Bell Financial Group

2008 Annual Report

Bell Financial Group Limited
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 320 advisers across a network of 13 offices nationally, operating under our well-recognised brand.

Adelaide

Brisbane

Cairns

Geelong

Gold Coast

Hobart

Mackay

Melbourne

Mornington

Perth

Sydney

Toowoomba

Executive Chairman's Letter

COLIN BELL

Dear Shareholder,

2008 was a shocking year for the global economy, financial services, investors, and BFG shareholders. No-one missed out. A year ago we could not have imagined how much the landscape would change, nor how it would impact businesses and asset values.

The significant decline in share market values and trading volumes impacted the Group's revenues and profit. Our clients' investment portfolios were also hit hard and that is bad not only for them but also for us.

I wish I could predict with any confidence the timing of a recovery but I think that would be heroic. Given the sharp decline in asset values and incomes, the pile of debt around the world is so big that it is unmanageable. So there will probably be quite a lot more pain before the world economy can return to normal. But maybe we have seen the worst of the equity markets since investments in many good, well-managed companies have been significantly de-risked.

In the 35 years we have been in this business, we have seen many up and down cycles. Our long-term approach to managing the business has not really changed. We are always careful with the risk we take, we stick to the businesses we know well and we try to invest in growth when we see value and a good fit. Although we have no idea what is around the corner, we believe we are in good shape to ride out these very tough markets and we're confident that we are well positioned to take advantage of growth opportunities as they arise. Our aim is to ensure the Group will be well placed to be even stronger when the equities markets improve.

Despite the difficult conditions I am relieved to be able to report the Group did trade profitably throughout FY2008, recording a net profit after tax of $14.4 million. Alastair Provan will provide details of how that number is made up in his Managing Director's report.

For the six months ended 31 December 2008 we will pay a dividend of 2 cents per share. So in total for the FY2008 year we will pay out 5 cents per share equal to 80% of our net profit.

Several growth opportunities were considered during the year and that resulted in the acquisition of Southern Cross Equities in the second half of 2008. Southern Cross has a good institutional business which complements Bell Potter's existing largely retail business. We are in the process of integrating parts of the two businesses and are confident that this will benefit Group earnings. We expect further consolidation in the industry as revenues contract, as some of the larger global investment businesses question what they are doing in the Australian market and as some of the smaller brokers reflect on the ASX's new capital requirements. Given that we are independent, Australian-owned and have a good 35 year ownership and management track record we think we are very well placed to make acquisitions and recruit talented people from the market.

During the year the Group increased its stake in the online broker Bell Direct and acquired an option to move to 100% ownership. The business also saw the appointment of a new CEO with long experience in the online broking market. Bell Direct has launched several services new to the Australian market, has won three investor industry awards and will continue to roll out new products and services throughout the year.

We very much like the online business and we're confident that we have created a platform that is good enough to win a significant share of the market.

As a Group, we believe we have delivered a good set of results despite what has been an extremely challenging twelve months. The quality and reach of our advisers, the loyalty of our clients and the strength of our internal products places the Group in a good position to benefit from good markets and withstand bad ones.

Once again our staff have put in a terrific effort during the entire year. On behalf of the Board of Directors I would like to thank all our employees and shareholders for their contribution and support throughout what has been a difficult year.

Yours sincerely,

COLIN BELL *Executive Chairman*

Managing Director's Report

Dear Shareholder,
Against the background of declining market volumes, lower values, and a sharp reduction in equity capital market activity, our first 12 months as an ASX listed company has been challenging to say the least.

There have, however, been many positives:

- The Group traded profitably throughout the year with contributions from each of the major underlying business units.
- Our Balance Sheet remains intact, with $63 million in net tangible assets, $52 million of which is in cash or cash equivalents. We have no operating debt in the core broking business.
- We successfully completed the 100% acquisition of Southern Cross Equities Limited which we are confident will make a strong contribution to our wholesale broking and equity capital markets activity over time.
- Continued growth in our Futures and Foreign Exchange division and the appointment of a new General Manager to oversee the ongoing growth and development of that business.
- Strong revenue growth in Bell Potter Capital Limited from our internally originated Cash and Margin Lending products. Our margin book is conservatively managed with average gearing of 44% at the end of the period with no bad debts or write-offs during the course of the year.
- Month-to-month revenue growth, in line with budget, in our 36% owned online broking business Bell Direct and the appointment of a new CEO to oversee the continued development of the business.
- Ongoing proactive management of our cost structure across the Group remains a key focus.

Revenue and profitability for FY2008 were both well below the previous corresponding 12 month period. However, we remain well positioned to take advantage of growth opportunities and believe we are structured correctly to manage the business through what is likely to remain a difficult period for the financial services industry.

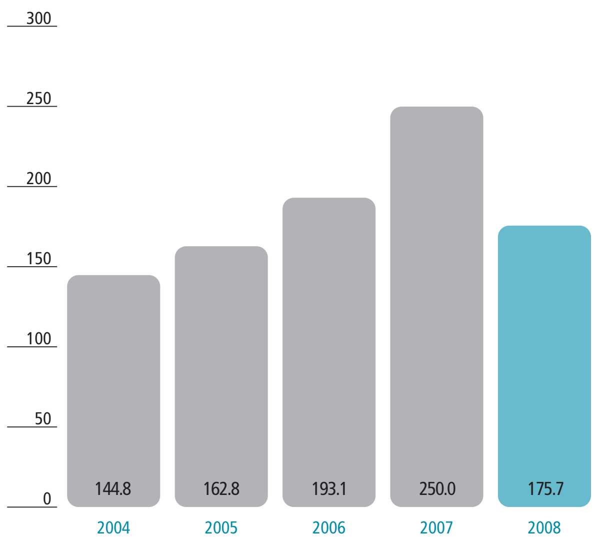
FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

Group revenue of $175.7 million for FY2008 was 29.9% down on the previous year. Profit before tax fell 57.7% to $21.4 million and net profit after tax was down 59.1% to $14.4 million (on a pro-forma basis), which I think under the circumstances, is a pleasing result.

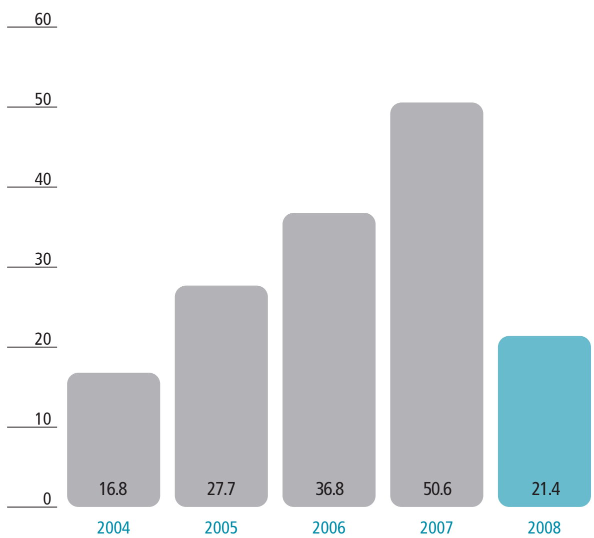
The decline in revenue can be attributed to extremely difficult market conditions experienced throughout the year. Day-to-day transactional business and revenue fell in line with the decline in value and number of shares traded on the ASX and the 43% fall in the ASX All Ordinaries Index. Equity Capital Markets fee income over the period was sharply lower reflecting the almost stagnant nature of the sector in which we operate most.

Recurring fee income derived from our investment products range also suffered as a result of depressed equity values. We note that the 2007 figures used in the charts that follow represent pro-forma and not statutory amounts.

Revenue A$m



Net Profit Before Tax A$m



EARNINGS PER SHARE FOR FY2008

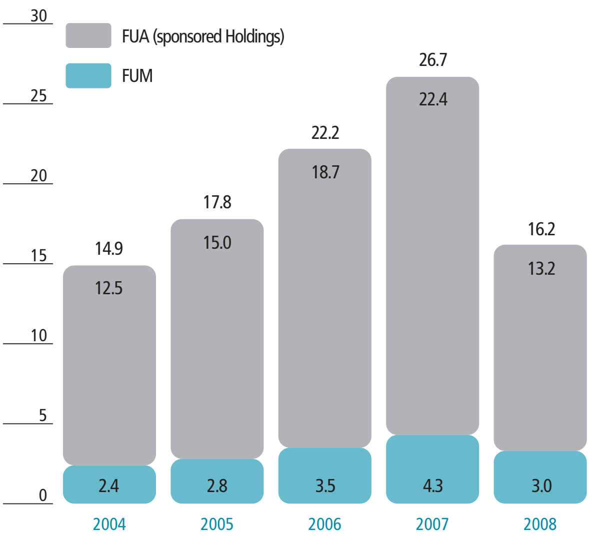
6.2 cents per share fully diluted.

SOUTHERN CROSS EQUITIES

The 100% acquisition of Southern Cross Equities Limited (SCE) was completed on 30 September 2008 and accordingly only three months consolidated earnings have been included in the Group's 2008 result. However, under the terms of the Purchase Agreement any profits generated by SCE from July 1, 2008 accrued to the account of BFG. SCE's six-month revenue and pre-tax contribution were $12.6 million and $3.0 million respectively; the three months contribution (consolidated in the Group's results) was $3.7 million revenue and a $0.2 million pre-tax loss.

- FY2008 saw total Funds Under Advice (FUA) decline 39.3% to $16.2 billion.
- Funds Under Management (FUM) declined 30.2% to $3.0 billion.
- The reduction in FUM reflects the fall in value of the underlying assets in the Group's in-house investment products: margin lending, cash, portfolio administration service and superannuation.
- The fall in FUA is a direct result of both a significant reduction in the value of equities and investors re-allocating to defensive assets.
- 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.

Funds Under Advice A$b

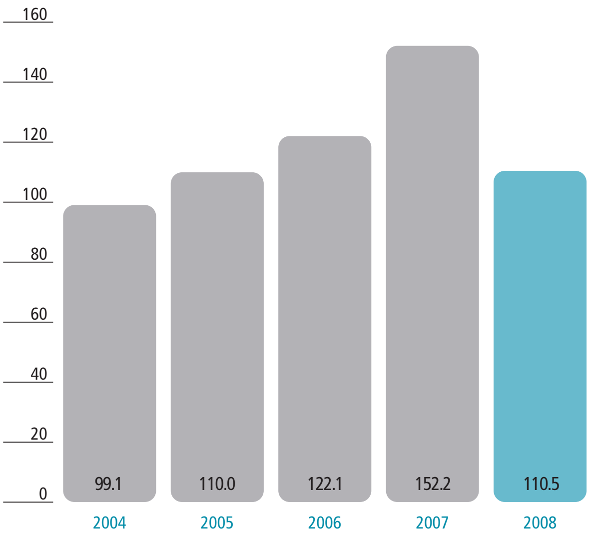


EQUITIES

Australian and International Equities and Derivatives

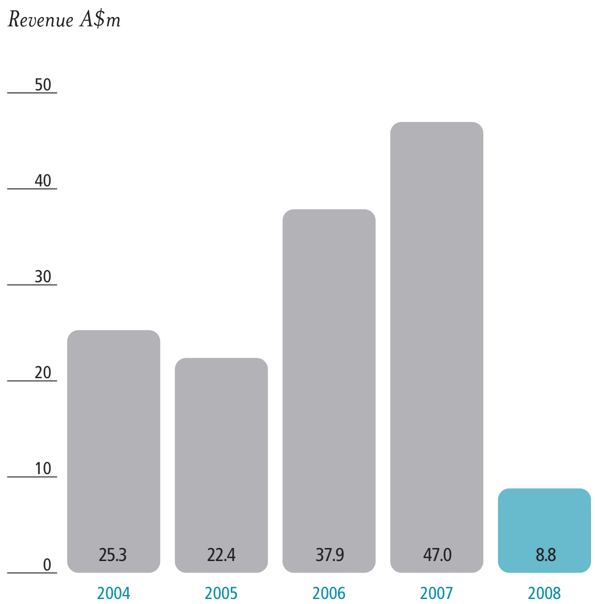
- Revenue for FY2008 fell 27.4% to $110.5 million compared to the previous year.
- The reduction in transaction revenue was as a result of the fall in the volume of shares traded on the ASX during FY2008, and the reduction in the value of equities generally.

