Bell Financial Group

2009 Annual Report

Bell Financial Group Ltd
ABN 59 083 194 763

Contents

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 15 offices.

Adelaide
Brisbane
Cairns
Geelong
Gold Coast
Hobart
London
Mackay
Melbourne
Mornington
Perth
Sydney (2 offices)
Toowoomba
Warrnambool

Executive Chairman's Report

Colin Bell Executive Chairman

Dear Shareholder,

BFG has now completed its second year as a listed company. Coincidentally, the Global Financial Crisis has also just completed its second year. It would be hard to imagine a worse time for a stockbroker to list as a public company.

No one missed out on the GFC but there seemed to be special consequences for a stockbroking and futures broking business like ours. Revenues depend on the volume of transactions and their value and at its worst, around March last year, the GFC had caused massive declines in market activity, brokerage revenues, client portfolio valuations and capital raisings. The GFC also brought into question the long term attraction of equities as an investment asset class.

But we have come through this extremely difficult period intact and our clients, our balance sheet, our P&L, our dividend record and our staff have all come through in surprisingly good shape. That I think highlights the enduring quality of our business model and our experience in managing it through cyclical downturns.

Over the 35 years we have been in this business, we have seen many good times and quite a few bad times. We survived this crisis because of some of the things we did and some of the things we didn't do.

We did focus on being a specialist, diversified broking business and stuck to doing the things we know best. Bell Potter services private clients in the equity, futures, fixed-income and foreign exchange markets and we're good at doing that. Southern Cross and Bell Potter service the institutional equity market and, aided by our strong private client network, we are good at providing new capital for our corporate clients. Bell Direct is a new entrant to the on-line broking business and provides a totally different service to that provided by Bell Potter. With the exception of Bell Direct, all business units were profitable during the year.

We didn't put our balance sheet at risk to try to develop non-core activities. That saved us money and, for our shareholders, highlighted the benefit of being in a company that can guarantee the alignment of everyone's interests.

BFG survived the crisis not only because it is a diversified specialist broking business, but also because the company has no debt (apart from what's in the margin lending book), has independence, has good brand awareness and has a healthy and rewarding relationship with our cornerstone investor, UBS.

Trading conditions improved a lot in the latter part of 2009 after the turmoil of the previous 15 months. The economy weathered the crisis better than most expected and that flowed through to the market in the latter part of the year. The pick up in confidence led to an increase in market activity and a sharp mark-up in asset values. Thankfully, our clients' investment portfolios saw a recovery from the losses they clocked up through March 2009.

The increase in share market values and improved volumes underpinned the Group's revenues and profit. Also, the latter part of the year was characterised by companies wanting to repair their balance sheets and investors having the appetite to enable them to do so. As a result, the exceptional level of equity capital market activity drove revenue growth for the Group and especially for Southern Cross. A large amount of capital was raised in the market and we were able to participate in a pleasing share of that activity.

2009 was Southern Cross Equities' first full year's contribution to Group earnings and that was outstanding. Their institutional business was boosted by their new London office which opened for business in March 2009 and has been a success almost from day one.

Although Bell Potter's traditional client business was down on the year because retail investor confidence took such a hit, the improved overall market conditions have enabled us to record a net profit after tax of $27.3 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 2009 we will pay a dividend of 6 cents per share. So in total for the FY2009 year we will pay out a fully franked dividend of 8 cents per share, equal to 71% of our net profit.

As a Group, we have delivered an excellent set of results for 2009. But where do we go to from here? The biggest drivers of our business – the economy and the market – are beyond our control. The good news is that the GFC has ended. The global economy is recovering from the most severe financial crisis since the Great Depression. The medium term outlook for the developed countries is for relatively modest, below potential economic growth. The Australian scene looks much better given the strength of our banking sector and our trade with China and other developing countries. Against this backdrop, the global and Australian share markets have staged a strong recovery from their worst levels and overall valuations will support further improvement. The bad news is that a mountain of debt still remains and however it is dealt with – whether by default or by repayment with new money – the process will be painful; it will cause temporary shocks and may from time to time put a dent in business and investor confidence.

Looking forward, I think the share markets will be much kinder to investors in the next year than they were in the last two. Therefore it should be a much better business environment for BFG.

Our staff have put in a terrific effort throughout the year. When markets collapse like they did last year, there is a lot of pressure on everyone including our advisers – our front office staff – as well as all our back office people. They all performed exceptionally well and held to our belief in equities as a sound, long term investment asset class and our culture of providing independent advisory service for our clients. On behalf of the Board, I would like to thank them all and also our shareholders for their contribution and support throughout the year.

Yours sincerely,

Colin Bell
Executive Chairman
Bell Financial Group Ltd

Managing Director's Report

Dear Shareholder,

For a number of reasons 2009 was an extraordinary year. The first quarter was "more of the same" from the previous year-end with anaemic daily trading volumes and little or no corporate activity. Individual stocks and portfolio valuations continued to be marked down, credit markets were essentially closed and the Australian Dollar which had been widely tipped in the middle of 2008 to move to parity against the US Dollar was trading nervously in the low 60 cents area.

It is fair to say conditions were tough. Thankfully the markets bottomed in early March with an across the board rally producing sustained increases in prices, trading volumes and Equity Capital Market (ECM) activity over the next nine months of the year.

Renewed market confidence, particularly in the wholesale sector, enabled the Group to produce a solid full year performance with increases in revenue and profitability when measured against the preceding corresponding period (pcp).

Importantly, despite difficult trading conditions in the first quarter, the Group remained profitable throughout which I think once again demonstrates the strength and flexibility of our core business model.

HIGHLIGHTS FOR THE YEAR

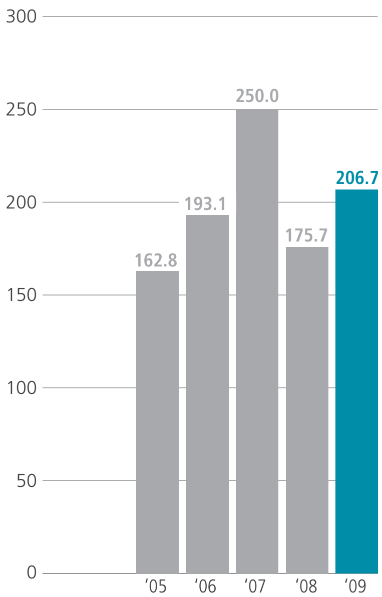
The highlights for the year are very clear and simple.

- The Group traded profitably throughout the year with contributions from each of the wholly owned business units.
- Our Balance Sheet remains strong and intact with no operating debt other than in our Margin Lending business. At year-end we had $59.8 million in Net Tangible Assets and a strong cash position.
- Our Margin Lending book continues to be conservatively managed with average gearing of 28.6% at year-end. Business levels were maintained in a tough retail market environment and there were no material bad debts or write-offs during the period.
- A substantial increase in completed ECM mandates on a pcp basis was a major contributor to the Group's year-end result.
- An outstanding first full year earnings contribution from Southern Cross Equities.

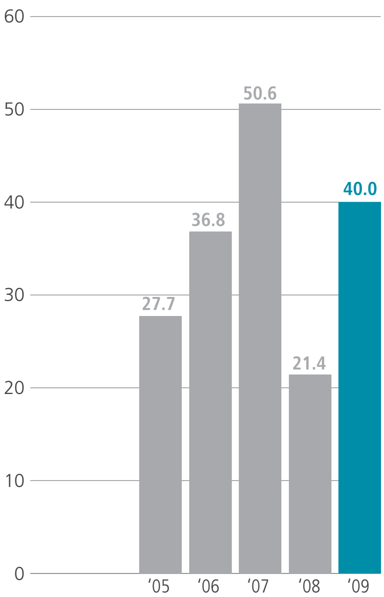
EARNINGS PER SHARE FOR FY2009

11.1 cents per share fully diluted.

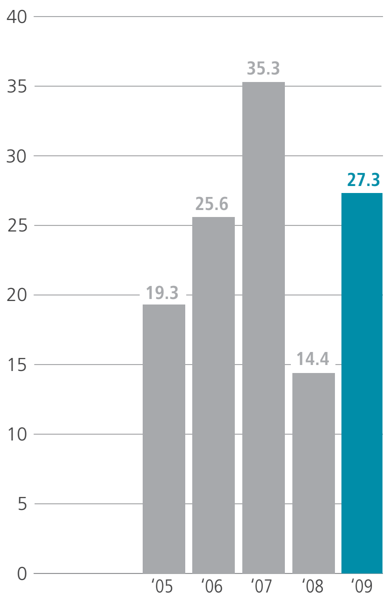
Revenue
($A m) 2005-2009



Net Profit Before Tax
($A m) 2005-2009



Net Profit After Tax
($A m) 2005-2009



FINANCIAL PERFORMANCE AND OPERATIONAL REVIEW

Revenue Growth

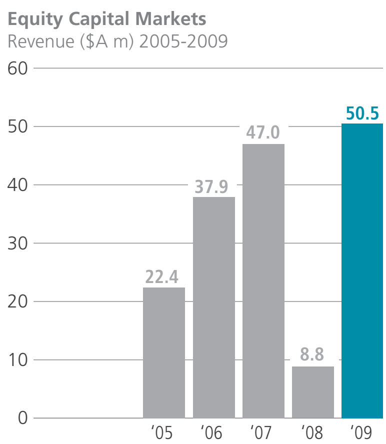
- Group revenue was $206.7 million for financial year 2009, a 17.6% increase on the previous year.

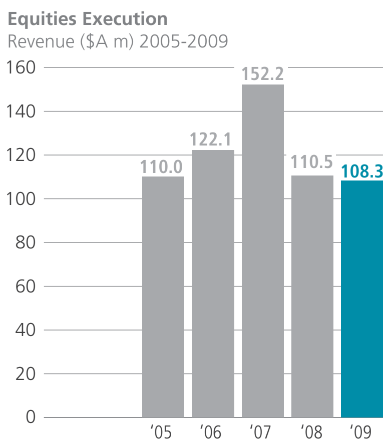
Net Profit Before Tax

- Profit before tax was $40 million, an 87% improvement on 2008.

