31
AMP Life Limited	618,568	0.27
Mr Colin Bell	615,161	0.27
Mr Alastair Provan	615,161	0.27
	187,388,042	**82.32**

Substantial shareholdings

	Number of shares	% of issued capital
Bell Group Holdings Limited (BGH)	193,669,096	85.08% [1]
Colin Bell	193,669,096	85.08% [2,4]
Alastair Provan	193,669,096	85.08% [2,4]
Lewis Bell	193,830,636	85.08% [3,4]
UBS AG, Australia Branch	42,232,044	18.55%

1. BGH controls the Company by virtue of its 51.82% holding in the Company and has the relevant interests of the Company pursuant to section 608(3) of the *Corporations Act 2001 (Cth)*. The Company may have a relevant interest in those of its own ordinary shares in respect to which it has the power to restrict disposal and sale pursuant to certain escrow arrangements disclosed in section 11.4 of BFG's Prospectus lodged with ASIC and dated 2 November 2007.
2. Registered holder of 615,161 shares.
3. Registered holder of 151,540 shares and joint registered holder of 10,000 shares.
4. BGH is the registered holder of 117,967,345 shares. Colin Bell, Alastair Provan and Lewis Bell are deemed to have BGH's relevant interests in these shares because each has voting power in BGH above 20% (pursuant to section 608(3) of the *Corporations Act 2001 (Cth)*). The Company may have a relevant interest in those of its own ordinary shares in respect to which it has the power to restrict disposal and sale pursuant to certain escrow arrangements disclosed in section 11.4 of BFG's Prospectus lodged with ASIC and dated 2 November 2007. Colin Bell, Alastair Provan and Lewis Bell are also deemed to have BGH's relevant interests in these shares (193,669,096) because each has voting power in BGH above 20% (pursuant to section 608(3) of the *Corporations Act 2001 (Cth)*).

Voluntary restrictions

Details of the shares that are held in voluntary escrow are as follows:

Escrow terms	Number of shares
Ordinary fully paid shares escrowed until 11 December 2008	193,430,051
Ordinary fully paid shares escrowed until 11 December 2010	128,500

Corporate directory

Bell Financial Group Ltd

Incorporated in Victoria on
30 June 1998

ABN
59 083 194 763

Bell Financial Group Ltd
Incorporated in Victoria on
30 June 1998

Directors
Colin Bell
Executive Chairman

Alastair Provan
Managing Director

Craig Coleman
Non-executive Director

Graham Cubbin
Non-executive Director

Malcolm Spry
Non-executive Director

Company Secretary
Paul Vine

Registered and head office
Level 29, 101 Collins Street
Melbourne, VIC, 3000

Share registry
Computershare Investor Services
Pty Limited
452 Johnston Street
Abbotsford VIC 3067
Telephone (03) 9415 5000

ASX code
BFG
Bell Financial Group Ltd
Shares are listed on the Australian
Securities Exchange

Banker
Australia and New Zealand Banking
Group

Auditor
KPMG

Website address
www.bellfg.com.au