Revenue A$m



Equity Capital Markets

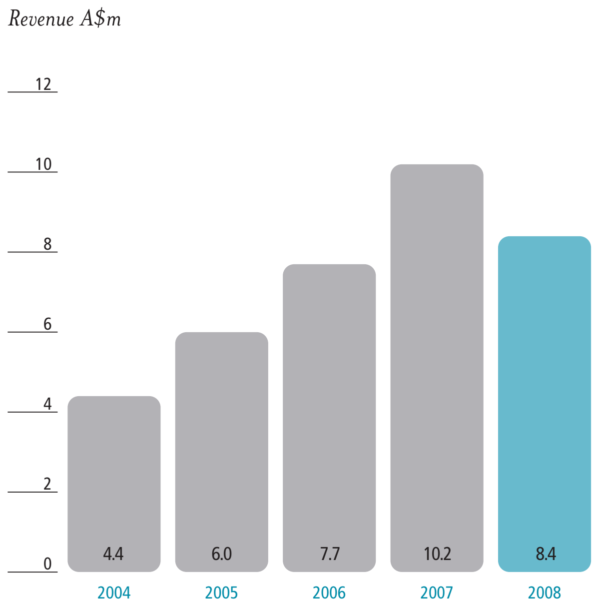
- Equity capital market activity during the year saw FY2008 revenue fall 81.3% to $8.8 million compared to the previous year.
- Revenue was impacted by the contraction in equity capital market activity across the sector.
- Equity Capital Market fee income is derived from capital raisings and underwriting fees.



INVESTMENT PRODUCTS AND SERVICES

Portfolio Administration Services

- Portfolio Administration Service (PAS) revenue declined 17.6% to $8.4 million in FY2008.
- The decline in revenue was due to the fall in value of the underlying assets administered by PAS. The service continued to attract new money during the year and net new flows remained positive for FY2008.
- The Portfolio Administration Service incorporates accurate and timely portfolio, tax and consolidated reporting across asset classes including option.

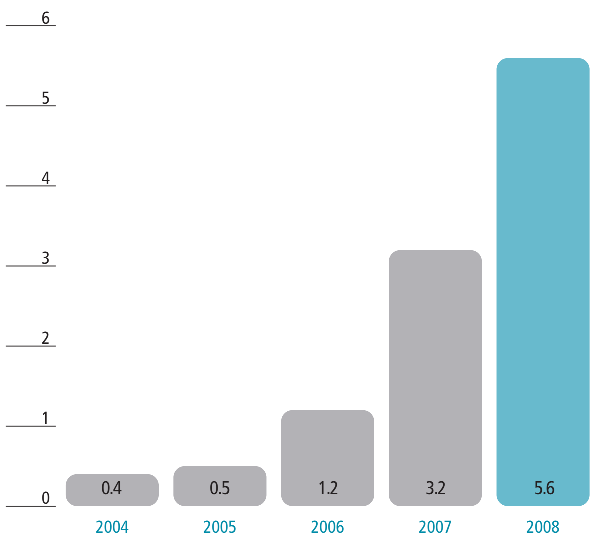


INVESTMENT PRODUCTS AND SERVICES (CONT.)

Internal Sourced Products (FUM)

- Revenue grew 75% to $5.6 million compared to the previous year.
- Revenue growth was achieved on the back of improved net interest margins on the cash and margin lending products.
- At 31 December 2008 FUM comprised:
  - Margin lending: $189 million, down 34.1% from $287 million as at 31 December 2007;
  - Cash: $142 million down 9% from $156 million; and
  - Self-managed superannuation solutions: $236 million down 26.7% from $322 million.
- The decline in FUM at the end of the year is consistent with the drop in their market value of the underlying assets and investors reducing exposure to equities.

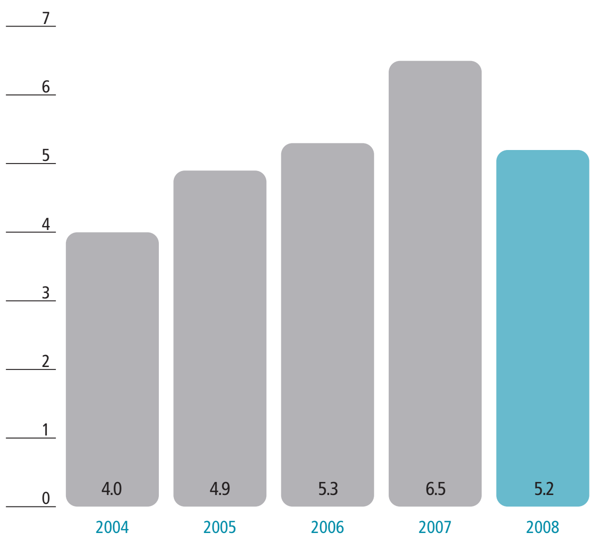
Revenue A$m



External Sourced Products (FUM)

- External product revenue is generated from third party providers, including white labelled products, such as margin lending and cash management facilities.
- Revenue declined 20.0% to $5.2 million compared to the previous year.
- We offer white-labelled cash management and margin loan products.
- At 31 December 2008 FUM were:
  - Cash management: $960 million, down 4% from $1.0 billion;
  - Margin lending: $159 million, down 66.8% from $479 million;
  - Superannuation: $66 million, down 29.8% from $94 million; and
  - Managed funds: $74 million down 35% from $114 million.

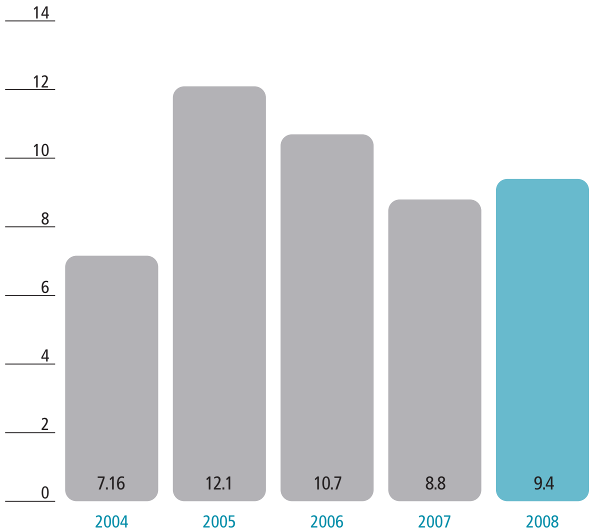
Revenue A$m



Foreign Exchange and Futures

- The foreign exchange and futures business performed well during the period with increased volatility resulting in increased demand for these services from both new and existing clients.
- Revenue grew 6.9% to $9.4 million in FY2008 compared to the previous year.
- Appointment of a new General Manager to oversee the growth and development of the business unit.

Revenue A$m



OVERHEADS

Group overheads, excluding commissions paid to advisers, were $62.8 million for FY2008, a decrease of 4.6% on the previous year. This reduction was achieved despite the inclusion of the SCE fourth quarter overheads and the increased cost component incurred as a result of the Group's new listed company status. Our cost structure remains a key focus and is constantly under review.

BALANCE SHEET

The Balance Sheet remains strong. Net tangible assets at 31 December were $63 million. The company has no operating debt in the core broking business, strong cash reserves and has incurred no material bad debts or write-offs during the period.

EXPLANATION OF ACTUAL VS PRO-FORMA RESULTS COMPARISON

The preceding commentary is based on actual results for FY2008 and pro-forma results for FY2007. Pro-forma results for FY2007 are considered more comparable to FY2008 actual results; they include full year operating results for the businesses acquired as part of the IPO process in December 2007, and they exclude costs that are no longer incurred by the listed Company. The following table provides a break down of the FY2008 actual results versus the FY2007 pro-forma results.

2008 ACTUAL RESULTS VS 2007 PRO-FORMA RESULTS

	FY08 STATUTORY ACTUAL	FY07* PRO-FORMA ACTUAL
REVENUE	**($'000)**	**($'000)**
Rendering of services	144,561	225,984
Finance income	30,887	21,157
Other income	243	2,857
Total revenue	**175,691**	**249,998**
EXPENSES		
Employee expenses	102,822	158,369
Occupancy expenses	7,648	6,179
Systems & communication expenses	11,477	11,106
Professional fees expenses	2,789	1,405
Other expenses from ordinary activities	7,560	8,463
Finance costs	19,262	12,389
Depreciation & amortisation expenses	1,542	1,480
Share of loss of equity accounted investments	1,236	55
Profit before income tax	**21,355**	**50,552**
Income tax	6,918	15,276
Net profit / (loss) for the year	**14,437**	**35,276**

** Refer FY2007 Annual Report for reconciliation between FY07 pro-forma and FY07 statutory results.*

BELL DIRECT ONLINE TRADING

BFG increased its ownership interest in Bell Direct from 25% to 36% during the period and holds an option, exercisable on 31 January 2011, to acquire the shares it doesn't already own.

Bell Direct was launched 12 November 2007, has achieved month-to-month revenue growth in line with budget and provides one of the most cost effective and technologically advanced online broking services in the market.

Bell Direct appointed a CEO in May 2008 to oversee the future growth and development of the business.

OUTLOOK

In conclusion I reiterate that we believe the company is well positioned to face the ongoing business challenges which emerged in 2008 and look set to continue well into 2009.

However, these conditions will present opportunities that ordinarily would not be available. We will continue to consider all possibilities that present for both organic growth and sensible personnel and business acquisitions while maintaining a close watch on our overall cost structure.

Yours sincerely,

ALASTAIR PROVAN *Managing Director*

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2008

The Directors of Bell Financial Group Ltd ("Bell Financial" or the "Company") 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 2008.

Directors

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

Mr C Bell
Mr A Provan
Mr C Coleman
Mr G Cubbin
Mr M Spry[1]
Mr B Potts[2]

1. Appointed 8 January 2008.
2. Appointed 29 September 2008.

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 *BEcon (Hons), Monash University*	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 Third Party Platform Pty Ltd (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 and is responsible for the day-to-day management of all businesses within the Group. He is also a director of Third Party Platform Pty Ltd (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 Brent Potts Executive Director *M.S.D.I.A.*	Appointed 29 September 2008, Mr Potts is the Executive Chairman of Southern Cross Equities Limited, the broking firm acquired by Bell Financial in September 2008. Brent was a former Vice Chairman of the Sydney Stock Exchange and a former board member of the Australian Stock Exchange. Over his 40-year career he has become recognised as one of the most experienced corporate advisors and stockbrokers in Australia.
Mr Craig Coleman Non-Executive Director *BComm, University of Western Australia*	Appointed 12 July 2007, Mr Coleman has been a Senior Adviser with Wyllie Group since 2006, and is also a Non-Executive Director of the Wyllie Group. He is also a director of Third Party Platform Pty Ltd (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 and a director of Amcom Limited and Amadeus Limited. Craig 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 STW Communications Group Limited, Chairman of its Group Risk and Audit Committee and is also a director of non-listed ANZ Business Equity Fund Limited. Graham is the Chairman of the Group Risk and Audit Committee and the Chairman of the Remuneration Committee.

NAME, QUALIFICATIONS AND INDEPENDENCE STATUS	EXPERIENCE, SPECIAL RESPONSIBILITIES AND OTHER DIRECTORSHIPS
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. Malcolm is currently a director of AGB Nielsen Media Research and Third Party Platform Pty Ltd (Bell Direct). He was previously a director of various companies including E*Trade Australia Limited and Travel.com and the Executive Chairman of Mojo MDA Group. Malcolm is a member of both the Group Risk and Audit Committee and Remuneration Committee.

Principal activities

Bell Financial is an Australian based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. In September 2008, Bell Financial acquired all the shares in Southern Cross Equities Limited (SCE). Operating across 13 offices nationwide, Bell Financial has over 700 employees, including more than 320 experienced advisers, serving over 125,000 active clients with funds under advice exceeding $16 billion.

Bell Financial increased its stake in Third Party Platform Pty Ltd (Bell Direct) from 25% to 36% during the year and also has a call option to purchase all the remaining Bell Direct shares it does not own, in 2011.

Operations

The Group's consolidated operating profit after income tax attributable to members was $14.4 million (2007: $9.7 million). A review of the operations of the Group is set out in the Managing Director's Report on pages 3 to 8 of this Annual Report.

Directors

Two new directors were appointed to the board during the year. Mr Malcolm Spry was appointed as a Non-Executive director on 8 January 2008 and, following the company's acquisition of SCE, Mr Brent Potts was appointed as a director on 29 September 2008. Particulars of their qualifications and experience are set out on pages 10 to 11.

Option to acquire shares in Bell Direct

Prior to listing in December 2007, the Company was granted a call option to acquire 25% of the issued capital of Bell Direct (Bell Direct Call Option). The Company was entitled to 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.

In September 2008, the Company participated in a rights issue increasing its stake in Bell Direct from 25% to 36%. The contribution of additional capital was made on the basis that the Bell Direct Call Option was renegotiated.

Under the renegotiated call option arrangements, the Company now has a call option to purchase all the shares in Bell Direct it does not own, taking its holding to 100%. The exercise price of the new call option is to be satisfied by Bell Financial issuing new shares and values all of Bell Direct's existing share capital at $70 million, which is the same valuation used in the Bell Direct Call Option. The right to exercise the new option has been extended by 12 months to 31 January 2011.

Issue of shares under the new call option is subject to shareholder approval, which the Company will seek at the appropriate time in accordance with Corporations Act and ASX Listing Rule requirements and prior to the exercise of the option.

Bell Financial is under no obligation to exercise the new call option and any decision whether or not to exercise the new call option will be made by the Company's independent Non-Executive Directors at the relevant time.

As noted in the Company's 2007 Annual Report, 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.