Net Profit After Tax

- Resulting in a net profit after tax of $27.3 million, 89% better than the previous year.





SOUTHERN CROSS EQUITIES

Full year revenue for Southern Cross Equities (SCE) was $62 million with a pre-tax profit contribution of $26 million. The SCE acquisition was completed on 30 September 2008 therefore financial year 2009 represents their first full year earnings contribution to the Group's results.

SCE's performance was driven by a sharp increase in completed ECM mandates and consistent daily trading volumes. During the course of 2009 SCE opened a London office with a small but highly experienced team whose contribution exceeded expectation from day one.

SCE's overall contribution to the Group's 2009 full year earnings was outstanding.

EQUITY CAPITAL MARKETS

Revenue

Perhaps the most significant chart in my report.

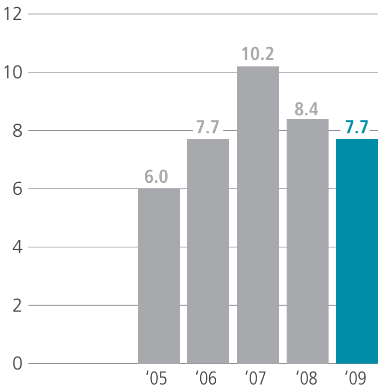
- ECM activity throughout most of 2008 and the early part of 2009 was almost non-existent. However, demand for fresh equity capital to repair damaged balance sheets and fund new capital programmes, combined with a recovery in investor risk appetite resulted in a strong increase in ECM transaction flow post first quarter.
- Revenue grew from $8.8 million in 2008 to $50.5 million in 2009. While 65% of this revenue was attributable to SCE, it should be noted that 35%, or approximately $17 million, was generated by Bell Potter Securities representing an almost 100% improvement on their corporate revenue in the previous year.

EQUITIES

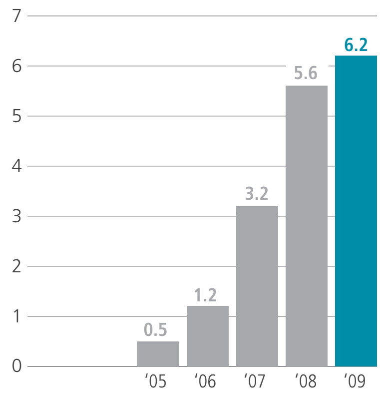
Equities Execution Revenue

- Consolidated revenue for financial year 2009 was little changed at $108.3 million compared to the previous year.
- Daily trading volumes, particularly for retail clients, while recovering over the course of the year were extremely flat in the first few months of 2009.

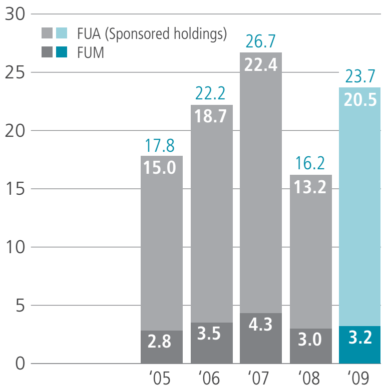
Portfolio Administration Services
Revenue ($A m) 2005-2009



Margin Lending, Cash and Self-Managed Superannuation Revenue ($A m) 2005 - 2009



Funds Under Advice
($A Bn) 2005-2009



HOUSE PRODUCTS

We have a number of House Products including: Portfolio Administration Service (PAS), Margin Lending, Cash and Self-Managed Superannuation.

Portfolio Administration Services

- The Portfolio Administration Service incorporates accurate and timely portfolio, tax and consolidated reporting across asset classes including options.
- Portfolio Administration Service (PAS) revenue declined 8.3% to $7.7 million in FY2009.
- The decline in revenue was due to the fall in value of the underlying assets administered by PAS during the first half of the year. The service continued to attract new money during the year and net new flows remained positive for FY2009.
- PAS Funds Under Management (FUM) were $1.539 billion as at 31 December, up 25.9% from $1.222 billion from the previous year.

Margin Lending, Cash and Self-Managed Superannuation

- Net revenue grew 10.7% to $6.2 million compared to the previous year.
- Margin lending FUM were $193 million, up 2.1% from $189 million as at 31 December 2008.
- Cash was $142 million, unchanged from the previous year.
- Self-managed superannuation solutions FUM were $324 million up 37.3% from $236 million compared to the previous period.

Funds Under Advice

- FY2009 saw total Funds Under Advice (FUA) increase 46.3% to $23.7 billion.
- The rise in FUA was primarily due to a significant increase in the value of sponsored equity holdings, $20.5 billion up from $13.2 billion the year before, as a result of improved market valuations and to an increase in FUM.
- FUM increased 6.7% to $3.2 billion and reflected the lift in value of the underlying assets managed in the Group's in-house investment products.

OVERHEADS

Group overheads, excluding commission paid to advisers, were $66.3 million for financial year 2009, an increase of 5.6% on the previous year. The increase was due to the first full year inclusion of SCE overheads. Excluding SCE, overheads were down 3.8% compared with financial year 2008, reflecting the Group's ongoing and proactive approach to cost management.

BALANCE SHEET

It is worth reiterating that our Balance Sheet remains strong and intact. Net Tangible Assets as at December 2009 were $59.8 million. The Group has no operating debt other than the Margin Lending business, we have maintained strong cash reserves and have incurred no material bad debts or write-offs during the period.

BELL DIRECT ONLINE TRADING

Bell Direct, in which BFG currently holds a 36% interest, has been operating for two years. Throughout 2009 the business demonstrated strong growth in client acquisition, sponsored holdings, cash accounts and revenue. New products and functionality continue to be developed and we believe Bell Direct is positioned to become a significant participant in the online broking segment of the market.

OUTLOOK

The Group has traded successfully through an extremely difficult period for all financial markets. We have produced a strong set of results for financial year 2009 and remain well positioned to increase our revenue and earnings in 2010. We continue to review opportunities for growth and are confident in our ability to take advantage of any that make sense. Equally we are ready to meet any challenges that arise during the course of 2010 from markets that will inevitably experience periods of increased volatility.

Yours sincerely,

Alastair Provan
Managing Director
Bell Financial Group Ltd

Financial Report

Directors' Report

for the year ended 31 December 2009

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 2009.

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 B Potts
- Mr M Spry
- Mr B Wilson[1]

[1] *Appointed 28 October 2009*

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

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.

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.

Mr Brent Potts

Executive Director

M.S.D.I.A.

Appointed 28 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, he held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company.

Graham has 15 years experience as a director and audit committee member of public companies in Australia and the US. He 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, a director of White Energy Company Limited and 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.

Mr Malcolm Spry

Independent Non-Executive Director

BEcon, Monash University

Appointed 8 January 2008, Mr Spry has held a number of senior executive positions in Australia and internationally with The Nielsen Company, one of the world's largest providers of business information products and services.

Malcolm currently consults to Nielsen and is a director of 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 the Group Risk and Audit Committee and Remuneration Committee.

Mr Brian Wilson

Non-Executive Director

MComm (Hons), Auckland

Appointed 28 October 2009, Mr Wilson retired in 2009 as a Managing Director of the global investment bank Lazard, after co-founding the firm in Australia in 2004.

He is currently Pro-Chancellor of University of Technology, Sydney, a member of the Foreign Investment Review Board and a member of the Commonwealth Government Review of Australia's Superannuation System.

Brian's career as an investment banker specialising in corporate financial advice encompassed 33 years. Prior to joining Lazard, he was a Vice Chairman and co-Head of Mergers and Acquisitions at Citigroup Australia and previously a director and co-Head of Investment Banking at Schroders Australia, a principal of Lloyds Corporate Advisory Services and a Director of BA Australia.

PRINCIPAL ACTIVITIES

Bell Financial is an Australian based provider of stockbroking, investment and financial advisory services to private, institutional and corporate clients. Operating across a network of 15 offices, Bell Financial has over 600 employees, including more than 320 experienced advisers, serving over 125,000 active clients with funds under advice exceeding $23 billion.

Bell Financial has a 36% holding in Third Party Platform Pty Ltd (Bell Direct) and 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 $27.3 million (2008: $14.4 million). A review of the operations of the Group is set out in the Managing Director's Report on pages 4 to 8 of this Annual Report.

DIRECTORS

Mr Brian Wilson was appointed as a non-executive director on 28 October 2009. Particulars of his qualifications and experience are set out above.

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 arrangements, the Company 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 original Bell Direct Call Option. The right to exercise the New Call Option was extended under the renegotiation 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 2001 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 this option will be made by the Company's independent non-executive Directors at the relevant time.

As noted in the Company's previous Annual Reports, 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 meeting of the Company.

SOUTHERN CROSS EQUITIES LIMITED (SCE)

(a) Acquisition

The Company's 2008 Annual Report summarised details of the acquisition by the Company of all of the issued capital of SCE. On 30 June 2009 the Company entered into agreements with the vendors of SCE amending the terms of that acquisition. Those new arrangements were approved by the passing of special resolutions by the Company's shareholders at the Company's General Meeting on 12 August 2009.

As a result of the new agreements, from 1 July 2009 SCE has been entitled to pay total remuneration to front office employees of up to 50% of SCE revenue (increased from 40%). The consideration for these amendments is the reduction in the total potential purchase price for SCE from $145.8m to $114.8m. The balance of the price is payable 50% in cash and 50% in Bell Financial shares.

One quarter of the original cash consideration was paid on completion (30 September 2008). The revised agreement reduced the three further equal cash installments potentially payable on the anniversary of completion in 2009, 2010 and 2011 respectively from $18.225m to $13.1m (totalling $39.2m). Those payments are subject to the original performance benchmarks being met.

The scrip component of the consideration was satisfied on completion 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. Under the new agreements, the number of A Class shares was reduced from 14,580,000 to 10,446,681, the number of B Class shares reduced from 14,580,000 to 10,446,681 and the number of C Class shares reduced from 14,580,000 to 10,446,681. Those A, B and C Class shares potentially convert into Ordinary shares on the anniversary of completion 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.

SCE revenue for the financial year 1 July 2008 to 30 June 2009 did not reach the first benchmark of $37.4m therefore, no cash installment was payable to the SCE vendors for 2009 and the A Class shares did not convert to Ordinary shares on the anniversary of completion in 2009. As at the date of this report, the Company considers that it is probable that SCE will reach the benchmark resulting in payment of the full 2010 installment in September 2010. A provision has been raised to recognise this (refer note 25 on page 53).

Should revenue exceed the benchmark in either of the 2010 or 2011 years, all, or a portion of the 2009 cash installment may be payable and all, or a portion of the A Class shares may be converted to Ordinary shares.

(b) Share rights and entitlements

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.

As at the date of this report, 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.

For personal use only

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. 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 2009, 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 C Bell (Director for the full year)	3	6	-	-	-	-
Mr A Provan (Director for the full year)	6	6	-	-	2	2
Mr G Cubbin (Director for the full year)	6	6	5	5	2	2
Mr C Coleman (Director for the full year)	6	6	5	5	2	2
Mr M Spry (Director for the full year)	6	6	5	5	2	2
Mr B Potts (Director for the full year)	5	6	-	-	-	-
Mr B Wilson (appointed 28 October 2009)	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:

	Ordinary shares			
Bell Financial Group Ltd	**Direct**	**Indirect**	**Total**	**Options**
Name				
Colin Bell	1,333,414	31,264,862	32,598,276	1,000,000
Alastair Provan	1,178,168	31,264,862	32,443,030	1,000,000
Graham Cubbin	130,000	50,000	180,000	50,000
Craig Coleman	1,772,283	-	1,772,283	-
Malcolm Spry	100,000	-	100,000	-
Brent Potts[1]	2,479,337	-	2,479,337	-
Brian Wilson	-	-	-	-

[1] *Mr Potts also has interests in 1,511,355 A Class shares, 1,511,355 B Class shares and 1,511,355 C Class shares in the Company (each reduced from 2,109,337 following the share consolidation summarised on page 12).*

There were no changes to Directors' interests in the Company's shares between 31 December 2009 and the date of this report.

DIVIDENDS

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

Declared and paid during the year 2009	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Final 2008 ordinary	2.0	4,844	Franked	27 March 2009
Interim 2009 ordinary	2.0	4,844	Franked	11 September 2009

On 19 February 2010, the Directors declared a final dividend of 6 cents per share, payable on 26 March 2010. 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 17 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 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 2009 there were four non-executive Directors on the Board - Mr Graham Cubbin, Mr Craig Coleman, Mr Malcolm Spry and Mr Brian Wilson. Mr Cubbin and Mr Spry are independent non-executive directors. The Board did not consider that Mr Craig Coleman was an "independent" Director during 2009 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 since then. Further, the Board did not consider that Mr Brian Wilson was an "independent" Director during 2009 due to his pre-existing role as a principal of a material professional adviser to the Company. Their 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.

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 2009.

3. Board committees

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

3.1 Group Risk and Audit Committee

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

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

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

During 2009 the members of the GRAC were Graham Cubbin (Chairman), Craig Coleman and Malcolm Spry. The composition of the Committee during 2009 and at the date of this report follows the ASX Recommendations, which propose that such committees should consist of only non-executive Directors and a majority of members should be independent Directors. 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 during 2009 were Graham Cubbin (Chairman), Craig Coleman, Alastair Provan and Malcolm Spry. The composition of the Committee represents a departure from the ASX Recommendations that propose that 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 2009 in relation to the Chairman, other Directors and the two Board committees.

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

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

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

5. Company Policies

5.1 Ongoing disclosure

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

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

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

5.2 Securities Trading Guidelines

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

The Trading Policy is intended to explain the type of conduct in relation to dealings in the Company's 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 2009. 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 2001* 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.

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	1.2	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	✔
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	✔

	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	✔
7.4	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	✔

[1] *Cross references to the relevant sections of this Corporate Governance Statement, the Directors' Report or the Remuneration Report in the 2009 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 and long-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 is an 'at risk' bonus provided in the form of cash, while the long-term incentive 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.

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.

7.2 Brent Potts

Brent 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, Brent 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 2009 Craig Coleman provided consultancy services to Bell Financial and was paid $287,000 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 Brian Wilson

Brian Wilson is currently a non-executive Director of the Company.

7.5 Non-Executive Directors

On appointment to the Board, all the non-executive Directors (Mr Coleman, Mr Cubbin, Mr Spry and Mr Wilson) 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	$91,743	$8,257	-	$100,000
Mr B Wilson[1]	$91,743	$8,257	-	$100,000

[1] *Actual director fee received was $16,666 (adjusted to reflect appointment date).*

7.6 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 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, certain 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).

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 and other key management personnel are:

		Short-term				Post-employment
In AUD		Salary and fees $	STI cash bonus $	Non-monetary benefits $	Total $	Superannuation benefits[2] $
Directors , Executive directors						
Colin Bell *Executive Chairman*	2009	523,436	450,000	-	973,436	96,564
	2008	585,000	-	-	585,000	35,000
Alastair Provan *Managing Director*	2009	530,173	450,000	-	980,173	14,103
	2008	530,838	-	-	530,838	13,437
Brent Potts *Director*	2009	454,211	1,000,000	-	1,454,211	108,333
	2008	91,000	-	-	91,000	9,000
Non-executive directors						
Graham Cubbin	2009	91,743	-	-	91,743	8,257
	2008	91,743	-	-	91,743	8,257
Craig Coleman	2009	379,243	-	-	379,243	8,257
	2008	716,743	-	-	716,743	8,257
Malcolm Spry	2009	91,743	-	-	91,743	8,257
	2008	90,450	-	-	90,450	8,140
Brian Wilson[1]	2009	15,290	-	-	15,290	1,376
	2008	-	-	-	-	-
Total compensation: directors (consolidated)	**2009**	**2,085,839**	**1,900,000**	**-**	**3,985,839**	**245,147**
	2008	**2,105,774**	**-**	**-**	**2,105,774**	**82,091**
Total compensation: directors (company)	**2009**	**2,085,839**	**1,900,000**	**-**	**3,985,839**	**245,147**
	2008	**2,105,774**	**-**	**-**	**2,105,774**	**82,091**
Executives						
Lewis Bell *Head of Compliance*	2009	300,126	100,000	-	400,126	89,376
	2008	260,442	-	-	260,442	129,060
Andrew Bell *Executive Director of Bell Potter Securities*	2009	434,891	-	-	434,891	25,072
	2008	603,247	-	-	603,247	94,300
Mr Dean Davenport *Chief Financial Officer and Chief Operating Officer*	2009	262,858	250,000	-	512,858	24,642
	2008	206,871	250,000	-	456,871	43,128
Mr Rowan Fell *Director – Investment Services*[3]	2009	315,894	165,000	-	480,894	14,103
Mr Paul Vine *General Counsel and Company Secretary* [3]	2009	205,897	25,000	-	230,897	14,103
Total compensation: key management personnel (consolidated)	**2009**	**1,519,666**	**540,000**	**-**	**2,059,666**	**167,296**
	2008	**1,070,560**	**250,000**	**-**	**1,320,560**	**266,488**
Total compensation: key management personnel (company)	**2009**	**1,519,666**	**540,000**	**-**	**2,059,666**	**167,296**
	2008	**1,070,560**	**250,000**	**-**	**1,320,560**	**266,488**

1 *Brian Wilson was appointed on 28 October 2009.*

2 *Voluntary super contributions above the minimum legislative requirements are classified as post-employment benefits.*

3 *Rowan Fell and Paul Vine replaced Peter Burrows, Lionel McFadyen and Hugh Robertson as KMP from 1 January 2009.*

Other long term	Termination benefits	Share-based payments: Total amortisation value of LTI options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
$	$	$	$	%	%
-	-	8,733	1,078,733	43	1
-	-	8,733	628,733	1	1
-	-	8,733	1,003,009	46	1
-	-	8,733	553,008	2	2
-	-	-	1,562,544	64	-
-	-	-	100,000	-	-
-	-	436	100,436	1	1
-	-	436	100,436	1	1
-	-	-	387,500	-	-
-	-	-	725,000	-	-
-	-	-	100,000	-	-
-	-	-	98,590	-	-
-	-	-	16,666	-	-
-	-	-	-	-	-
-	**-**	**17,902**	**4,248,888**	**45**	**1**
-	**-**	**17,902**	**2,205,767**	**1**	**1**
-	**-**	**17,902**	**4,248,888**	**45**	**1**
-	**-**	**17,902**	**2,205,767**	**1**	**1**
-	-	3,493	492,995	21	1
-	-	3,493	392,995	1	1
-	-	-	459,963	-	-
-	-	-	697,547	-	-
-	-	5,319	542,819	47	1
-	-	5,319	505,318	51	1
-	-	2,620	497,617	34	1
-	-	655	245,655	10	-
-	**-**	**12,087**	**2,239,049**	**25**	**1**
-	**-**	**8,812**	**1,595,860**	**16**	**1**
-	**-**	**12,087**	**2,239,049**	**25**	**1**
-	**-**	**8,812**	**1,595,860**	**16**	**1**

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 2009 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.

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

Grant date	Option exercise date	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[1]	$0.0262	$3.10[2]	$1.55	25%	6.55%	5.0%

[1] *Options can be exercised for a period of up to 12 months from exercise date.*

[2] *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 LTI 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. No options were granted or vested in 2008 or 2009.