Acquisition of Southern Cross Equities Limited (SCE)

On 30 September 2008, the Company completed its acquisition of all of the issued capital of SCE. Various pre-conditions had been satisfied, including shareholder approval pursuant to the ASX Listing Rules. The purchase price of $145.8m was calculated by reference to a multiple of normalised SCE financial year 2008 net profit after tax and is subject to revenue performance benchmarks being met in 2009, 2010 and 2011.

The price is payable as to 50% in cash and as to 50% in Bell Financial shares. One quarter of the cash consideration was paid on completion (30 September 2008) and three further payments will be made in 2009, 2010 and 2011 respectively, subject to certain performance benchmarks being met.

The scrip component of the consideration (issued at $1.25 per BFG share) was satisfied by the issue of 14,580,000 Ordinary shares, 14,580,000 A Class, 14,580,000 B Class and 14,580,000 C Class shares on 30 September 2008.

The A, B and C Class shares will convert into Ordinary Bell Financial shares in 2009, 2010 and 2011 respectively, subject to the performance benchmarks being met. The A, B and C Class shares have the following rights and entitlements:

(a) in the event of a share consolidation, share subdivision or bonus issue of Ordinary shares, or other capital reorganisation with respect to Ordinary shares, each A, B and C Class share will be converted into such number of A, B and C Class shares as determined by the Company's Directors as being fair and equitable to the holders of A, B and C Class shares in the particular circumstances

(b) if there is a change of control of the Company, as a result of takeover bid, scheme of arrangement or other analogous event, then A, B and C Class shares held by each shareholder will, on a date determined by the Directors, be converted into Ordinary Bell Financial shares on a one-for-one basis;

(c) each holder will receive the amount of $0.0001 per share on a winding up, ranking equally with all other classes of shares in the capital of the Company;

(d) they are transferable only to an A, B or C Class shareholder; and

(e) they have no voting rights in general meeting, no right to receive dividends of any kind, do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues, have no right to participate in any return of capital and are not quoted on ASX.

If the performance benchmarks are fully met then all A Class, B Class and C Class shares will be converted to Ordinary BFG shares on a one for one basis. If the benchmarks are not met, the purchase price is adjusted. As at the date of this report, as the first anniversary of completion has not yet been reached, none of the A, B or C Class shares have been converted to Ordinary shares. Further, none of those shares have been cancelled.

UBS Option

UBS has a three year option commencing December 2007 to acquire further shares in the Company which, when added to the number of shares held by UBS on the Company's 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 ASX.

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 the time of the Company's 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.

UBS chose not to subscribe for further shares following the issue of Ordinary shares to the former SCE shareholders in September 2008 as summarised on page 11. UBS retains its right to exercise its non-dilution rights in respect of any future issue of Ordinary shares, including upon conversion of any A, B or C Class shares.

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 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 from 12 December 2007, 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

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 2008, and the number of meetings attended by each Director, are set out below.

DIRECTOR	BOARD MEETINGS		GROUP RISK AND AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
Mr CM Bell (Director for the full year)	8	8	-	–	–	–
Mr DA Provan (Director for the full year)	7	8	–	–	2	2
Mr G Cubbin (Director for the full year)	8	8	7	7	2	2
Mr CE Coleman (Director for the full year)	8	8	7	7	2	2
Mr MJ Spry (appointed 8 January 2008)	7	8	7	7	2	2
Mr BR Potts (appointed 29 September 2008)	1	1	–	–	–	–

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 of the date of this report is as follows:

BELL FINANCIAL GROUP LTD	ORDINARY SHARES DIRECT	INDIRECT	TOTAL	OPTIONS
NAME				
Colin Bell	1,276,814	31,264,862	32,541,676	1,000,000
Alastair Provan	1,121,568	31,264,862	32,386,430	1,000,000
Graham Cubbin	130,000	–	130,000	50,000
Craig Coleman	1,772,283	–	1,772,283	–
Malcolm Spry	100,000	–	100,000	–
Brent Potts[1]	2,279,337	–	2,279,337	–

1. Mr Potts also has interests in 2,109,337 A Class shares, 2,109,337 B Class shares and 2,109,337 C Class shares in the Company.

There were no changes to Directors' interests in the Company's shares between 31 December 2008 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 2008				
Interim 2008 ordinary	3.0	6,829	Franked	30 September 2008

On 23 February 2009, the Directors declared a final dividend of 2 cents per share, payable on 27 March 2009. This amount is not accrued within the financial statements.

All dividends declared were fully franked at the tax rate of 30%.

Company secretary

The Company Secretary is Mr A Paul M Vine LLB (European) Hons, CSA (Affiliate). Mr Vine was appointed to the position in 2007 and is also the Company's General Counsel, with over 16 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 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. 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 pages 10 to 11.

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.

During 2008 there were three Non-Executive Directors on the Board – Mr Graham Cubbin, Mr Craig Coleman and Mr Malcolm Spry. Mr Cubbin and Mr Spry are independent Non-Executive directors. The Board did not consider that Mr Craig Coleman was an "independent" Director during 2008 due to his pre-existing role as a consultant to Bell Potter Securities, including his involvement with the listing of the Company in 2007 and various consultant roles performed in 2008. His status may change over time and this will be disclosed to the market in a timely manner. As at the date of this report the Board does not have 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.

CORPORATE GOVERNANCE (CONT.)

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. The Managing Director has authority to sub-delegate to the senior executive team. 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.

The Board is responsible for monitoring the senior executive team's performance. As part of the delegation of authority to manage the day-to-day affairs of the Company, the Managing Director carried out a performance evaluation for senior executives in late 2008.

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.

Until 8 January 2008 the members of the GRAC were Graham Cubbin (Chairman), Craig Coleman and Alastair Provan. This 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.

3.1 Group Risk and Audit Committee (cont.)

Following listing in December 2007, 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 from 8 January 2008 and 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 Remuneration 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 until 8 January 2008.

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 Remuneration 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 Remuneration Committee has the appropriate balance of experience, expertise and independence to enable it to discharge its functions effectively.

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

4. Board nominations and renewal

In 2007 the Board determined not to establish a separate Nominations Committee and this is the position as at the date of this report. 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.

A performance evaluation in accordance with the Board Charter was carried out in 2008 in relation to the Chairman, other Directors and the two Board committees.

There must be an election of Directors at each annual general meeting.

CORPORATE GOVERNANCE (CONT.)

4. Board nominations and renewal (cont.)

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.

A copy of the Trading Policy is available on Bell Financial's website.

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.

The Code provides that all potential or actual conflicts of interest must be avoided or disclosed. Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a Director on a board matter, the Director concerned would not receive the relevant board papers and would not be present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and the Group are set out in note 35 to the financial statements.

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.

The GRAC reviewed and approved the Company's Risk Management Policy and its Risk Management Plan in 2008. The GRAC reported to the Company's Board on these matters and the Board is satisfied that the Company's risk management and internal control system is appropriate.

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, credit risk and liquidity risk. These are examined in more detail in Note 3, Financial Risk Management.

5.5 Financial Reporting

The Managing Director and Chief Financial Officer have declared in writing to the Board that the declaration provided to the Board in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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;
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1.

CORPORATE GOVERNANCE (CONT.)

5. Company Policies (cont.)

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 internal controls and 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 Internal Audit and Risk Manager.

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 27 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 24 of the 27 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	Establish and disclose the functions reserved to the Board and those delegated to management	2	✓
1.2	Disclose the process for evaluating the performance of senior executives	2	✓
1.3	Provide the information indicated in the Guide to reporting on Principle 1	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 chair should be an independent Director	1.3	Non-comply
2.3	The roles of chair and Managing Director 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	Disclose the process for evaluating the performance of the board, committees and individual directors	4	✓
2.6	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 and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	5.3	✓
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees and disclose the policy or summary of that policy	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	The Board should establish an audit committee	3.1	✓
4.2	Structure the audit committee so that it: • consists of only Non-Executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the Board • has at least three members	3.1	✓ (from 8/1/08)
4.3	The audit committee should have a formal charter	3.1	✓
4.4	Provide the information indicated in Guide to reporting on Principle 4	3.1, 5.6, Directors' Report	✓

1. Cross references to the relevant sections of this corporate governance statement, the Director's Report, or to the Remuneration Report in the 2008 Annual Report.

CORPORATE GOVERNANCE (CONT.)

6. ASX corporate governance recommendations (cont.)

	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 executive level for that compliance and disclose those policies or a summary of those policies	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 a communications policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose the policy or a summary of that policy	5.1	✓
6.2	Provide the information indicated in Guide to reporting on Principle 6	5.1	✓
PRINCIPLE 7:	RECOGNISE AND MANAGE RISK		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	5.4	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	5.4	✓
7.3	The Board should disclose whether it has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently in all material respects in relation to financial reporting risks	5.5, Directors' Report	✓
7.3	Provide the information indicated in Guide to reporting on Principle 7	5.4, Directors' Report	✓
PRINCIPLE 8:	REMUNERATE FAIRLY AND RESPONSIBILITY		
8.1	The Board should establish a remuneration committee	3.2	✓
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive directors and senior executives	Remuneration Report	✓
8.3	Provide the information indicated in Guide to reporting on Principle 8	3.2, Remuneration Report, Directors' Report	✓

2. Cross references to the relevant sections of this corporate governance statement, the Director's Report, or to the Remuneration Report in the 2008 Annual Report.

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 (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 combination 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 ("STI") 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.

For the 2008 financial year, Colin Bell and Alastair Provan volunteered to forego any STI payable.

6. Long-term incentive (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 entered into service agreements with its Executive Chairman, Colin Bell, and its Managing Director, Alastair Provan, effective from listing in December 2007. 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 the service agreements on twelve (12) months notice, or immediately for cause. If those 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.

REMUNERATION REPORT

7. Service agreements (cont.)

7.2 Brent Potts

Mr Potts is the Executive Chairman of SCE and has an employment contract with SCE. That contract has a minimum term until the date upon which the SCE financial statements for the financial year ending 30 June 2011 are approved (subject to termination rights in certain circumstances and the right of SCE to terminate the contract by notice).

On appointment to the Bell Financial Board, Mr Potts was 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.

7.3 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. During 2008 Mr Coleman provided consultancy services to Bell Financial and was paid $625,000 in relation to those services. He also holds 1,772,283 shares (refer Related Parties, Note 35).

Mr Coleman is a director of Bell Direct.

7.4 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 annual remuneration package for those Directors is in the following section of this report.

NAME	DIRECTORS' FEES	SUPERANNUATION	TOTAL VALUE AMORTISATION OF LTI SHARE BASED PAYMENT OPTIONS	TOTAL
Mr G Cubbin	$91,743	$8,257	$436	$100,436
Mr C Coleman	$91,743	$8,257	–	$100,000
Mr M Spry[1]	$91,743	$8,257	–	$100,000

1. Actual director fee received was $90,450 and superannuation was $8,140 totalling $98,590 (adjusted to reflect appointment date).

7.5 Executives

All of the key executives are permanent employees of Bell Financial. Each executive has an employment contract with no fixed end date. Other than key executives employed by SCE, 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.

As part of the acquisition of SCE, the key SCE executives entered into new employment agreements including a minimum employment term until the date upon which the SCE financial statements for the financial year ending 30 June 2011 are approved (subject to termination rights in certain circumstances and the right of SCE to terminate the contract by notice).

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

REMUNERATION REPORT (CONT.)

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			
IN AUD		SALARY & FEES $	STI CASH[1] BONUS $	NON-MONETARY BENEFITS $	TOTAL $
DIRECTORS, EXECUTIVE DIRECTORS					
Colin Bell, Executive Chairman	2008	585,000	–	–	585,000
	2007	577,503	8,356,980	–	8,934,483
Alastair Provan, Managing Director	2008	530,838	–	–	530,838
	2007	531,368	8,356,980	–	8,888,348
Brent Potts, Director[2]	2008	91,000	–	–	91,000
	2007	–	–	–	–
NON-EXECUTIVE DIRECTORS					
Graham Cubbin	2008	91,743	–	–	91,743
	2007	38,226	–	–	38,226
Craig Coleman	2008	716,743	–		716,743
	2007	199,252	–	–	199,252
Malcolm Spry	2008	90,450	–	–	90,450
	2007	–	–	–	–
Total compensation: directors (consolidated)	**2008**	**2,105,774**	**–**	**–**	**2,105,774**
	2007	**1,346,349**	**16,713,960**	**–**	**18,060,309**
Total compensation: directors (company)	**2008**	**2,105,774**	**–**	**–**	**2,105,774**
	2007	**1,346,349**	**16,713,960**	**–**	**18,060,309**
EXECUTIVES					
Lewis Bell,	2008	260,442	–	–	260,442
Head of Compliance	2007	376,594	2,875,520	–	3,252,114
Andrew Bell,	2008	603,247	–	–	603,247
Executive Director of Bell Potter Securities	2007	1,317,552	2,875,520	–	4,193,072
Peter Burrows,	2008	1,292,061	–	–	1,292,061
Executive Director of Bell Potter Securities	2007	1,770,881	–	–	1,770,881
Mr Lionel McFadyen,	2008	1,443,713	–	–	1,443,713
Executive Director of Bell Potter Securities	2007	1,534,621	–	–	1,534,621
Mr Hugh Robertson,	2008	833,968	–	–	833,968
Executive Director of Bell Potter Securities	2007	6,860,067	–	–	6,860,067
Mr Dean Davenport, Chief Financial Officer	2008	206,871	250,000	–	456,871
and Chief Operating Officer	2007	207,392	250,000	–	457,392
Total compensation: key management	**2008**	**4,640,302**	**250,000**	**–**	**4,890,302**
personnel (consolidated)	**2007**	**12,067,107**	**6,001,040**	**–**	**18,068,147**
Total compensation: key management	**2008**	**4,640,302**	**250,000**	**–**	**4,890,302**
personnel (company)	**2007**	**12,067,107**	**6,001,040**	**–**	**18,068,147**

1. Colin Bell and Alastair Provan volunteered to forego any discretionary annual cash bonus in 2008.
The discretionary bonus paid in 2007 was paid in accordance with the pre-publicly listed executive bonus scheme.