	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 2009
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	-
Graham Cubbin	50,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	-
Executives						
Lewis Bell	400,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	-
Dean Davenport	608,959	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	-
Rowan Fell	300,000	10 Oct 2007	$0.0262	$2.00	15 Dec 2011	-
Paul Vine	75,000	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.

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 five named Company executives are detailed below.

	Options granted			Financial years in which grant vests
	Number	Date	% vested in year	
Directors				
Colin Bell	1,000,000	10 Oct 2007	-	15 Dec 2010
Alastair Provan	1,000,000	10 Oct 2007	-	15 Dec 2010
Graham Cubbin	50,000	10 Oct 2007	-	15 Dec 2010
Executives				
Lewis Bell	400,000	10 Oct 2007	-	15 Dec 2010
Dean Davenport	608,959	10 Oct 2007	-	15 Dec 2010
Rowan Fell	300,000	10 Oct 2007	-	15 Dec 2010
Paul Vine	75,000	10 Oct 2007	-	15 Dec 2010

9.4 Analysis of movements in options

There was no movement in options during the year.

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 2011	$2.00	18,193,959

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 Executive Chairman's Report and the Managing Director's Report set out on pages 2 to 8. In the opinion of the 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 27 and forms part of the Directors' report for financial year ended 31 December 2009.

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

19 February 2010

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 2009 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
19 February 2010

Income Statements

for the year ended 31 December 2009

		Consolidated $ '000		Company $ '000	
	Note	2009	2008	2009	2008
Rendering of services	7.	179,863	144,561	-	-
Finance income	10.	16,347	30,887	498	899
Investing income	8.	9,455	(1,677)	9,844	6,829
Other income	9.	1,029	1,920	2,000	1,000
Total revenue		**206,694**	**175,691**	**12,342**	**8,728**
Employee expenses	11.	(119,171)	(102,822)	(97)	(86)
Depreciation and amortisation expenses		(1,505)	(1,542)	(165)	(164)
Occupancy expenses		(9,603)	(7,648)	-	-
Systems and communication expenses		(13,962)	(11,477)	-	-
Professional expenses		(3,035)	(2,789)	(491)	(26)
Finance expenses	10.	(8,696)	(19,262)	(25)	(36)
Other expenses		(9,446)	(7,560)	(25)	(19)
Results from operating activities		**41,276**	**22,591**	**11,539**	**8,397**
Share of profit/(loss) of equity accounted investments, net of income tax	19.	(1,320)	(1,236)	(1,320)	(1,236)
Profit before income tax		**39,956**	**21,355**	**10,219**	**7,161**
Income tax (expense) / benefit	12.	(12,668)	(6,918)	(450)	(321)
Profit for the year		27,288	14,437	9,769	6,840
Attributable to:					
Equity holders of the Company		27,288	14,437	9,769	6,840
Profit for the year		**27,288**	**14,437**	**9,769**	**6,840**
Earnings per share:		Cents	Cents		
Basic earnings per share (AUD)	30.	11.3	6.2		
Diluted earnings per share (AUD)	30.	11.1	6.2		

The notes on pages 34 to 66 are an integral part of these consolidated financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2009

	Consolidated $ '000		Company $ '000	
	2009	2008	2009	2008
Profit for the year	**27,288**	**14,437**	**9,769**	**6,840**
Other comprehensive income				
Change in fair value of cash flow hedge	1,531	(1,334)	-	-
Other comprehensive income for the year, net of tax	**1,531**	**(1,334)**	**-**	**-**
Total comprehensive income for the year	28,819	13,103	9,769	6,840
Attributable to:				
Equity holders of the Company	28,819	13,103	9,769	6,840
Total comprehensive income for the year	**28,819**	**13,103**	**9,769**	**6,840**

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

The notes on pages 34 to 66 are an integral part of these consolidated financial statements.

Balance Sheets

as at 31 December 2009

	Note	Consolidated $ '000 2009	Consolidated $ '000 2008	Company $ '000 2009	Company $ '000 2008
Assets					
Cash and cash equivalents	13.	125,197	88,376	50	54
Trade and other receivables	14.	80,747	77,983	29,769	26,851
Loans and advances	21.	193,031	187,841	-	-
Financial assets	15.	11,804	8,160	-	-
Derivatives		197	-	-	-
Prepayments		710	869	-	-
Total current assets		**411,686**	**363,229**	**29,819**	**26,905**
Investment in controlled entities	15.	-	-	123,789	100,806
Other financial assets		10	20	-	-
Investments in equity accounted investees	19.	9,035	8,189	9,035	8,189
Loans and advances	21.	-	1,250	-	-
Deferred tax assets	20.	3,007	3,829	1,012	1,122
Property, plant and equipment	17.	2,640	3,478	178	343
Goodwill	18.	103,496	80,513	-	-
Intangible assets	18.	2,331	2,626	-	-
Total non-current assets		**120,519**	**99,905**	**134,014**	**110,460**
Total assets		**532,205**	**463,134**	**163,833**	**137,365**
Liabilities					
Trade and other payables	22.	100,129	103,898	-	-
Financial liabilities	16.	3,776	-	-	-
Deposits and borrowings	23.	204,134	189,721	246	147
Current tax liabilities	24.	6,786	3,869	6,595	3,390
Derivatives		-	1,334	-	-
Employee benefits	26.	24,294	14,150	-	-
Provisions	25.	24,692	1,363	24,692	1,363
Total current liabilities		**363,811**	**314,335**	**31,533**	**4,900**
Deposits and borrowings	23.	-	246	-	246
Deferred tax liability	20.	476	121	-	-
Employee Benefits	26.	2,277	1,940	-	-
Total non-current liabilities		**2,753**	**2,307**	**-**	**246**
Total liabilities		**366,564**	**316,642**	**31,533**	**5,146**
Net assets		**165,641**	**146,492**	**132,300**	**132,219**
Equity					
Contributed equity	28.	147,742	147,742	147,742	147,742
Reserves	28.	33,278	14,129	180	99
Retained earnings / (losses)	28.	(15,379)	(15,379)	(15,622)	(15,622)
Total equity attributable to equity holders of the Company		**165,641**	**146,492**	**132,300**	**132,219**

The notes on pages 34 to 66 are an integral part of these consolidated financial statements.

Statements of Changes in Equity

Consolidated	Share capital $ '000	Distributable profits reserve $ '000	Cash flow hedge reserve $ '000	Retained earnings $ '000	Total equity $ '000
Balance at 1 January 2008	133,891	7,855	-	(15,379)	126,367
Total comprehensive income					
Profit for the year	-	-	-	14,437	14,437
Other comprehensive income					
Change in fair value of cash flow hedge	-	-	(1,334)	-	(1,334)
Total other comprehensive income	-	-	(1,334)	-	(1,334)
Total comprehensive income for the year	-	-	(1,334)	14,437	13,103
Transactions with owners, directly in equity					
Transfer of retained earnings	-	14,437	-	(14,437)	-
Scrip for scrip equity issue	13,851	-	-	-	13,851
Dividends	-	(6,829)	-	-	(6,829)
Balance at 31 December 2008	**147,742**	**15,463**	**(1,334)**	**(15,379)**	**146,492**
Balance at 1 January 2009	147,742	15,463	(1,334)	(15,379)	146,492
Total comprehensive income					
Profit for the year	-	-	-	27,288	27,288
Other comprehensive income					
Change in fair value of cash flow hedge	-	-	1,531	-	1,531
Total other comprehensive income	-	-	1,531	-	1,531
Total comprehensive income for the year	-	-	1,531	27,288	28,819
Transactions with owners, recorded directly in equity					
Transfer of retained earnings	-	27,288	-	(27,288)	-
Retrospective adjustment[1]	-	18	-	-	18
Dividends	-	(9,688)	-	-	(9,688)
Balance at 31 December 2009	**147,742**	**33,081**	**197**	**(15,379)**	**165,641**

[1] *Retrospective adjustment as a result of sale of 95% of subsidiary (Australis Managed Investments Ltd).*

The notes on pages 34 to 66 are an integral part of these consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

Company	Share capital $ '000	Distributable profits reserve $ '000	Cash flow hedge reserve $ '000	Retained earnings $ '000	Total equity $ '000
Balance at 1 January 2008	133,891	88	-	(15,622)	118,357
Total comprehensive income					
Profit for the year	-	-	-	6,840	6,840
Other comprehensive income					
Change in fair value of cash flow hedge	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	6,840	6,840
Transactions with owners, directly in equity					
Transfer of retained earnings	-	6,840	-	(6,840)	-
Scrip for scrip equity issue	13,851	-	-	-	13,851
Dividends	-	(6,829)	-	-	(6,829)
Balance at 31 December 2008	**147,742**	**99**	**-**	**(15,622)**	**132,219**
Balance at 1 January 2009	147,742	99	-	(15,622)	132,219
Total comprehensive income					
Profit for the year	-	-	-	9,769	9,769
Other comprehensive income					
Change in fair value of cash flow hedge	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	9,769	9,769
Transactions with owners, directly in equity					
Transfer of retained earnings	-	9,769	-	(9,769)	-
Dividends	-	(9,688)	-	-	(9,688)
Balance at 31 December 2009	**147,742**	**180**	**-**	**(15,622)**	**132,300**

The notes on pages 34 to 66 are an integral part of these consolidated interim financial statements.

Statements of Cash Flows

for the year ended 31 December 2009

		Consolidated $ '000s		Company $ '000s	
	Notes	2009	2008	2009	2008
Cash flows from operating activities					
Cash receipts from customers		186,503	273,157	2,000	1,000
Cash paid to suppliers and employees		(145,700)	(191,641)	(267)	(320)
Cash generated from operations		40,803	81,516	1,733	680
Dividends received		377	140	9,844	6,829
Interest received		16,315	31,220	498	899
Interest paid		(8,696)	(18,445)	(25)	(36)
Income taxes paid		(8,575)	(4,320)	(8,575)	(3,196)
Net cash from operating activities	27.	**40,224**	**90,111**	**3,475**	**5,176**
Cash flows from investing activities					
Net proceeds from sale of investments		14,119	493	-	-
Net proceeds from sale of property, plant and equipment		-	-	-	-
Acquisition of subsidiary, net of cash acquired		-	(17,222)	-	(23,294)
Acquisition of property, plant and equipment		(372)	(364)	-	-
Acquisition of other investments		(7,315)	(4,292)	(2,166)	(4,292)
Net cash from investing activities		**6,432**	**(21,385)**	**(2,166)**	**(27,586)**
Cash flows from financing activities					
Repayment of borrowings		(147)	(133,531)	(147)	(1,031)
Related party loans (advanced) / received		-	560	8,522	30,149
Dividends paid		(9,688)	(6,829)	(9,688)	(6,829)
Net cash from financing activities		(9,835)	(139,800)	(1,313)	22,289
Net increase in cash and cash equivalents		36,821	(71,074)	(4)	(121)
Cash acquired from subsidiary		-	4,073	-	-
Cash and cash equivalents at 1 January		88,376	155,377	54	175
Cash and cash equivalents at 31 December	27.	**125,197**	**88,376**	**50**	**54**

The notes on pages 34 to 66 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

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 19 February 2010.

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.

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.

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

Business combinations

The Group has adopted revised AASB Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring before this date are accounted for by applying the acquisition method.

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 balance date.

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.

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

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following specific 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 cost 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:

	2009	2008
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.

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 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:

2009	2008
Leasehold improvements	
20 – 25%	20 – 25%
Office equipment	
20 – 50%	20 – 50%
Furniture and fittings	
20 – 50%	20 – 50%

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) Presentation of financial statements

The Group applies revised AASB 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The presentation has been applied in these financial statements as of and for the year ended 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

w) Segment reporting

As of 1 January 2009, the Group determines and presents operating segments based on the information that is internally provided to the Chief Decision Maker. This change in accounting policy is due to the adoption of AASB 8 Operating Statements. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of AASB 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by management to make decisions about resources to be allocated to the segment and assess its performance. Segment results that are reported to management include items directly attributable to a segment as well as to those that can be allocated on a reasonable basis.

x) 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 2009, but have not been applied in preparing this financial report:

- AASB 2009-5 Further amendments to the Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Accounting Standards – Group Cash-settled Share-Based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 December 2010 financial statements, are not expected to have a significant impact on the financial statements.

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 loans and advances

The Company assesses impairment of all loans at each reporting date by evaluating any issues particular asset that may lead to impairment. In the Directors' opinion, no such impairment exists beyond that provided at 31 December 2009.

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 2009, 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 2009.

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 Bell Potter Broking, Southern Cross Equities Broking and Margin Lending which represents the lowest level at which it is monitored for internal management purposes.

The recoverable amount of goodwill has been based on fair value less cost to sell.

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 detail below.

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. The Group is required to comply with certain capital and liquidity requirements imposed by regulators as a licensed broking firm.

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

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

- expects some of its undrawn loan commitments not to be drawn;
- holds financial assets for which there is a liquid market and that they are readily saleable to meet liquidity needs; and
- has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs.

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 the Company.

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.

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 details of the acquisition are outlined on page 12 of the Directors' Report.

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

	Pre -acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	$ '000	$ '000	$ '000
Cash and cash equivalents	4,073	-	4,073
Trade and other receivables	4,164	(636)	3,528
Non-current assets	1,316	-	1,316
Trade and 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.

Under the acquisition of SCE, part of the total consideration has been deferred subject to SCE achieving certain revenue targets post acquisition. As a result of current year performance, it has been assessed as probable that SCE will reach the revenue target in 2010. As such a provision has been raised for deferred consideration of $23m and goodwill associated with SCE increased accordingly.

6. SEGMENT REPORTING

Business segments

The Group comprises the following main business segments:

- Broking (Bell Potter) – equities, futures, foreign exchange, corporate fee income and portfolio administration services
- Broking (Southern Cross) – equities and corporate fee income
- Margin lending and deposits

	Broking Bell Potter	Broking Southern Cross	Margin lending	Eliminations	Consolidated
	2009 $ '000	2009 $ '000	2009 $ '000	2009 $ '000	2009 $ '000
Revenue from operations	131,031	62,066	13,597	-	206,694
Profit / (loss) after tax	8,626	18,018	644	-	27,288
Segment assets	269,089	45,750	226,414	(18,083)	523,170
Investment in associates	9,035	-	-	-	9,035
Total assets	**278,124**	**45,750**	**226,414**	**(18,083)**	**532,205**
Segment liabilities	134,731	27,889	222,027	(18,083)	366,564
Total liabilities	**134,731**	**27,889**	**222,027**	**(18,083)**	**366,564**
Other segment details					
Depreciation / amortisation	(1,202)	(303)	-	-	(1,505)
Share of net losses of associates	(1,320)	-	-	-	(1,320)

	2008 $ '000	2008 $ '000	2008 $ '000	2008 $ '000	2008 $ '000
Revenue from operations	148,756	3,291	23,644	-	175,691
Profit / (loss) after tax	13,917	(248)	768	-	14,437
Segment assets	208,910	8,146	250,889	(13,000)	454,945
Investment in associates	8,189	-	-	-	8,189
Total assets	**217,099**	**8,146**	**250,889**	**(13,000)**	**463,134**
Segment liabilities	116,903	3,319	209,420	(13,000)	316,642
Total liabilities	**116,903**	**3,319**	**209,420**	**(13,000)**	**316,642**
Other segment details					
Depreciation / amortisation	(1,472)	(70)	-	-	(1,542)
Share of net losses of associates	(1,236)	-	-	-	(1,236)

Geographical segments

The Group operates predominantly within Australia and has an office in London.

7. RENDERING OF SERVICES

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Brokerage	114,913	116,434	-	-
Corporate fee income	50,490	8,789	-	-
Trailing commissions	6,265	10,907	-	-
Portfolio administration fees	7,681	8,354	-	-
Other	514	77	-	-
	179,863	**144,561**	**-**	**-**

8. INVESTING INCOME

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Dividends received	377	140	9,844	6,829
Profit / (loss) on trading securities	6,063	(121)	-	-
House unrealised profit / (loss) on listed securities	3,015	(1,696)	-	-
	9,455	**(1,677)**	**9,844**	**6,829**

9. OTHER INCOME

Bad debts recovered	12	23	-	-
Management fee	-	-	2,000	1,000
Sundry income	1,017	1,897	-	-
	1,029	**1,920**	**2,000**	**1,000**

10. FINANCE INCOME AND EXPENSES

Interest income on bank deposits	2,788	7,420	7	19
Interest income on loans and advances	13,559	23,467	-	-
Interest income from related parties	-	-	491	880
Total finance income	16,347	30,887	498	899
Bank interest expense	(1,741)	(944)	(25)	(36)
Interest expense on deposits	(6,955)	(18,318)	-	-
Interest paid to related parties	-	-	-	-
Total finance expense	(8,696)	(19,262)	(25)	(36)
Net finance income / (expense)	**7,651**	**11,625**	**473**	**863**

11. EMPLOYEE EXPENSES

Wages and salaries	(103,869)	(87,291)	-	-
Superannuation	(8,205)	(8,819)	-	-
Payroll tax	(4,805)	(5,014)	-	-
Other employee expenses	(2,195)	(1,612)	-	-
Equity-settled share-based payments	(97)	(86)	(97)	(86)
	(119,171)	**(102,822)**	**(97)**	**(86)**

12. INCOME TAX EXPENSE

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current tax expense				
Current period	11,485	7,414	340	141
Adjustment for prior periods	74	(21)	-	(88)
	11,559	**7,393**	**340**	**53**
Deferred tax expense				
Origination and reversal of temporary differences	1,109	(475)	110	268
Change in unrecognised temporary differences	-	-	-	-
Total income tax expense / (benefit)	**12,668**	**6,918**	**450**	**321**

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

Accounting profit (before income tax)	39,956	21,355	10,219	7,161
Income tax using the Company's domestic tax rate of 30% (2008: 30%)	11,987	6,407	3,066	2,148
Non-deductible expenses	607	532	337	309
Tax exempt income	-	-	(2,953)	(2,048)
Adjustments in respect of current income tax of previous year	74	(21)	-	(88)
Change in unrecognised temporary differences	-	-	-	-
	12,668	**6,918**	**450**	**321**

Tax consolidation

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

13. CASH AND CASH EQUIVALENTS

Cash on hand	9	9	-	-
Cash at bank	19,999	12,523	50	54
Short-term deposits	64,394	31,543	-	-
Cash at bank (Margin Lending)	20,335	19,940	-	-
Cash at bank (Trust account)	13,748	13,332	-	-
Segregated fund bank balances	6,712	11,029	-	-
Cash and cash equivalents in the statement of cash flows	**125,197**	**88,376**	**50**	**54**

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

Cash at bank (Trust account) and Segregated fund bank balances represent client funds.