2. Brent Potts was appointed on 29 September 2008.

3. Voluntary super contributions above the minimum legislative requirements are classified as post–employment benefits.

POST-EMPLOYMENT	OTHER LONG TERM		SHARE-BASED PAYMENTS			
SUPERANNUATION BENEFITS[3] $	$	TERMINATION BENEFITS $	TOTAL AMORTISATION VALUE OF LTI OPTIONS $	TOTAL $	PROPORTION OF REMUNERATION PERFORMANCE RELATED %	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION %
35,000	–	–	8,733	628,733	1%	1%
12,908	–	–	2,183	8,949,574	93%	–
13,437	–	–	8,733	553,008	2%	2%
12,908	–	–	2,183	8,903,439	94%	–
9,000	–	–	–	100,000	–	–
–	–	–	–	–	–	–
8,257	–	–	436	100,436	1%	1%
3,440	–	–	110	41,776	–	–
8,257			–	725,000	–	–
3,440	–	–	–	202,692	–	–
8,140	–	–	–	98,590	–	–
–	–	–	–	–	–	–
82,091	**–**	**–**	**17,902**	**2,205,767**	**1%**	**1%**
32,696	**–**	**–**	**4,476**	**18,097,481**	**92%**	**–**
82,091	**–**	**–**	**17,902**	**2,205,767**	**1%**	**1%**
32,696	**–**	**–**	**4,476**	**18,097,481**	**92%**	**–**
129,060	–	–	3,493	392,995	1%	1%
12,908	–	–	873	3,265,895	88%	–
94,300	–	–	–	697,547	–	–
89,967	–	–	–	4,283,039	67%	–
133,488	–	–	–	1,425,549	–	–
38,095	–	–	–	1,808,976	–	–
13,488	–	–	–	1,457,201	–	–
12,908	–	–	–	1,547,529	–	–
–	–	–	–	833,968	–	–
–	–	–	–	6,860,067	–	–
43,128	–	–	5,319	505,318	51%	1%
65,047	–	–	1,330	523,769	48%	–
413,464	**–**	**–**	**8,812**	**5,312,578**	**5%**	**–**
218,925	**–**	**–**	**2,203**	**18,289,275**	**33%**	**–**
413,464	**–**	**–**	**8,812**	**5,312,578**	**5%**	**–**
218,925	**–**	**–**	**2,203**	**18,289,275**	**33%**	**–**

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

A. In relation to the executive officers, the short-term incentive bonus is for performance during the financial year ended 31 December 2008 using the criteria set out in section 5 of the Remuneration Report.

B. Options were issued to directors and executives in October 2007. 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.

REMUNERATION REPORT (CONT.)

8. Directors' and executive officers' remuneration (Company and Consolidated) (cont.)

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 Group, which are exercisable on a one-for-one basis under the LTIP plan.

9. Options granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person in 2007 and details on options that were vested during the reporting period are outlined below. We note that no options were granted or vested in 2008.

	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 2007	$0.0262	$2.00	15 Dec 2011	–
Alastair Provan	1,000,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	–
Brent Potts	–	–	–	–	–	–
Graham Cubbin	50,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	–
Craig Coleman	–	–	–	–	–	–
Malcolm Spry	–	–	–	–	–	–
EXECUTIVES						
Lewis Bell	400,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	–
Andrew Bell	–	–	–	–	–	–
Peter Burrows	–	–	–	–	–	–
Lionel McFadyen	–	–	–	–	–	–
Hugh Robertson	–	–	–	–	–	–
Dean Davenport	608,959	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	–

The options were granted at no cost to the recipient. The options will vest on, and are exercisable on or for a period of 12 months after, a date three years from grant (the vesting date) provided that the executive remains employed as an executive or a director of the Company as at that date.

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.

REMUNERATION REPORT (CONT.)

9. Options granted as compensation (cont.)

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 2007	–	15 Dec 2010
Alastair Provan	1,000,000	10 Oct 2007	–	15 Dec 2010
Brent Potts	–	–	–	–
Graham Cubbin	50,000	10 Oct 2007	–	15 Dec 2010
Craig Coleman	–	–	–	–
Malcolm Spry	–	–	–	–
EXECUTIVES				
Lewis Bell	400,000	10 Oct 2007	–	15 Dec 2010
Andrew Bell	–	–	–	–
Peter Burrows	–	–	–	–
Lionel McFadyen	–	–	–	–
Hugh Robertson	–	–	–	–
Dean Davenport	608,959	10 Oct 2007	–	15 Dec 2010

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 OPTION VALUE IN YEAR $
DIRECTORS				
Colin Bell	–	–	–	–
Alastair Provan	–	–	–	–
Brent Potts	–	–	–	–
Graham Cubbin	–	–	–	–
Craig Coleman	–	–	–	–
Malcolm Spry	–	–	–	–
EXECUTIVES				
Lewis Bell	–	–	–	–
Andrew Bell	–	–	–	–
Peter Burrows	–	–	–	–
Lionel McFadyen	–	–	–	–
Hugh Robertson	–	–	–	–
Dean Davenport	–	–	–	–

A. The value of options granted 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 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.

REMUNERATION REPORT (CONT.)

9. Options granted as compensation (cont.)

9.5 Unissued shares under options

At the date of this report unissued ordinary shares of the Company granted to Directors and employees under option are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF OPTIONS
15 December 2010	$2.00	18,688,959

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 of 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 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 8. 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 25 and forms part of the Directors' report for financial year ended 31 December 2008.

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 *Executive Chairman*
23 February 2009

Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Bell Financial Group Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2008 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

Don Pasquariello – Partner
Melbourne
23 February 2009

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2008

		CONSOLIDATED $'000s		COMPANY $'000s	
	NOTE	2008	2007	2008	2007
Rendering of services	7.	144,561	218,126	–	–
Finance income	10.	30,887	8,725	899	172
Investing income	8.	(1,677)	1,606	6,829	15,265
Other income	9.	1,920	980	1,000	9,500
Total revenue		**175,691**	**229,437**	**8,728**	**24,937**
Employee expenses	12.	(102,822)	(170,434)	(86)	(27)
Depreciation & amortisation expenses		(1,542)	(1,421)	(164)	(190)
Occupancy expenses		(7,648)	(5,933)	–	–
Systems & communication expenses		(11,477)	(10,171)	–	–
Professional expenses		(2,789)	(4,070)	(26)	(2,986)
Finance expenses	10.	(19,262)	(2,051)	(36)	(67)
Other expenses	11.	(7,560)	(17,108)	(19)	(10,218)
Results from operating activities		**22,591**	**18,249**	**8,397**	**11,449**
Share of profit/(loss) of equity accounted investments net of income tax	19.	(1,236)	(55)	(1,236)	(55)
Profit before income tax		**21,355**	**18,194**	**7,161**	**11,394**
Income tax (expense) / benefit	13.	(6,918)	(8,474)	(321)	(1,792)
Profit for the year		**14,437**	**9,720**	**6,840**	**9,602**
ATTRIBUTABLE TO:					
Equity holders of the Company		14,437	9,720	6,840	9,602
Profit for the year		**14,437**	**9,720**	**6,840**	**9,602**
		CENTS	CENTS		
EARNINGS PER SHARE:					
Basic earnings per share (AUD)	30.	6.2	5.5		
Diluted earnings per share (AUD)	30.	6.2	5.5		

The notes on pages 30 to 58 are an integral part of these consolidated financial statements.

Statements of Recognised Income and Expense

FOR THE YEAR ENDED 31 DECEMBER 2008

	CONSOLIDATED $'000		COMPANY $'000	
	2008	2007	2008	2007
Effective portion of changes in fair value of cash flow hedges	(1,334)	–	–	–
Income and expense recognised directly in equity	**(1,334)**	**–**	**–**	**–**
Profit for the year	14,437	9,720	6,840	9,602
Total recognised income and expense for the year	**13,103**	**9,720**	**6,840**	**9,602**
ATTRIBUTABLE TO:				
Equity holders of the Company	13,103	9,720	6,840	9,602
Total recognised income and expense for the year	**13,103**	**9,720**	**6,840**	**9,602**

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

The notes on pages 30 to 58 are an integral part of these consolidated financial statements.

Balance Sheets

AS AT 31 DECEMBER 2008

	NOTE	CONSOLIDATED $'000 2008	CONSOLIDATED $'000 2007	COMPANY $'000 2008	COMPANY $'000 2007
ASSETS					
Cash and cash equivalents	14.	88,376	155,377	54	175
Trade and other receivables	15.	77,983	89,420	26,851	51,270
Loans and advances	21.	187,841	286,043	–	–
Financial assets	16.	8,160	9,149	–	–
Derivatives		–	280	–	–
Prepayments		869	533	–	–
Total current assets		**363,229**	**540,802**	**26,905**	**51,445**
Investment in controlled entities	16.	–	–	100,806	63,661
Other financial assets		20	20	–	–
Investments in equity accounted investees	19.	8,189	5,133	8,189	5,133
Loans and advances	21.	1,250	1,350	–	–
Deferred tax assets	20.	3,829	2,981	1,122	674
Property, plant and equipment	17.	3,478	3,868	343	507
Goodwill	18.	80,513	49,806	–	–
Intangible assets	18.	2,626	2,920	–	–
Total non-current assets		**99,905**	**66,078**	**110,460**	**69,975**
Total assets		**463,134**	**606,880**	**137,365**	**121,420**
LIABILITIES					
Trade and other payables	22.	103,898	119,010	–	894
Deposits and borrowings	23.	189,721	336,543	147	137
Current tax liabilities	24.	3,869	86	3,390	86
Derivative		1,334	–	–	–
Employee Benefits	26.	14,150	21,811	–	–
Provisions	25.	1,363	1,552	1,363	1,552
Total current liabilities		**314,335**	**479,002**	**4,900**	**2,669**
Deposits and borrowings	23.	246	393	246	393
Deferred tax liability	20.	121	–	–	–
Employee Benefits	26.	1,940	1,118	–	–
Total non-current liabilities		**2,307**	**1,511**	**246**	**393**
Total liabilities		**316,642**	**480,513**	**5,146**	**3,062**
Net assets		**146,492**	**126,367**	**132,219**	**118,358**
EQUITY					
Contributed equity	28.	147,742	133,891	147,742	133,891
Reserves	28.	14,129	7,855	99	89
Retained earnings / (losses)	28.	(15,379)	(15,379)	(15,622)	(15,622)
Total equity attributable to equity holders of the Company		**146,492**	**126,367**	**132,219**	**118,358**

The notes on pages 30 to 58 are an integral part of these consolidated financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2008

		CONSOLIDATED $'000s		COMPANY $'000s	
	NOTE	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		273,157	292,829	1,000	9,500
Cash paid to suppliers and employees		(191,641)	(234,518)	(320)	(3,535)
Cash generated from operations		81,516	58,311	680	5,965
Dividends received		140	–	6,829	15,265
Interest received		31,220	8,470	899	172
Interest paid		(18,445)	(2,052)	(36)	(67)
Income taxes paid		(4,320)	(11,191)	(3,196)	(11,191)
Net cash from operating activities	**27.**	**90,111**	**53,538**	**5,176**	**10,144**
CASH FLOWS FROM INVESTING ACTIVITIES					
Net proceeds from sale of investments		493	7,095	–	–
Net proceeds from sale of property, plant and equipment		–	–	–	–
Acquisition of subsidiary, net of cash acquired		(17,222)	–	(23,294)	(189)
Acquisition of property, plant and equipment		(364)	(537)	–	(51)
Acquisition of other investments		(4,292)	(1,508)	(4,292)	–
Net cash from investing activities		**(21,385)**	**5,050**	**(27,586)**	**(240)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from the issue of share capital		–	28,459	–	29,459
Repayment of borrowings		(133,531)	(3,429)	(1,031)	(1,641)
Related party loans (advanced) / received		560	21,001	30,149	(22,295)
Dividends paid		(6,829)	(15,256)	(6,829)	(15,255)
Net cash from financing activities		**(139,800)**	**30,775**	**22,289**	**(9,732)**
Net increase in cash and cash equivalents		(71,074)	89,363	(121)	172
Cash acquired from subsidiary		4,073	17,999	–	–
Cash and cash equivalents at 1 January		155,377	48,015	175	3
Cash and cash equivalents at 31 December	**27.**	**88,376**	**155,377**	**54**	**175**

The notes on pages 30 to 58 are an integral part of these consolidated financial statements.