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

14. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
Trade debtors	49,772	29,600	-	-
Less: Impairment	(29)	(214)	-	-
	49,743	**29,386**	**-**	**-**
Due from related entities	-	-	29,769	26,851
Segregated deposits with clearing brokers	28,069	44,333	-	-
Sundry debtors	2,935	4,264	-	-
	80,747	**77,983**	**29,769**	**26,851**

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

Balance at 1 January	214	261	-	-
Bad debts written off/recovered	(185)	(47)	-	-
Balance at 31 December	**29**	**214**	**-**	**-**

15. FINANCIAL ASSETS

Current investments (at fair value)				
Shares in listed corporations	9,662	1,832	-	-
Unlisted options held for trading at fair value	2,142	1,066	-	-
Unit - Managed Investment Schemes	-	5,262	-	-
	11,804	**8,160**	**-**	**-**
Non-current investments (at cost)				
Investment in subsidiaries	-	-	123,789	100,806
	-	**-**	**123,789**	**100,806**

16. FINANCIAL LIABILITIES

Current				
Trading liabilities at fair value	3,776	-	-	-
	3,776	**-**	**-**	**-**

17. PROPERTY, PLANT AND EQUIPMENT

Consolidated

Year ended 31 December 2009	Fixtures and fittings $ '000	Office equipment $ '000	Leasehold improvements $ '000	Total $ '000
Balance at 1 January 2009 (net accumulated depreciation)	691	1,181	1,606	3,478
Additions	80	60	232	372
Acquisitions through business combinations	-	-	-	-
Disposals	-	-	-	-
Depreciation charge for the year	(143)	(583)	(484)	(1,210)
Balance at 31 December 2009	**628**	**658**	**1,354**	**2,640**
Balance at 1 January 2009				
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**
Balance at 31 December 2009				
Cost	2,037	6,398	5,673	14,108
Accumulated depreciation	(1,409)	(5,740)	(4,319)	(11,468)
Net carrying amount	**628**	**658**	**1,354**	**2,640**
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	-	-	-	-
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**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment	Leasehold improvements	Fixtures and fittings	Total
Year ended 31 December 2009	$ '000	$ '000	$ '000	$ '000
Balance at 1 January 2009 (net of accumulated depreciation)	343	-	-	343
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation charge for the year	(165)	-	-	(165)
Balance at 31 December 2009	**178**	**-**	**-**	**178**
Balance at 1 January 2009				
Cost	672	-	-	672
Accumulated depreciation	(329)	-	-	(329)
Net carrying amount	**343**	**-**	**-**	**343**
Balance at 31 December 2009				
Cost	672	-	-	672
Accumulated depreciation	(494)	-	-	(494)
Net carrying amount	**178**	**-**	**-**	**178**
Year ended 31 December 2008				
Balance at 1 January 2008 (net of accumulated depreciation)	507	-	-	507
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**

18. INTANGIBLE ASSETS

	Consolidated			Company		
	Goodwill	Identifiable intangibles	Total	Goodwill	Identifiable intangibles	Total
Year ended 31 December 2009	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Balance at 1 January 2009	80,513	2,626	83,139	-	-	-
Additions	22,983	-	22,983	-	-	-
Amortisation / impairment	-	(295)	(295)	-	-	-
Balance at 31 December 2009	**103,496**	**2,331**	**105,827**	**-**	**-**	**-**
Balance at 1 January 2009						
Cost (gross carrying amount)	80,513	2,945	83,458	-	-	-
Accumulated amortisation/impairment	-	(319)	(319)	-	-	-
Net carrying amount	**80,513**	**2,626**	**83,139**	**-**	**-**	**-**
Balance at 31 December 2009						
Cost (gross carrying amount)	103,496	2,945	106,441	-	-	-
Accumulated amortisation/ impairment	-	(614)	(614)	-	-	-
Net carrying amount	**103,496**	**2,331**	**105,827**	**-**	**-**	**-**
Year ended 31 December 2008						
Balance at 1 January 2008	49,806	2,920	52,726	-	-	-
Additions	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**	**-**	**-**	**-**

19. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

The Group's share of the loss (after tax) in its equity accounted investees for the year was $1,320,005 (2008: $1,236,340).

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

	Ownership	Total assets	Total liabilities	Revenues	Expenses	Profit/ (loss) after tax
2009	%	$ '000	$ '000	$ '000	$ '000	$ '000
Third Party Platform Pty Ltd	36%	23,093	(17,391)	3,770	(8,856)	(3,666)
(Bell Direct)		**23,093**	**(17,391)**	**3,770**	**(8,856)**	**(3,666)**
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)**

In September 2008, the Company participated in a rights issue increasing its interest in Bell Direct from 25% to 36%. The contribution of additional capital in Bell Direct was made on the basis that the Company's original call option (outlined in the 2007 Annual Report) was renegotiated.

Under the renegotiated call option arrangements, the Company 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 was extended by 12 months to 31 January 2011.

20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets are attributable to the following:

	Balance sheet		Income statement	
The balance comprises temporary differences attributable to:	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Consolidated				
Depreciation	521	584	(63)	(16)
Employee benefits	1,355	1,333	21	135
Other items	1,131	1,912	(712)	356
Gross deferred income tax assets	**3,007**	**3,829**		
Deferred income tax charge			**(754)**	**475**
Parent				
Depreciation	204	210	(6)	(6)
Other items	808	912	(104)	(262)
Gross deferred income tax assets	**1,012**	**1,122**		
Deferred income tax charge			**(110)**	**(268)**

Deferred tax liabilities are attributable to the following:

Consolidated				
Revaluation of investments	476	121	355	-

There are no deferred tax liabilities for the Company in 2008 and 2009.

21. LOANS AND ADVANCES

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
Margin lending	193,031	187,841	-	-
Non-current				
Margin lending	-	1,250	-	-

22. TRADE AND OTHER PAYABLES

Current				
Settlement obligations	54,664	37,354	-	-
Sundry creditors and accruals	8,495	8,709	-	-
Segregated client liabilities	36,970	57,835	-	-
Other borrowings	-	-	-	-
	100,129	**103,898**	**-**	**-**

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.

Current liabilities				
Finance lease liabilities	246	147	246	147
Deposits (cash account)[1]	141,966	142,074	-	-
Cash advance facility[2]	61,922	47,500	-	-
	204,134	**189,721**	**246**	**147**
Non-current liabilities				
Finance lease liabilities	-	246	-	246
	-	**246**	**-**	**246**

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 $150 million.*

Interest rate risk exposures

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

23. DEPOSITS AND BORROWINGS (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2009 Face value	2009 Carrying amount	2008 Face value	2008 Carrying amount
Consolidated				$ '000	$ '000	$ '000	$ '000
Cash advance facility*	AUD	4.98%	2010	61,922	61,922	47,500	47,500
Deposits (Cash Account)*	AUD	2.77%	2010	141,966	141,966	142,074	142,074
Finance lease liabilities	AUD	7.76%	2010	246	246	393	393
				204,134	**204,134**	**189,967**	**189,967**

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

	Currency	Nominal interest rate	Year of maturity	2009 Face value	2009 Carrying amount	2008 Face value	2008 Carrying amount
Company							
Finance lease liabilities	AUD	7.76%	2010	246	246	393	393
				246	**246**	**393**	**393**

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

Consolidated	Minimum lease payments 2009 $ '000	Interest 2009 $ '000	Principal 2009 $ '000	Minimum lease payments 2008 $ '000	Interest 2008 $ '000	Principal 2008 $ '000
Less than one year	258	12	246	173	26	147
Between one and five years	-	-	-	258	12	246
More than five years	-	-	-	-	-	-
	258	**12**	**246**	**431**	**38**	**393**

Company	Minimum lease payments 2009 $ '000	Interest 2009 $ '000	Principal 2009 $ '000	Minimum lease payments 2008 $ '000	Interest 2008 $ '000	Principal 2008 $ '000
Less than one year	258	12	246	173	26	147
Between one and five years	-	-	-	258	12	246
More than five years	-	-	-	-	-	-
	258	**12**	**246**	**431**	**38**	**393**

24. CURRENT TAX LIABILITIES

The current tax liability for the Group is $6,786,063 (2008: $3,869,423) and for the Company is $6,595,050 (2008: $3,389,951). 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		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Current				
SCE provision	22,983	-	22,983	-
Legal provision	1,500	1,250	1,500	1,250
Other	209	113	209	113
	24,692	**1,363**	**24,692**	**1,363**
Balance at 1 January	1,363	1,552	1,363	1,552
Arising during the year	23,571	86	23,571	86
Utilised	(242)	(275)	(242)	(275)
Balance at 31 December	**24,692**	**1,363**	**24,692**	**1,363**

SCE provision

This provision is for the deferred consideration associated with the acquisition of SCE. Refer note 5 for further discussion.

26. EMPLOYEE BENEFITS

Current				
Salaries and wages accrued	22,013	11,646	-	-
Liability for annual leave	2,281	2,504	-	-
Total employee benefits - current	**24,294**	**14,150**	**-**	**-**
Non-current				
Liability for long-service leave	2,277	1,940	-	-
Total employee benefits – non-current	**2,277**	**1,940**	**-**	**-**

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	
	2009	2008	2009	2008
Assumed rate of increase on wage / salaries	5.5%	5.5%	-	-
Discount rate	6.5%	6.5%	-	-
Settlement term (years)	7	7	-	-
Number of employees at year end	656	703	-	-

27. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Cash flows from operating activities				
Profit from ordinary activities after tax:	27,288	14,437	9,769	6,840
Adjustments for:				
Depreciation and amortisation	1,505	1,542	165	164
Provision for doubtful debts	-	9	-	-
Net (gain) / loss on sale of investments	(6,063)	121	-	-
Unrealised (gain) / loss on investments	(3,015)	1,696	-	-
Share of losses of equity accounted investees	1,320	1,236	1,320	1,236
Equity settled share-based payments	97	86	97	86
Operating profit before changes in working capital	**21,132**	**19,127**	**11,351**	**8,326**
(Increase) / decrease current receivables	(2,249)	13,448	(11,391)	(4,923)
(Increase) / decrease other current assets	(38)	5	-	-
(Increase) / decrease deferred tax assets	822	(100)	110	(448)
(Increase) / decrease loans and advances	(3,940)	94,218	-	-
Increase / (decrease) current payables	(3,769)	(17,047)	-	(894)
Increase / (decrease) current deposits and borrowings	14,167	(15,989)	(146)	-
Increase / (decrease) current tax liabilities	2,917	3,101	3,205	3,304
Increase / (decrease) current provisions	10,490	(8,537)	346	(189)
Increase / (decrease) other current liabilities	-	1,614	-	-
Increase / (decrease) non-current payables	355	-	-	-
Increase / (decrease) non-current provisions	337	271	-	-
Net cash from operating activities	**40,224**	**90,111**	**3,475**	**5,176**
Reconciliation of cash				
For the purpose of the cash flow statement, cash and cash equivalents comprise:				
Cash at bank / on hand	20,008	12,532	50	54
Cash at bank (Margin Lending)	20,335	19,940	-	-
Cash at bank (Trust account)	13,748	13,332	-	-
Segregated fund bank balances	6,712	11,029	-	-
Short-term deposits	64,394	31,543	-	-
	125,197	**88,376**	**50**	**54**

28. CAPITAL AND RESERVES

Share capital

Ordinary shares				
On issue at 1 January	147,742	133,891	147,742	133,891
Scrip for scrip	-	13,851	-	13,851
Exercise of share options	-	-	-	-
On issue at 31 December	**147,742**	**147,742**	**147,742**	**147,742**

Movements in ordinary share capital

Date	Details	Number of shares
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**
1 January 2009	Opening Balance	242,210,523
31 December 2009	**Balance**	**242,210,523**

In addition to Ordinary shares there are 10,446,681 A Class, 10,446,681 B Class and 10,446,681 C Class shares. These shares were each reduced from their original number of 14,580,000 shares issued on completion of the SCE acquisition, as summarised on page 12. These shares 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 the A, B and C Class shares, refer to the Directors' Report.