Bell Financial Group Ltd (the "Company") is domiciled in Australia. The address of the Company's registered office is Level 29, 101 Collins Street, Melbourne, VIC. The consolidated financial statements of the Company comprise of the Company and its subsidiaries (the "Group" or "Consolidated Entity") and the Group's interest in associates.

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 23 February 2009.

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.

(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.

b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases. All controlled entities have a December 31 year end except Southern Cross Equities Limited (UK registered) and Southern Cross Equities (UK) Limited which have June 30 year ends.

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

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 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.

SPE's controlled by the Group were established under terms that impose strict limitations on the decision making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks 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 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. Securities held at balance date are valued by directors at market value at each balance date, with any unrealised gains and losses being taken to the income statement.

Interest income

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

Dividend income

Dividends are bought 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 Group'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 Group'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, investments in money market instruments maturing within less than 14 days (net of bank overdrafts) and short-term deposits with an original maturity of 3 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.

1 / SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Effective 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, investments in money market instruments maturing within less than 14 days and short-term deposits with original maturity of less than three months. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

h) Derivatives

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

Certain derivative instruments are held for trading for the purpose of making short-term gains. These derivatives do not qualify for hedge accounting. The right to receive options arising from the provision of services to corporate fee clients are valued using the Black Scholes model. On disposal of options any realised gains/losses are taken to the income statement. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred.

Derivative financial instruments are also used for hedging purposes to mitigate 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 dependant on the hedging designation.
The Company's designated an interest rate swap as a cash flow hedge during the period. Details of the hedging instrument are outlined below:

Cash flow hedges

Changes in the fair value of the derivative hedging instrument as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in the fair value are recognised in the profit and loss. Hedge effectiveness is tested on a six-monthly basis and is calculated using the dollar offset method. Effectiveness will be assessed on a cumulative basis by calculating the change in fair value of the interest rate swap as a percentage of the change in fair value of the designated hedge item. If the ratio change in the fair value is within the 80 – 125% range, the hedge is deemed to be effective.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

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.

1 / SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i) Impairment of assets (cont.)

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 3 trading days are carried at amounts 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. 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:

	2008	2007
Customer list	10 years	10 years

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. Impairment provisions are raised in the event, if the recoverable amount is less than the carrying value of the loan. Loans are secured by holding equities as collateral.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to 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 Company.

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:

1 / SIGNIFICANT ACCOUNTING POLICIES (CONT.)

r) Property, plant and equipment (cont.)

	2008	2007
Leasehold improvements	20 – 25%	20%
Office equipment	20 – 50%	25 – 40%
Furniture and fittings	20 – 50%	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 twelve 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.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a employee expense in profit or loss when they are due.

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) 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.

u) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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.

v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments.

The business segments are determined based on the Group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

1 / SIGNIFICANT ACCOUNTING POLICIES (CONT.)

w) New standards and interpretations not yet adopted (cont.)

Revised AASB 3, which becomes mandatory for the Group's 31 December 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

– Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 December 2009 financial statements.

– AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 31 December 2009 financial statements, will required a change in the presentation on and disclosure of 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 segment information in respect of its business and geographical segments (see note 6).

– Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 December 2009 financial statements, is not expected to have a significant impact on the presentation of the consolidated financial statements.

– AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 31 December 2009 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

– AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 31 December 2009 financial statements. The Group has not yet determined the potential effect of the amendments.

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 Director's opinion, no such impairment exists beyond that provided at 31 December 2008.

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 2008, 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 2008.

Intangible assets

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

Bell Foreign Exchange and Futures business

The amortisation period for the acquired intangible assets of the 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, Bell Foreign Exchange and Futures and Southern Cross Equities 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, credit risk and liquidity risk. These are examined in more details below.

3 / FINANCIAL RISK MANAGEMENT (CONT.)

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Group Risk and Audit Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposures with acceptable parameters, while optimising return.

Equity price risk

All instruments are subject to the risk that future changes in market conditions may make an instrument less valuable. As trading instruments are valued with reference to the market or Black Scholes model, changes in equity prices directly affect reported income in each period. The Group monitors equity price movements to ensure there is no material impact on the Group's activities.

Interest rate risk

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

The Board has also approved the use of derivatives, in the form of interest rate swaps, to mitigate its exposure to interest rate risk. Changes in the fair value and effectiveness of interest rate swaps (which are a designated cash flow hedging instrument) are monitored on a six-monthly basis.

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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

Credit risk

Credit risk is the financial loss to the Group if a debtor or counterparty to a financial instrument fails to meet its contractual obligations.

Trade and other receivables

The credit risk for these accounts is that financial assets recognised on the balance sheet exceed their carrying amount, net of any provisions for doubtful debts. In relation to client debtors, the Group's 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.

Margin Lending

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. This collateral is generally in the form of the underlying security the margin loan is used to invest in. Loan to value ratios (LVRs) are assigned to determine the amounts of lending allowing against each security.

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.

4 / DETERMINATION OF FAIR VALUES (CONT.)

Derivatives

The fair value of interest rate swaps is based on a mark-to-market model with reference to prevailing fixed and floating interest rates. These quotes are tested for reasonableness by discounting estimated future cash flows based on term to maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of options is determined using the Black Scholes option-pricing model.

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.

5 / BUSINESS COMBINATIONS

On 30 September 2008, the Company completed its acquisition of all of the issued capital of Southern Cross Equities Limited (SCE). The purchase price of $145.8m was calculated by reference to a multiple of normalised SCE financial year 2008 net profit after-tax and is subject to revenue performance benchmarks being met in 2009, 2010 and 2011. The price is payable as to 50% in cash and as to 50% in Bell Financial shares. The total price would, if paid, represent approximately 20% of the issued capital of Bell Financial. One quarter of the cash consideration was paid on completion (30 September 2008) and three further payments will be made in 2009, 2010 and 2011 respectively, subject to certain performance benchmarks being met. The scrip component of the consideration (issued at $1.25 per BFG share) was satisfied by the issue of 14,580,000 Ordinary shares, 14,580,000 A Class, 14,580,000 B Class and 14,580,000 C Class shares on 30 September 2008. Refer to the Director's Report for additional detail regarding rights associated with A, B and C Class shares.

In the three months to 31 December 2008, the subsidiary contributed an after-tax loss of $247,620.

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 & cash equivalents	4,073	–	4,073
Trade & other receivables	4,164	(636)	3,528
Non-current assets	1,316	–	1,316
Trade & other payables	(3,731)	–	(3,731)
Non-current liabilities	(747)	–	(747)
Net identifiable assets and liabilities	**5,075**	**(636)**	4,439
Goodwill on acquisition			30,707
			35,146
Consideration			
Cash			18,225
Transaction costs			3,070
Scrip for scrip			13,851
Total consideration			**35,146**
Scrip consideration			(13,851)
Cash acquired			(4,073)
Net cash outflow			**17,222**

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.

6 / SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

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

– Margin lending and deposits

– Futures and foreign exchange (FX)

– Associate

6 / SEGMENT REPORTING (CONT.)

	EQUITIES 2008 $ '000	MARGIN LENDING & DEPOSITS 2008 $ '000	FUTURES & FX 2008 $ '000	ASSOCIATE 2008 $ '000	ELIMINATIONS 2008 $ '000	CONSOLIDATED 2008 $ '000
Revenue from operations	142,635	23,644	9,412	–	–	175,691
Profit / (loss) after tax	11,986	768	1,683	–	–	14,437
Segment assets	152,757	250,889	64,299	–	(13,000)	454,945
Investment in associates	–	–	–	8,189	–	8,189
Total assets	**152,757**	**250,889**	**64,299**	**8,189**	**(13,000)**	**463,134**
Segment liabilities	63,607	209,420	56,615	–	(13,000)	316,642
Total liabilities	**63,607**	**209,420**	**56,615**	**–**	**(13,000)**	**316,642**
OTHER SEGMENT DETAILS						
Depreciation / amortisation	(1,542)	–	–	–	–	(1,542)
Share of net losses of associates	–	–	–	(1,236)	–	(1,236)

	EQUITIES 2007 $ '000	MARGIN LENDING & DEPOSITS 2007 $ '000	FUTURES & FX 2007 $ '000	ASSOCIATE 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	189,409	398,501	31,397	–	(17,560)	601,747
Investment in associates	–	–	–	5,133	–	5,133
Total assets	**189,409**	**398,501**	**31,397**	**5,133**	**(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 / amortisation	(1,421)	–	–	–	–	(1,421)
Share of net losses of associates	–	–	–	(55)	–	(55)

Geographical segments

The entity operates entirely within Australia.

7 / RENDERING OF SERVICES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Brokerage	116,434	152,272	–	–
Corporate fee income	8,789	46,967	–	–
Trailing commissions	10,907	8,459	–	–
Portfolio administration fees	8,354	10,237	–	–
Other	77	191	–	–
	144,561	**218,126**	**–**	**–**

8 / INVESTING INCOME

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Dividends received	140	83	6,829	15,265
Profit / (loss) on trading securities	(121)	703	–	–
House unrealised profit / (loss) on listed securities	(1,696)	820	–	–
	(1,677)	**1,606**	**6,829**	**15,265**

9 / OTHER INCOME

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bad debts recovered	23	–	–	–
Management fee	–	–	1,000	9,500
Sundry income	1,897	980	–	–
	1,920	**980**	**1,000**	**9,500**

10 / FINANCE INCOME AND EXPENSES

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Interest income on bank deposits	7,420	5,250	19	80
Interest income on loans and advances	23,467	2,223	–	–
Interest income from related parties	–	1,252	880	92
Total finance income	**30,887**	**8,725**	**899**	**172**
Bank interest expense	(944)	(102)	(36)	(67)
Interest expense on deposits	(18,318)	(1,857)	–	–
Interest paid to related parties	–	(92)	–	–
Total finance expense	**(19,262)**	**(2,051)**	**(36)**	**(67)**
Net finance income / (expense)	**11,625**	**6,674**	**863**	**105**

11 / OTHER EXPENSES FROM ORDINARY ACTIVITIES

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Legal expenses	–	(481)	–	(474)
Employee share offer	–	(9,739)	–	(9,739)
Sundry expenses	(7,560)	(6,888)	(19)	(5)
	(7,560)	**(17,108)**	**(19)**	**(10,218)**

12 / EMPLOYEE EXPENSES

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Wages and salaries	(87,291)	(150,501)	–	–
Superannuation	(8,819)	(10,216)	–	–
Payroll tax	(5,014)	(7,952)	–	–
Other employee expenses	(1,612)	(1,738)	–	–
Equity based expense	(86)	(27)	(86)	(27)
	(102,822)	**(170,434)**	**(86)**	**(27)**

13 / INCOME TAX EXPENSE

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
CURRENT TAX EXPENSE				
Current period	7,414	8,425	141	1,872
Adjustment for prior periods	(21)	–	(88)	–
	7,393	**8,425**	**53**	**1,872**
DEFERRED TAX EXPENSE				
Origination and reversal of temporary differences	(475)	49	268	(80)
Change in unrecognised temporary differences	–	–	–	–
Total income tax expense / (benefit)	**6,918**	**8,474**	**321**	**1,792**

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

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Accounting profit (before income tax)	21,355	18,194	7,161	11,394
Income tax using the Company's domestic tax rate of 30% (2007: 30%)	6,407	5,458	2,148	3,418
Non-deductible expenses	532	3,016	309	2,955
Tax exempt income	–	–	(2,048)	(4,581)
Adjustments in respect of current income tax of previous year	(21)	–	(88)	–
Change in unrecognised temporary differences	–	–	–	–
	6,918	**8,474**	**321**	**1,792**

Tax consolidation

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

14 / CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash on hand	9	5	–	–
Cash at bank	12,523	7,999	54	175
Short-term deposits	31,543	45,073	–	–
Cash at bank (Margin Lending)	19,940	12,170	–	–
Cash at bank (Trust account)	13,332	23,717	–	–
Segregated fund bank balances	11,029	11,373	–	–
Short-term deposits (Margin Lending)	–	55,040	–	–
Cash and cash equivalents in the statement of cash flows	**88,376**	**155,377**	**54**	**175**

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) represents 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 7 days and 31 days.