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.

29. DIVIDENDS

Dividends recognised in the current year by the Group are:

	Cents per share	Total amount $ '000	Franked / unfranked	Date of payment
2009				
Interim 2009 ordinary	2.0	4,844	Franked	11 September 2009
2008				
Interim 2008 ordinary	3.0	6,829	Franked	30 September 2008
Final 2008 ordinary	2.0	4,844	Franked	27 March 2009

	Company	
	2009 $ '000	2008 $ '000
Dividend franking account		
30 per cent franking credits available to shareholders of Bell Financial Group Ltd for subsequent financial years	13,449	9,026

On 19 February 2010, the Directors declared a final dividend of 6 cents per share, payable on 26 March 2010. This amount is not accrued within the financial statements.

29. DIVIDENDS (continued)

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 2009 based on profit and a weighted average number of shares outlined below was 11.3 cents (2008: 6.2 cents). Diluted earnings per share at 31 December 2009 was 11.1 cents (2008: 6.2 cents).

Reconciliation of earnings used in calculating EPS

	Consolidated	
	2009 $ '000	2008 $ '000
Basic earnings per share		
Profit from continuing operations	27,288	14,437
Profit attributable to ordinary equity holders used for basic EPS	**27,288**	**14,437**
Adjustments for calculation of diluted earnings per share		
Profit attributable to ordinary equity holders used to calculate basic EPS	27,288	14,437
Effect of stock options issued	-	-
Profit attributable to ordinary equity holders used for diluted EPS	**27,288**	**14,437**

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

	Consolidated	
	2009 Number	2008 Number
Weighted average number of ordinary shares used to calculate basic EPS	242,210,523	231,305,482
Adjustments for calculation of diluted earnings per share:		
Effect of SCE deferred purchase consideration	3,482,222	-
Weighted average number of ordinary shares at year-end	**245,692,745**	**231,305,482**
Weighted average number of ordinary shares used to calculate diluted EPS	**245,692,745**	**231,305,482**

Options

Options granted to directors, key management personnel and UBS have not been included in the determination of diluted EPS as the exercise price of the options was above the BFG share price at 31 December 2009.

31. SHARE-BASED PAYMENTS

Long-term Incentive Plan (LTIP)

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

- The Board may determine which persons will be eligible to participate in the LTIP from time to time. Eligible persons may be invited to apply to participate in the LTIP. The Board may in its discretion accept such applications.
- A person participating in the LTIP (“Executive”) may be granted Options on conditions determined by the Board.

- There is no consideration payable for the grant of the Options.
- The Options will vest on, and become exercisable on or after, a date predetermined by the Board ("the Vesting Date"), provided that the Executive remains employed as an executive of the Company as at that date. These terms may be accelerated at the discretion of the Board under specified circumstances.
- An unvested Option will generally lapse at the expiry of the exercise period applicable to that Option.
- Following the Vesting Date, the vested Option may be exercised by the Executive subject to any exercise conditions and the payment of the exercise price (if any), and the Executive will then be allocated or issued Shares on an one-for-one basis.

Fair value of options granted

There were no options granted during the year to 31 December 2009. 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:

	2007
Fair value of share options and assumptions	
Fair value at grant date	$0.0262
Share price at grant date	$1.55
Exercise price at grant date	$3.10[1]
Option life (expected weighted average life)	15 Dec 2010[2]
Expected volatility (weighted average volatility)	25%
Risk-free interest rate (based on government bonds)	6.55%

[1] *Represents exercise price at grant.*

[2] *Options can be exercised for a period of up to 12 months from exercise date.*

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

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding 1 January	$2.00	18,688,959	$2.00	19,793,959
Granted during the year	-	-	-	-
Forfeited during period	-	(495,000)	-	(1,105,000)
Outstanding 31 December	**$2.00**	**18,193,959**	**$2.00**	**18,688,959**
Exercised 31 December	**-**	**-**	**-**	**-**

Expenses arising from share-based payment transactions

	Consolidated		Company	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Share options granted in 2007 – equity settled	97	86	97	86
Total expense recognised as employee costs	**97**	**86**	**97**	**86**

32. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, currency and liquidity risks arise 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	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Trade debtors	14.	49,772	29,600	-	-
Amounts due from related entities	14.	-	-	29,769	26,851
Segregated deposits with clearing brokers	14.	28,069	44,333	-	-
Loans and advances	21.	193,031	189,091	-	-
Derivative asset		197	-	-	-

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

	Gross	Impairment	Gross	Impairment
Consolidated	2009 $ '000	2009 $ '000	2008 $ '000	2008 $ '000
Aging of receivables				
Not past due	49,189	-	28,640	-
Past Due 0 – 30 Days	554	-	746	-
Past Due 31-120 Days	-	-	-	-
More than one year	29	(29)	214	(214)
Company				
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 the impact of netting agreements.

	Carrying amount	Contracted cashflow	6-months or less	6-12 months	1-2 years	2-5 years	5+ years
Consolidated 2009	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Non-derivative liabilities							
Trade and other payables	123,111	(123,111)	(123,111)	-	-	-	-
Finance lease liabilities	246	(258)	(86)	(172)	-	-	-
Cash deposits	141,966	(141,966)	(141,966)	-	-	-	-
Cash advance facilities	61,922	(61,922)	-	(61,922)	-	-	-
Derivative liabilities							
Hedging derivative	-	-	-	-	-	-	-
Company 2009							
Non-derivative liabilities							
Trade and other payables	-	-	-	-	-	-	-
Finance lease liabilities	246	(258)	(86)	(172)	-	-	-
Consolidated 2008							
Non-derivative liabilities							
Trade and 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							
Non-derivative liabilities							
Trade and other payables	-	-	-	-	-	-	-
Finance lease liabilities	393	(431)	(87)	(87)	(257)	-	-

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.

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.

32. FINANCIAL INSTRUMENTS (continued)

Effective interest rates

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature.

		2009						
		Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Consolidated	**Note**		$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Fixed rate instruments								
Cash and cash equivalents	13.	4.01%	64,394	64,394	-	-	-	-
Finance lease liabilities	23.	7.76%	(246)	(78)	(168)	-	-	-
Loans and advances	21.	6.42%	45,364	44,902	462	-	-	-
Deposits and borrowings	23.	4.61%	(9,734)	(9,734)	-	-	-	-
Cash advance facility	23.	4.99%	(61,922)	-	(61,922)	-	-	-
			37,856	**99,484**	**(61,628)**	**-**	**-**	**-**
Variable rate instruments								
Cash and cash equivalents	13.	3.31%	60,803	60,803	-	-	-	-
Loans and advances	21.	7.82%	147,667	147,667	-	-	-	-
Deposits and borrowings	23.	2.63%	(132,232)	(132,232)	-	-	-	-
			76,238	**76,238**	**-**	**-**	**-**	**-**
Company								
Fixed rate instruments								
Finance lease liabilities	23.	7.76%	**(246)**	**(78)**	**(168)**	**-**	**-**	**-**
Variable rate instruments								
Cash and cash equivalents	13.	2.95%	**50**	**50**	**-**	**-**	**-**	**-**

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 2009, 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 $1.2 million (2008: $0.8 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 (2008: $500). 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 2009, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $1.2 million (2008: $0.3 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 2009. The fair value of these loans at reporting date would be $0.3 million greater than the carrying value based on prevailing interest rates. All other assets and liabilities carrying values approximate fair value.

			2008			
Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
4.54%	31,543	31,543	-	-	-	-
7.76%	(393)	(72)	(75)	(246)	-	-
9.44%	56,935	55,585	100	1,250	-	-
5.91%	(8,743)	(8,743)	-	-	-	-
7.65%	(47,500)	-	(47,500)	-	-	-
	31,842	**78,313**	**(47,475)**	**1,004**	**-**	**-**
3.89%	56,833	56,833	-	-	-	-
7.98%	132,156	132,156	-	-	-	-
3.65%	(133,331)	(133,331)	-	-	-	-
	55,658	**55,658**	**-**	**-**	**-**	**-**
7.76%	**(393)**	**(72)**	**(75)**	**(246)**	**-**	**-**
3.45%	**54**	**54**	**-**	**-**	**-**	**-**

Fair value hierarchy

As at 31 December 2009, the Group used both quoted prices and observable market inputs, other than quoted prices to fair value certain financial assets. The fair value of current financial assets valued on quoted prices is $9.7 million (2008: $1.8 million) and the value of financial assets valued at observable market inputs is $2.1 million (2008: $6.3 million). Derivative financial assets of $0.2 million (2008: financial liabilities $1.3 million) are carried at fair value based on observable market inputs.