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

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

15 / TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Trade debtors	29,600	74,709	–	–
Less: Impairment	(214)	(261)	–	–
	29,386	**74,448**	**–**	**–**
Due from related entities	–	560	26,851	51,270
Segregated deposits with clearing brokers	44,333	11,433	–	–
Sundry debtors	4,264	2,979	–	–
	77,983	**89,420**	**26,851**	**51,270**

The movement for the allowance in impairment in respect of loans and receivables during the year was as follows:

Balance at 1 January	261	74	–	–
Bad debts written off/recovered	(47)	187	–	–
Balance at 31 December	**214**	**261**	**–**	**–**

16 / FINANCIAL ASSETS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT INVESTMENTS (AT FAIR VALUE)				
Shares in listed corporations	1,832	3,229	–	–
Unlisted options held for trading at fair value	1,066	–	–	–
Unit – Managed Investment Schemes	5,262	5,920	–	–
	8,160	**9,149**	**–**	**–**
NON-CURRENT INVESTMENTS (AT COST)				
Investment in subsidiaries	–	–	100,806	63,661
	–	**–**	**100,806**	**63,661**

17 / PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	FIXTURES AND FITTINGS $ '000	OFFICE EQUIPMENT $ '000	LEASEHOLD IMPROVEMENTS $ '000	TOTAL $ '000
YEAR ENDED 31 DECEMBER 2008				
Balance at 1 January 2008 (net accumulated depreciation)	722	1,452	1,694	3,868
Additions	29	94	241	364
Acquisitions through business combinations	84	250	160	494
Disposals	–	–	–	–
Revaluations	–	–	–	–
Impairment loss	–	–	–	–
Depreciation charge for the year	(144)	(615)	(489)	(1,248)
Balance at 31 December 2008	**691**	**1,181**	**1,606**	**3,478**
BALANCE AT 1 JANUARY 2008				
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**
BALANCE AT 31 DECEMBER 2008				
Cost	1,957	6,338	5,441	13,736
Accumulated depreciation	(1,266)	(5,157)	(3,835)	(10,258)
Net carrying amount	**691**	**1,181**	**1,606**	**3,478**

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)
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)	(7,672)
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**

17 / PROPERTY, PLANT AND EQUIPMENT (CONT.)

COMPANY	OFFICE EQUIPMENT $ '000	LEASEHOLD IMPROVEMENTS $ '000	FIXTURES AND FITTINGS $ '000	TOTAL $ '000
YEAR ENDED 31 DECEMBER 2008	507	–	–	507
Balance at 1 January 2008 (net of accumulated depreciation)	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Depreciation charge for the year	(164)	–	–	(164)
Balance at 31 December 2008	**343**	**–**	**–**	**343**
BALANCE AT 1 JANUARY 2008				
Cost	672	–	–	672
Accumulated depreciation	(165)	–	–	(165)
Net carrying amount	**507**	**–**	**–**	**507**
BALANCE AT 31 DECEMBER 2008				
Cost	672	–	–	672
Accumulated depreciation	(329)	–	–	(329)
Net carrying amount	**343**	**–**	**–**	**343**

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	–	–	–	–
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**

18 / INTANGIBLE ASSETS

	CONSOLIDATED			COMPANY		
	GOODWILL $ '000	IDENTIFIABLE INTANGIBLES $ '000	TOTAL $ '000	GOODWILL $ '000	IDENTIFIABLE INTANGIBLES $ '000	TOTAL $ '000
YEAR ENDED 31 DECEMBER 2008						
Balance at 1 January 2008	49,806	2,920	52,726	–	–	–
Additions through business combinations	30,707	–	30,707	–	–	–
Amortisation / impairment	–	(294)	(294)	–	–	–
Balance at 31 December 2008	**80,513**	**2,626**	**83,139**	**–**	**–**	**–**
BALANCE AT 1 JANUARY 2008						
Cost (gross carrying amount)	49,806	2,945	52,751	–	–	–
Accumulated amortisation/impairment	–	(25)	(25)	–	–	–
Net carrying amount	**49,806**	**2,920**	**52,726**	**–**	**–**	**–**
BALANCE AT 31 DECEMBER 2008						
Cost (gross carrying amount)	80,513	2,945	83,458	–	–	–
Accumulated amortisation/ impairment	–	(319)	(319)	–	–	–
Net carrying amount	**80,513**	**2,626**	**83,139**	**–**	**–**	**–**

	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**	**–**	**–**	**–**

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, Bell Foreign Exchange and Futures and Southern Cross Equities 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 (after tax) in its equity accounted investees for the year was $1,236,340.

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) AFTER TAX $ '000
2008						
Third Party Platform Pty Ltd	36%	9,207	(4,186)	809	(6,722)	(4,210)
(Bell Direct)		**9,207**	**(4,186)**	**809**	**(6,722)**	**(4,210)**
2007						
Third Party Platform Pty Ltd	25%	2,159	(387)	12	(2,894)	(2,422)
(Bell Direct)		**2,159**	**(387)**	**12**	**(2,894)**	**(2,422)**

In September 2008, the Company participated in a rights issue increasing its stake in Bell Direct from 25% to 36%. The contribution of additional capital in Bell Direct was made on the basis that the Company's existing call option (outlined in last year's annual report) was renegotiated.

Under the renegotiated call option arrangements, the company now has a call option to purchase all the Bell Direct shares it does not own, taking its holding to 100%. The exercise price of the new call option is to be satisfied by the Company issuing new shares and values all of Bell Direct's existing share capital at $70 million. The right to exercise the new option has been extended by 12 months to 31 January 2011.

20 / DEFERRED TAX ASSETS

Deferred tax assets are attributable to the following:

The balance comprises temporary differences attributable to:

	BALANCE SHEET		INCOME STATEMENT	
CONSOLIDATED	2008 $000	2007 $000	2008 $000	2007 $000
Depreciation	584	584	(16)	12
Employee benefits	1,333	780	135	(1,335)
Other items	1,912	1,617	356	1,274
Gross deferred income tax assets	**3,829**	**2,981**		
Deferred income tax charge			**475**	**(49)**
PARENT	2008 $000	2007 $000	2008 $000	2007 $000
Depreciation	210	216	(6)	(3)
Other items	912	458	(262)	83
Gross deferred income tax assets	**1,122**	**674**		
Deferred income tax charge			**(268)**	**80**

Deferred tax liabilities are attributable to the following:

The balance comprises temporary differences attributable to:

	BALANCE SHEET		INCOME STATEMENT	
CONSOLIDATED	2008 $000	2007 $000	2008 $000	2007 $000
Revaluation of investments	121	–	–	–

There are no deferred tax liabilities for the Company in 2007 and 2008.

21 / LOANS AND ADVANCES

	CONSOLIDATED		COMPANY	
	2008 $000	2007 $000	2008 $000	2007 $000
CURRENT				
Margin lending	187,841	286,043	–	–
NON-CURRENT				
Margin lending	1,250	1,350	–	–

22 / TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT				
Settlement obligations	37,354	79,585	–	–
Sundry creditors and accruals	8,709	14,189	–	–
Segregated client liabilities	57,835	24,342	–	–
Other borrowings	–	894	–	894
	103,898	**119,010**	**–**	**894**

Settlements obligations are non-interest bearing and are normally settled on 3-day terms. Sundry creditors are normally settled on 60-day terms.

23 / DEPOSITS AND BORROWINGS

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

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT LIABILITIES				
Finance lease liabilities	147	137	147	137
Deposits (cash account)[1]	142,074	156,406	–	–
Cash advance facility[1,2]	47,500	180,000	–	–
	189,721	**336,543**	**147**	**137**
NON-CURRENT LIABILITIES				
Finance lease liabilities	246	393	246	393
Bank bills	–	–	–	–
	246	**393**	**246**	**393**

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

2. Represents drawn funds from available cash advance facility of $250 million.

Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 32.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2008		2007	
CONSOLIDATED	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE $ '000	CARRYING AMOUNT $ '000	FACE VALUE $ '000	CARRYING AMOUNT $ '000
Cash advance facility*	AUD	5.21%	2009	47,500	47,500	180,000	180,000
Deposits (Cash Account)*	AUD	3.78%	2009	142,074	142,074	156,406	156,406
Finance lease liabilities	AUD	7.76%	2010	393	393	530	530
				189,967	**189,967**	**336,936**	**336,936**

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

				2008		2007	
COMPANY	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE $ '000	CARRYING AMOUNT $ '000	FACE VALUE $ '000	CARRYING AMOUNT $ '000
Finance lease liabilities	AUD	7.76%	2010	393	393	530	530
				393	**393**	**530**	**530**

23 / DEPOSITS AND BORROWINGS (CONT.)

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

CONSOLIDATED	MINIMUM LEASE PAYMENTS 2008 $ '000	INTEREST 2008 $ '000	PRINCIPAL 2008 $ '000	MINIMUM LEASE PAYMENTS 2007 $ '000	INTEREST 2007 $ '000	PRINCIPAL 2007 $ '000
Less than one year	173	26	147	190	53	137
Between one and five years	258	12	246	415	22	393
More than five years	–	–	–	–	–	–
	431	**38**	**393**	**605**	**75**	**530**

COMPANY	MINIMUM LEASE PAYMENTS 2008 $ '000	INTEREST 2008 $ '000	PRINCIPAL 2008 $ '000	MINIMUM LEASE PAYMENTS 2007 $ '000	INTEREST 2007 $ '000	PRINCIPAL 2007 $ '000
Less than one year	173	26	147	190	53	137
Between one and five years	258	12	246	415	22	393
More than five years	–	–	–	–	–	
	431	**38**	**393**	**605**	**75**	**530**

24 / CURRENT TAX LIABILITIES

The current tax liability for the Group is $3,869,423 (2007: $85,885) and for the Company is $3,389,951 (2007: $85,885). These amounts represent 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 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
CURRENT				
Legal provision	1,250	1,525	1,250	1,525
Other	113	27	113	27
	1,363	**1,552**	**1,363**	**1,552**

	CONSOLIDATED 2008 $0'00	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Balance at 1 January	1,552	950	1,552	950
Arising during the year	86	602	86	602
Utilised	(275)	–	(275)	–
Balance at 31 December	**1,363**	**1,552**	**1,363**	**1,552**

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 liability beyond the amounts provided at 31 December 2008.

26 / EMPLOYEE BENEFITS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT				
Salaries and wages accrued	11,646	20,209	–	–
Liability for annual leave	2,504	1,602	–	–
Total employee benefits – current	**14,150**	**21,811**	**–**	**–**
NON-CURRENT				
Liability for long-service leave	1,940	1,118	–	–
Total employee benefits – non-current	**1,940**	**1,118**	**–**	**–**

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

	CONSOLIDATED		COMPANY	
	2008	2007	2008	2007
Assumed rate of increase on wage / salaries	5.5%	5.7%	–	–
Discount rate	6.5%	6.6%	–	–
Settlement term (years)	7	10	–	–
Number of employees at year end	703	649	–	–

27 / RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	CONSOLIDATED		COMPANY	
	2008 $000	2007 $000	2008 $000	2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit from ordinary activities after tax:	14,437	9,720	6,840	9,602
Adjustments for:				
Depreciation & amortisation	1,542	1,448	164	216
Provision for doubtful debts	9	192	–	–
Net gain / loss on sale of investments	121	(703)	–	–
Employee expenses – IPO	–	9,739	–	9,739
Unrealised gain / loss on investments	1,696	(820)	–	–
Share of losses of equity accounted investees	1,236	55	1,236	55
Equity settled share-based payments	86	27	86	27
Operating profit before changes in working capital	**19,127**	**19,658**	**8,326**	**19,639**
(Increase) / decrease current receivables	13,448	2,117	(4,923)	(3,864)
(Increase) / decrease other current assets	5	(162)	–	–
(Increase) / decrease deferred tax assets	(100)	44	(448)	(79)
(Increase) / decrease loans & advances	94,218	(18,367)	–	–
Increase / (decrease) current payables	(17,047)	4,609	(894)	(894)
Increase / (decrease) current loans & borrowings	(15,989)	24,467	–	9
Increase / (decrease) current tax liabilities	3,101	(2,423)	3,304	(2,423)
Increase / (decrease) current provisions	(8,537)	(589)	(189)	602
Increase / (decrease) other current liabilities	1,614	–	–	–
Increase / (decrease) non-current payables	–	(894)	–	(894)
Increase / (decrease) non-current loans & borrowings	–	28,351	–	(1,651)
Increase / (decrease) non-current provisions	271	(3,273)	–	(301)
Net cash from operating activities	**90,111**	**53,538**	**5,176**	**10,144**

27 / RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (CONT.)

	CONSOLIDATED		COMPANY	
	2008 $000	2007 $000	2008 $000	2007 $000
RECONCILIATION OF CASH				
For the purpose of the cash flow statement, cash and cash equivalents comprise:				
Cash at bank / on hand	12,532	8,004	54	175
Cash at bank (Margin Lending)	19,940	12,170	–	–
Cash at bank (Trust account)	13,332	22,181	–	–
Segregated fund bank balances	11,029	12,909	–	–
Short-term deposits	31,543	45,073	–	–
Short-term deposits Margin Lending	–	55,040	–	–
	88,376	**155,377**	**54**	**175**

28 / CAPITAL AND RESERVES

Share capital

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
ORDINARY SHARES				
On issue at 1 January	133,891	39,693	133,891	39,693
Issued for cash	–	31,691	–	31,691
Scrip for scrip	13,851	55,000	13,851	55,000
Other	–	7,507	–	7,507
Exercise of share options	–	–	–	–
On issue at 31 December	**147,742**	**133,891**	**147,742**	**133,891**

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
		131,170,875
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**
1 January 2008	Opening Balance	227,630,523
30 September 2008	Share issue (SCE acquisition)	14,580,000
31 December 2008	**Balance**	**242,210,523**

In addition to Ordinary shares, there are a further 14,580,000 A Class, 14,580,000 B Class and 14,580,000 C Class shares that were also issued on completion of the SCE acquisition. These have no voting rights.

The authorised capital of the Group is $147,741,922 representing 242,210,523 fully paid ordinary shares.

The Group has also 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. For a description of Class A, B and C shares, refer to the Directors' Report.

28 / CAPITAL AND RESERVES (CONT.)

Reserves

	CASH FLOW HEDGE RESERVE $ '000	CONSOLIDATED DISTRIBUTABLE PROFITS RESERVE $ '000	TOTAL RESERVES $ '000	OTHER RESERVES $ '000	COMPANY DISTRIBUTABLE PROFITS RESERVE $ '000	TOTAL RESERVES $ '000
Balance at 1 January 2007	–	13,390	13,390	–	5,742	5,742
Transfer of retained earnings	–	9,720	9,720	–	9,602	9,602
Dividends paid	–	(15,255)	(15,255)	–	(15,255)	(15,255)
Balance at 31 December 2007	**–**	**7,855**	**7,855**	**–**	**89**	**89**
Balance at 1 January 2008	–	7,855	7,855	–	89	89
Transfer of retained earnings	–	14,437	14,437	–	6,839	6,839
Dividends	–	(6,829)	(6,829)	–	(6,829)	(6,829)
Effective cashflow hedge movements	(1,334)	–	(1,334)	–	–	–
Balance at 31 December 2008	**(1,334)**	**15,463**	**14,129**	**–**	**99**	**99**

Distributable profits reserve

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

Cashflow hedging reserve

The cashflow hedging reserve comprises the effective portion of the cumulative net change in the fair value of the interest rate swap related to hedged transactions that have not yet occurred.

Retained profits

	CONSOLIDATED RETAINED PROFITS 2008 $'000	CONSOLIDATED RETAINED PROFITS 2007 $'000	COMPANY RETAINED PROFITS 2008 $'000	COMPANY RETAINED PROFITS 2007 $'000
Balance 1 January	(15,379)	(15,379)	(15,622)	(15,622)
Profit for the year	14,437	9,720	6,839	9,602
Transfer to distributable profit reserve	(14,437)	(9,720)	(6,839)	(9,602)
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
2008				
Interim 2008 ordinary	3.0	6,829	Franked	30 September 2008
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**		

On 23 February 2009, the Directors declared a final dividend of 2 cents per share, payable on 27 March 2009. This amount is not accrued within the financial statements.

	COMPANY 2008 $'000	COMPANY 2007 $'000
Dividend franking account 30 per cent franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	9,026	5,621

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.

30 / EARNINGS PER SHARE

Earnings per share at 31 December 2008 based on profit and a weighted average number of shares outlined below was 6.2 cents (2007: 5.5 cents). Diluted earnings per share at 31 December 2008 was 6.2 cents (2007: 5.5 cents).

Reconciliation of earnings used in calculating EPS

	CONSOLIDATED	
	2008 $'000	2007 $'000
BASIC EARNINGS PER SHARE		
Profit from continuing operations	14,437	9,720
Profit attributable to ordinary equity holders used for basic EPS	**14,437**	**9,720**
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE		
Profit attributable to ordinary equity holders used to calculate basic EPS	14,437	9,720
Effect of stock options issued	–	–
Profit attributable to ordinary equity holders used for diluted EPS	**14,437**	**9,720**

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

	CONSOLIDATED	
	2008 NUMBER	2007 NUMBER
Weighted average number of ordinary shares used to calculate basic EPS	231,305,482	177,192,739
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
Effect of stock options granted	–	194,487
Weighted average number of ordinary shares at year-end	231,305,482	177,387,266
Weighted average number of ordinary shares used to calculate diluted EPS	**231,305,482**	**177,387,266**

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.

31 / SHARE-BASED PAYMENTS (CONT.)

Fair value of options granted

There were no options granted during the year to 31 December 2008. The assessed fair value at grant date of options issued in 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 Dec 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 a follows:

	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS
	2008	2008	2007	2007
Outstanding 1 January	$2.00	19,793,959	–	–
Granted during the year	–	–	$2.00	19,793,959
Forfeited during period	–	(1,105,000)	–	–
Outstanding 31 December	**$2.00**	**18,688,959**	**$2.00**	**19,793,959**
Exercised 31 December	**–**	**–**	**–**	**–**

Expenses arising from share-based payment transactions

	CONSOLIDATED		COMPANY	
	2008 $'000s	2007 $'000s	2008 $'000s	2007 $'000s
Share options granted in 2007 – equity settled	86	27	86	27
Total expense recognised as employee costs	**86**	**27**	**86**	**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. A loan to value ratio (LVR) is determined for each security with regard to market weight, index membership, liquidity, volatility, dividend yield, industry sector and advice from Bell Financial's research department. A risk analyst performs a review of the LVR and the recommendation is submitted to management. Management does not expect any counterparty to fail to meet its obligations.

Advisers and clients are provided with early warning of accounts in deficit from 5% up to 10% and clients receive a margin call if their account is in deficit by more than 10%. Margin calls are made based on the end-of-day position but can be made intraday at management's discretion.

At the reporting date there were no significant concentrations of credit risk other than one client margin loan that exceeds 10% of the margin lending book. This loan has been approved in accordance with the Group's lending policy. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet as outlined below:

		CONSOLIDATED		COMPANY	
	NOTE	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade debtors	15.	29,600	74,709	–	–
Amounts due from related entities	15.	–	560	26,851	51,270
Segregated deposits with clearing brokers	15.	44,333	11,433	–	–
Loans and advances	21.	189,091	287,393	–	–
Derivative asset		–	280	–	–

32 / FINANCIAL INSTRUMENTS (CONT.)

The aging of trade receivables at reporting date is outlined below.

CONSOLIDATED	GROSS 2008 $ '000	IMPAIRMENT 2008 $ '000	GROSS 2007 $ '000	IMPAIRMENT 2007 $ '000
AGING OF RECEIVABLES				
Not past due	29,640	–	68,832	–
Past due 0 – 30 days	746	–	5,616	–
Past due 31 –120 days	–	–	188	(188)
More than one year	214	(214)	73	(73)

COMPANY	GROSS 2008 $ '000	IMPAIRMENT 2008 $ '000	GROSS 2007 $ '000	IMPAIRMENT 2007 $ '000
AGING OF RECEIVABLES				
Not past due	–	–	–	–
Past due 0 – 30 days	–	–	–	–
Past due 31 – 120 days	–	–	–	–
More than one year	–	–	–	–

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

Liquidity Risk

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

CONSOLIDATED 2008	CARRYING AMOUNT $ '000	CONTRACTED CASHFLOW $ '000	6-MONTHS OR LESS $ '000	6-12 MONTHS $ '000	1-2 YEARS $ '000	2-5 YEARS $ '000	5+ YEARS $ '000
NON-DERIVATIVE LIABILITIES							
Trade & other payables	103,898	(103,898)	(103,898)	–	–	–	–
Finance lease liabilities	393	(431)	(87)	(87)	(257)	–	–
Cash deposits	142,074	(142,074)	(142,074)	–	–	–	–
Cash advance facilities	47,500	(47,500)	(47,500)	–	–	–	–
Derivative liabilities							
Hedging derivative	1,334	(1,157)	(1,157)	–	–	–	–

COMPANY 2008	CARRYING AMOUNT $ '000	CONTRACTED CASHFLOW $ '000	6-MONTHS OR LESS $ '000	6-12 MONTHS $ '000	1-2 YEARS $ '000	2-5 YEARS $ '000	5+ YEARS $ '000
NON-DERIVATIVE LIABILITIES							
Trade & other payables	–	–	–	–	–	–	–
Finance lease liabilities	393	(431)	(87)	(87)	(257)	–	–

CONSOLIDATED 2007	CARRYING AMOUNT $ '000	CONTRACTED CASHFLOW $ '000	6-MONTHS OR LESS $ '000	6-12 MONTHS $ '000	1-2 YEARS $ '000	2-5 YEARS $ '000	5+ YEARS $ '000
Trade & other payables	119,010	(119,010)	(119,010)	–	–	–	–
Finance lease liabilities	530	(605)	(112)	(140)	(175)	(178)	–
Cash deposits	156,406	(156,406)	(156,111)	(295)	–	–	–
Cash advance facilities	180,000	(180,000)	–	(180,000)	–	–	–

COMPANY 2007	CARRYING AMOUNT $ '000	CONTRACTED CASHFLOW $ '000	6-MONTHS OR LESS $ '000	6-12 MONTHS $ '000	1-2 YEARS $ '000	2-5 YEARS $ '000	5+ YEARS $ '000
Trade & other payables	894	(894)	(894)	–	–	–	–
Finance lease liabilities	530	(605)	(112)	(140)	(175)	(178)	–

32 / FINANCIAL INSTRUMENTS (CONT.)

Liquidity Risk (cont.)

The Group manages liquidity by maintaining reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching up maturity profiles of financial assets and liabilities. Rolling cash projections are used to monitor cash flow requirements and optimise cash returns on investments. A bank facility is also available to be drawn upon in order to meet both short and long-term liquidity requirements.

Interest Rate Risk

The Group's investments in fixed-rate debt securities and its fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. An interest rate swap is used to hedge exposure to fluctuations in interest rates. Changes in the fair value of this derivative hedging instrument are recognised directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in the fair value are recognised in the profit and loss.

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

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.

2008

CONSOLIDATED	NOTE	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
FIXED RATE INSTRUMENTS								
Cash and cash equivalents	14.	4.54%	31,543	31,543	–	–	–	–
Finance lease liabilities	23.	7.76%	(393)	(72)	(75)	(246)	–	–
Loans & advances	21.	9.44%	56,935	55,585	100	1,250	–	–
Deposits & borrowings	23.	5.91%	(8,743)	(8,743)	–	–	–	–
Cash advance facility	23.	7.65%	(47,500)	–	(47,500)	–	–	–
		–	**31,842**	**78,313**	**(47,475)**	**1,004**	**–**	**–**
VARIABLE RATE INSTRUMENTS								
Cash and cash equivalents	14.	3.89%	56,833	56,833	–	–	–	–
Loans & advances	21.	7.98%	132,156	132,156	–	–	–	–
Deposits & borrowings	23.	3.65%	(133,331)	(133,331)	–	–	–	–
			55,658	**55,658**	**–**	**–**	**–**	**–**

COMPANY	NOTE	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
Fixed rate instruments								
Finance lease liabilities	23.	7.76%	(393)	(72)	(75)	(246)	–	–
Variable rate instruments								
Cash and cash equivalents	14.	3.45%	54	54	–	–	–	–

2007

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
7.09%	100,113	100,113	–	–	–	–
7.76%	(530)	(67)	(70)	(122)	(271)	–
7.63%	92,028	90,150	528	1,350	–	–
7.11%	(7,990)	(7,696)	(294)	–	–	–
7.66%	(180,000)	–	(180,000)	–	–	–
–	**3,621**	**182,500**	**(179,836)**	**1,228**	**(271)**	**–**
6.09%	55,259	55,259	–	–	–	–
8.82%	195,365	195,365	–	–	–	–
6.24%	(148,270)	(148,270)	–	–	–	–
–	**102,354**	**102,354**	**–**	**–**	**–**	**–**
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
7.76%	(530)	(67)	(70)	(122)	(271)	–
5.80%	175	175	–	–	–	–

32 / FINANCIAL INSTRUMENTS (CONT.)

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

Interest rate risk

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates will have an impact on profit.

At 31 December 2008, it is estimated that a general decrease of one-percentage point in interest rates would decrease the Group's profit before income tax by approximately $0.8 million (2007: $1.6 million). Interest rate swaps have been included in this calculation. For the Company, the impact of a one-percentage point in interest rates would be minimal, decreasing profit before income tax by approximately $500 (2007: $1,750). A general increase of one-percentage point in interest rates would have an equal but opposite effect.

Equity price risk

The Group is exposed to equity price risks through its listed investments and units in managed investment schemes. These investments are classified as financial assets at fair value through the profit and loss.

At 31 December 2008, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $0.3 million (2007: $0.9 million). There would be no impact on the Company as it does not hold any equity investments. A 10% increase in equity prices would have an equal but opposite effect.

Fair value of fixed loans

Fixed loan assets on the balance sheet are stated at amortised cost for the year ended 31 December 2008. The fair value of these loans at reporting date would be $1.2 million greater than the carrying value based on prevailing interest rates. All other assets and liabilities carrying values approximate fair value.

33 / OPERATING LEASE COMMITMENTS

Leases as lessee

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

	CONSOLIDATED		COMPANY	
	2008 $000	2007 $000	2008 $000	2007 $000
Less than one year	7,927	5,081	–	–
Between one and five years	29,968	18,466	–	–
More than five years	7,350	10,100	–	–
	45,245	**33,647**	**–**	**–**

The Group has entered into commercial property leases for its office accommodation. These leases have a remaining life of up to eight years. The Group has no other capital or lease commitments.

34 / CONTINGENCIES

On 30 September 2008, the Company completed its acquisition of all of the issued capital of SCE. Various pre-conditions had been satisfied, including shareholder approval pursuant to the ASX Listing Rules. The purchase price of $145.8m was calculated by reference to a multiple of normalised SCE financial year 2008 net profit after tax and is subject to revenue performance benchmarks being met in 2009, 2010 and 2011.

The price is payable as to 50% cash and 50% in Bell Financial shares. One quarter of the cash consideration was paid on completion (30 September 2008) and three further payments will be made in 2009, 2010 and 2011 respectively, subject to certain performance benchmarks being met.

The scrip component of the consideration (issued at $1.25 per BFG share) was satisfied by the issue of 14,580,000 Ordinary shares, 14,580,000 A Class shares, 14,580,000 B Class shares and 14,580,000 C Class shares on 30 September 2008.

The A, B and C Class shares will convert into Ordinary Bell Financial shares in 2009, 2010 and 2011 respectively, subject to the performance benchmarks being met. If the performance benchmarks are fully met then all A Class, B Class and C Class shares will be converted to Ordinary BFG shares on a one for one basis. If the benchmarks are not met, the purchase price is adjusted. As at the date of this report, as the first anniversary of completion has not yet been reached, none of the A, B or C Class shares have been converted to Ordinary shares. Further, none of those shares have been cancelled.

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
B Potts	HW Robertson
NON-EXECUTIVE DIRECTORS	PI Burrows
C Coleman	LA McFadyen
G Cubbin	D Davenport
M Spry	

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:

	BALANCE 1 JANUARY 2008 $	BALANCE 31 DECEMBER 2008 $	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD $	HIGHEST BALANCE IN PERIOD $
DIRECTORS				
C Bell	927,957	632,415	20,444	933,375
A Provan	–	–	–	
B Potts	–	–	–	
C Coleman	1,148,449	–	93,775	1,328,302
G Cubbin	–	–	–	–
M Spry	–	–	–	–
EXECUTIVES				
LM Bell	126,378	–	2,464	126,522
AG Bell	696,162	500,000	52,284	1,010,110
HW Robertson	2,830,805	2,793,655	235,990	2,920,414
PI Burrows	–	–	–	–
LA McFadyen	–	–	–	–
D Davenport	299,098	131,746	21,326	361,212

	BALANCE 1 JANUARY 2007 $	BALANCE 31 DECEMBER 2007 $	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

35 / RELATED PARTIES (CONT.)

Loans to key management personnel and their related parties (cont.)

Loans totalling $4,057,816 (2007: $6,028,849) 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 Ltd. Interest is payable at prevailing market rates. Related parties also have deposits on normal terms and conditions.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the group to key management personnel and their related parties, and the number of individuals in each Group, are as follows:

	OPENING BALANCE $ '000	CLOSING BALANCE $ '000	INTEREST PAID AND PAYABLE IN THE REPORTING PERIOD $ '000	NUMBER IN GROUP AT 31 DECEMBER
Total for key management personnel 2008	5,903	4,058	423	11
Total for key management personnel 2007	677	5,903	101	9
Total for other related parties 2008	126	–	3	1
Total for other related parties 2007	–	126	2	1
Total for key management personnel and their related parties 2008	6,029	4,058	426	12
Total for key management personnel and their related parties 2007	677	6,029	103	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 $426,283. (2007: $103,299). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectible.

Other key management personnel transactions

Bell Financial has an option to purchase the remaining shares of Bell Direct from the current shareholders. The current shareholders include Directors of Bell Financial.

There are no other 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 1 JANUARY 2008	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS	SALES	HELD AT 31 DECEMBER 2008
DIRECTORS					
C Bell[1]	31,880,023	661,653	–	–	32,541,676
A Provan[1]	31,880,023	506,397	–	–	32,386,420
B Potts[2]	50,000	2,229,337	–	–	2,279,337
C Coleman	1,660,283	112,000	–	–	1,772,283
G Cubbin	130,000	–	–	–	130,000
M Spry[3]	75,000	25,000	–	–	100,000
EXECUTIVES					
LM Bell[1]	31,466,402	566,348	–	–	32,032,750
AG Bell[1]	24,162,421	397,150	–	–	24,559,571
HW Robertson	6,660,270	89,730	–	–	6,750,000
PI Burrows	2,598,590	–	–	–	2,598,590
LA McFadyen	2,294,101	–	–	–	2,294,101
D Davenport	180,651	–	–	–	180,651

1. *The number of shares held by Colin Bell, Alastair Provan, Lewis Bell and Andrew Bell includes those held indirectly through Bell Group Holdings Pty Limited (formerly Bell Commodities Limited).*
2. *Appointed 29 September 2008. Brent Potts owns 2,109,337 A Class shares, 2,109,337 B Class shares and 2,109,337 C Class shares in the Company following the acquisition of SCE by Bell Financial.*
3. *Appointed 8 January 2008.*

35 / RELATED PARTIES (CONT.)

Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial Group. There are no outstanding amounts owed by the ultimate parent entity at 31 December 2008 (2007: $559,676). There is no interest receivable at 31 December 2008 (2007: $nil).

As at 21 May 2008, Bell Potter Capital Limited approved a margin loan facility of up to $7,000,000 for Bell Securities Pty Ltd. Bell Securities is a wholly owned subsidiary of Bell Group Holdings Pty Ltd. As at 31 December 2008, the balance of the loan is $6,965,148. Interest paid during 2008 was $302,169 at prevailing market rates. All other loans made to related entities of the ultimate parent entity have been repaid at 31 December 2008.

Subsidiaries

The table below outlines loans made by the Company to wholly owned subsidiaries.

	2008 $'000	2007 $'000
SUBSIDIARY		
Bell Potter Securities[1]	13,454	36,206
Bell Potter Financial Planning[2]	2	1
Bell Potter Investments[2]	50	50
Bell Potter Capital[1]	13,345	15,013
	26,851	**51,270**
PARENT		
Bell Group Holdings	–	–
	26,851	**51,270**

1. The loans from the parent entity to Bell Potter Securities Limited and Bell Potter Capital Limited represent subordinated loans that attract interest at 7.2% (2007: 6.5%). This interest has been waived by the Company for Bell Potter Securities Limited.

2. Loan is interest free and unsecured.

36 / GROUP ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2008	2007
PARENT ENTITY			
Bell Financial Group Ltd			
SIGNIFICANT SUBSIDIARIES			
Bell Potter Securities Limited	Australia	100%	100%
Bell Potter Capital Limited	Australia	100%	100%
Global U & I Management Pty Ltd	Australia	100%	100%
Southern Cross Equities Ltd	Australia	100%	–
ASSOCIATE			
Third Party Platform Pty Ltd (Bell Direct)	Australia	36%	25%

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

There were no significant events from 31 December 2008 to the date of this report.

38 / AUDITORS' REMUNERATION

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	COMPANY 2008 $	COMPANY 2007 $
AUDIT SERVICES				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	318,000	311,100	113,000	110,000
Other auditors				
Other audit services	13,415	9,350	–	–
Total remuneration for audit services	**331,415**	**320,450**	**113,000**	**110,000**
AUDIT RELATED SERVICES				
Auditors of the Company				
KPMG Australia:				
Other regulatory audit services	82,500	43,000	–	–
Investigating accountants report	–	400,000	–	–
Other services	218,000	9,000	218,000	–
Other auditors				
Other audit services	–	–	–	–
Total remuneration for audit related	**300,500**	**452,000**	**218,000**	**–**
NON–AUDIT SERVICES				
Auditors of the Company				
KPMG Australia				
Other advisory services	29,200	25,000	24,200	–
Other auditors				
Taxation services	29,650	30,000	28,000	–
Other advisory services	48,300	54,000	23,450	–
Total remuneration for non–audit services	**107,150**	**109,000**	**75,650**	**–**
	739,065	**881,450**	**406,650**	**110,000**

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 18 to 24 of the Remuneration report in the Directors' report, set out on pages 26 to 58, 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 2008 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 18 to 24 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 2008.

Signed in accordance with a resolution of the Directors.

Dated at Sydney this 23rd day of February 2009.

COLIN BELL *Executive Chairman*

Independent Auditor's Report

TO THE MEMBERS OF BELL FINANCIAL GROUP LTD

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Bell Financial Group Ltd (the Company), which comprises the balance sheets as at 31 December 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary or description of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration set out on page 59 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL 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 Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

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.

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

INDEPENDENCE

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

AUDITOR'S OPINION

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 2008 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 Group also complies with International Financial Reporting Standards as disclosed in note 1(a)(i).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 18 to 24 of the directors' report for the year ended 31 December 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Bell Financial Group Ltd for the year ended 31 December 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Don Pasquariello

Don Pasquariello – Partner
Melbourne
23 February 2009

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 19 February 2009.

VOTING RIGHTS

Ordinary shares

Refer to note 28 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	316	224,018	0.09
1,001 – 5,000	1,236	4,266,459	1.76
5,001 – 10,000	534	4,727,642	1.95
10,000 – 100,000	539	17,044,762	7.04
100,000 and over	106	215,947,642	89.16
Total	**2731**	**242,210,523**	**100**

The number of shareholders holding less than a marketable parcel of ordinary shares is 323.

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.

TWENTY LARGEST SHAREHOLDERS

	NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
1	Bell Group Holdings Pty Ltd	117,967,345	48.70
2	UBS Nominees	42,232,044	17.44
3	Bungeeltap Pty Ltd	6,750,000	2.79
4	ANZ Nominees Limited	2,590,000	1.07
5	Mr Lionel Alexander McFadyen	2,294,101	0.95
6	Lost Ark Nominees Pty Limited	2,148,172	0.89
7	Cypress Point Investments Pty Ltd	1,808,171	0.75
8	Mr Angus William Napier Aitken	1,804,597	0.75
9	Fatty Holdings Pty Ltd	1,733,019	0.72
10	Trabatu Pty Limited	1,687,481	0.70
11	Lost Ark Nominees Pty Limited	1,671,875	0.69
12	Hawk Capital Pty Ltd	1,349,985	0.56
13	Lost Ark Nominees Pty Limited	1,231,381	0.51
14	Mark Paterson + Suzanne Paterson	1,224,985	0.51
15	Fadmoor Pty Ltd	1,100,000	0.45
16	Mr Adam Stratton	1,054,591	0.44
17	Stockwork (Kal) Pty Ltd	933,368	0.39
18	Mr Peter Irving Burrows AO	911,109	0.38
19	Mr John William Murray	755,000	0.31
20	Snowlove Pty Ltd	750,000	0.31

SUBSTANTIAL SHAREHOLDINGS

	NUMBER OF SHARES	% OF ISSUED CAPITAL
Bell Group Holdings Pty Limited (BGH)	118,088,845	48.75%[1]
Colin Bell	119,365,659	49.28%[2,5]
Alastair Provan	119,210,413	49.22%[3,5]
Lewis Bell	118,806,733	49.05%[4,5]
UBS AG, Australia Branch	42,232,044	17.44%

1. BGH is the registered holder of 117,967,345 shares 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 2008 (121,500 shares).

2. Registered holder of 1,276,814 shares.

3. Registered holder of 1,121,568 shares.

4. Registered holder of 717,888 shares.

5. 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 2008. Colin Bell, Alastair Provan and Lewis Bell are also deemed to have BGH's relevant interests in these shares (121,500) because each has voting power in BGH above 20% (pursuant to section 608(3) of the Corporations Act 2001 (Cth)).

Voluntary restrictions

193,430,051 Ordinary fully paid shares were released from escrow on 11 December 2008.

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

ESCROW TERMS	NUMBER OF SHARES
Ordinary fully paid shares escrowed until 11 December 2010	121,500

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Corporate Directory

BELL FINANCIAL GROUP LTD
Incorporated in Victoria on 30 June 1998

ABN
59 083 194 763

DIRECTORS
Colin Bell, Executive Chairman
Alastair Provan, Managing Director
Brent Potts, Executive 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, Victoria, 3000

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

ASX CODE
BFG
Shares are listed on the Australian Securities Exchange

BANKER
Australia and New Zealand Banking Group

AUDITOR
KPMG

WEBSITE ADDRESS
www.bellfg.com.au

DESIGN: COLLIER & ASSOCIATES THE STRATEGIC DESIGN COMPANY #13750