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	
	2009 $ '000	2008 $ '000	2009 $ '000	2008 $ '000
Less than one year	6,636	7,927	-	-
Between one and five years	23,707	29,968	-	-
More than five years	7,350	7,350	-	-
	37,693	**45,245**	**-**	**-**

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

34. CONTINGENT LIABILITIES

Acquisition of Southern Cross Equities (SCE)

On 30 September 2008, the Company completed its acquisition of all of the issued capital of Southern Cross Equities Limited (SCE). The Company's 2008 Annual Report summarised details of the acquisition by the Company of all of the issued capital of SCE. On 30 June 2009 the Company entered into agreements with the vendors of SCE amending the terms of that acquisition. Those new arrangements were approved by the passing of special resolutions by the Company's shareholders at the Company's General Meeting on 12 August 2009.

As a result of the new agreements, from 1 July 2009 SCE has been entitled to pay total remuneration to front office employees of up to 50% of SCE revenue (increased from 40%). The consideration for these amendments is the reduction in the total potential purchase price for SCE from $145.8m to $114.8m. The balance of the price is payable 50% in cash and 50% in Bell Financial shares.

One quarter of the original cash consideration was paid on completion (30 September 2008). The revised agreement reduced the three further equal cash installments potentially payable on the anniversary of completion in 2009, 2010 and 2011 respectively from $18.225m to $13.1m (totalling $39.2m). Those payments are subject to the original performance benchmarks being met.

The scrip component of the consideration was satisfied on completion 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. Under the new agreements, the number of A Class shares was reduced from 14,580,000 to 10,446,681, the number of B Class shares reduced from 14,580,000 to 10,446,681 and the number of C Class shares reduced from 14,580,000 to 10,446,681. Those A, B and C Class shares potentially convert into Ordinary shares on the anniversary of completion 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.

SCE revenue for the financial year 1 July 2008 to 30 June 2009 did not reach the first benchmark of $37.4m therefore, no cash installment was payable to the SCE vendors for 2009 and the A Class shares did not convert to Ordinary shares on the anniversary of completion in 2009. As at the date of this report, the Company considers that it is probable that SCE will reach the benchmark resulting in payment of the full 2010 installment in September 2010. A provision has been raised to recognise this (refer note 25 on page 53).

Should revenue exceed the benchmark in either of the 2010 or 2011 years, all, or a portion of the 2009 cash installment may be payable and all, or a portion of the A Class shares may be converted to Ordinary shares.

Other

No other provisions have been recorded as the Directors believe it is not probable that future sacrifices of consolidated benefits will be required or the amounts are not capable of reliable measurement.

35. RELATED PARTIES

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

Executive directors	Non-executive directors	Executives
C Bell	C Coleman	L Bell
A Provan	G Cubbin	A Bell
B Potts	M Spry	R Fell
	B Wilson	D Davenport
		P Vine

Key management personnel compensation

The key management personnel compensation comprised:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	6,045,505	6,996,076	6,045,505	6,996,076
Other long-term benefits	-	-	-	-
Post-employment benefits	412,443	495,555	412,443	495,555
Termination benefits	-	-	-	-
Share-based payments	29,989	26,714	29,989	26,714
	6,487,937	**7,518,345**	**6,487,937**	**7,518,345**

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 2009	Balance 31 December 2009	Interest paid and payable in the reporting period	Highest balance in period
	$	$	$	$
Directors				
C Bell	632,415	785,688	41,882	785,688
A Provan	-	-	-	-
B Potts	-	-	-	-
C Coleman	-	1,608,308	24,441	1,608,308
G Cubbin	-	-	-	-
M Spry	-	-	-	-
B Wilson	-	-	-	-
Executives				
L Bell	-	3,500	133	10,037
A Bell	500,000	500,000	37,417	639,642
R Fell	1,490,496	1,763,246	106,991	1,845,394
D Davenport	131,746	228,996	11,711	264,956
P Vine	61,555	119,945	6,470	119,945

	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	-	-	-	-
C Coleman	1,148,449	-	93,775	1,328,302
G Cubbin	-	-	-	-
Executives				
L Bell	126,378	-	2,464	126,522
A Bell	696,162	500,000	52,284	1,010,110
H Robertson	2,830,805	2,793,655	235,990	2,920,414
P Burrows	-	-	-	-
L McFadyen	-	-	-	-
D Davenport	299,098	131,746	21,326	361,212

Loans totalling $5,009,683 (2008: $4,057,816) 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, Rowan Fell, Dean Davenport and Paul Vine. The loans represent margin loans held with Bell Potter Capital Limited. Interest is payable at prevailing market rates. Related parties also have deposits on normal terms and conditions.

35. RELATED PARTIES (continued)

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

	Opening balance	Closing balance	Interest paid and payable in the reporting period	Number in group at 31 December
	$ '000	$ '000	$ '000	
Total for key management personnel 2009	2,816	5,006	229	11
Total for key management personnel 2008	5,903	4,058	423	9
Total for other related parties 2009	-	4	-	1
Total for other related parties 2008	126	-	3	1
Total for key management personnel and their related parties 2009	2,816	5,010	229	12
Total for key management personnel and their related parties 2008	6,029	4,058	426	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 $229,045 (2008: $426,283). No amounts have been written-down or recorded as allowances for impairment, as the balances are considered fully collectible.

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 2009	Purchases	Received on exercise of options	Sales	Held at 31 December 2009
Directors					
C Bell[1]	32,541,676	56,600	-	-	32,598,276
A Provan[1]	32,386,420	56,600	-	-	32,443,020
B Potts[2]	2,279,337	200,000	-	-	2,479,337
C Coleman	1,772,283	-	-	-	1,772,283
G Cubbin	130,000	50,000	-	-	180,000
M Spry	100,000	-	-	-	100,000
B Wilson[3]	-	-	-	-	-
Executives					
L Bell[1]	32,032,750	56,600	-	-	32,089,350
A Bell[1]	24,559,571	56,600	-	-	24,616,171
R Fell	610,000	-	-	-	610,000
D Davenport	180,651	-	-	-	180,651
P Vine	50,300	-	-	-	50,300

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.*

2 *Brent Potts owns 1,511,355 A Class shares, 1,511,355 B Class shares and 1,511,355 C Class shares in the Company (each reduced from 2,109,337 following the share consolidation summarised on page 12).*

3 *Appointed 28 October 2009.*

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.

Craig Coleman, currently a non-executive director, provided consultancy services to Bell Financial and was paid $287,000 for those services. Brian Wilson, also a non-executive director, provided consultancy services to the Company before he was appointed to the role. He was paid $33,333 in relation to these services.

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

Ultimate parent

Bell Group Holdings Pty Ltd is the ultimate parent company of Bell Financial. There are no outstanding amounts owed by the ultimate parent entity at 31 December 2009 (2008: $nil). There is no interest receivable at 31 December 2009 (2008: $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 2009, the loan was fully repaid. Interest paid during 2009 was $295,349 at prevailing market rates. All other loans made to related entities of the ultimate parent entity have been repaid at 31 December 2009.

Subsidiaries

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

	2009 $ '000	2008 $ '000
Subsidiary		
Bell Potter Securities[1]	11,186	13,454
Bell Potter Financial Planning[2]	3	2
Bell Potter Investments[2]	50	50
Bell Potter Capital[1]	13,621	13,345
Southern Cross Equities	3,725	-
SCSH Investments	1,184	-
	29,769	**26,851**
Parent		
Bell Group Holdings	-	-
	29,769	**26,851**

[1] *The loans from the parent entity to Bell Potter Securities Limited and Bell Potter Capital Limited represent subordinated loans that attract interest at 6.7% (2008: 7.2%). This interest has been waived by the Company for Bell Potter Securities Limited.*

[2] *Loan is interest free and unsecured.*

36. GROUP ENTITIES

Parent entity	Country of incorporation	Ownership interest 2009	2008
Bell Financial Group Ltd			
Significant subsidiaries			
Bell Potter Securities Limited	Australia	100%	100%
Bell Potter Capital Limited	Australia	100%	100%
Southern Cross Equities Ltd	Australia	100%	100%
Associate			
Third Party Platform Pty Ltd (Bell Direct)	Australia	36%	36%

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 2009 to the date of this report.

38. AUDITOR'S REMUNERATION

	Consolidated		Company	
Audit services	2009 $	2008 $	2009 $	2008 $
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	366,000	318,000	110,000	113,000
Other auditors				
Other audit services	-	13,415	-	-
Total remuneration for audit services	**366,000**	**331,415**	**110,000**	**113,000**
Audit related services				
Auditors of the Company				
KPMG Australia:				
Other regulatory audit services	86,000	82,500	-	-
Other services	-	218,000	-	218,000
Other auditors				
Other audit services	-	-	-	-
Total remuneration for audit related	**86,000**	**300,500**	**-**	**218,000**
Non-audit services				
Auditors of the Company				
KPMG Australia				
Other advisory services	25,363	29,200	-	24,200
Other auditors				
Taxation services	32,500	29,650	32,500	28,000
Other advisory services	102,140	48,300	88,790	23,450
Total remuneration for non-audit services	**160,003**	**107,150**	**121,290**	**75,650**
	612,003	**739,065**	**231,290**	**406,650**

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 20 to 25 of the Remuneration report in the Directors' Report, set out on pages 10 to 26, 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 2009 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); and

(c) 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 2009.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 19th day of February 2010.

Colin Bell
Executive Chairman

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELL FINANCIAL GROUP LIMITED

Report on the financial report

We have audited the accompanying financial report of Bell Financial Group Limited (the Company), which comprises the balance sheets as at 31 December 2009, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration set out on page 67 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), 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 Limited 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 2009 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).

Report on the remuneration report

We have audited the remuneration report included in pages 20 to 25 of the directors' report for the year ended 31 December 2009. 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 Limited for the year ended 31 December 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Don Pasquariello

Don Pasquariello
Partner

Melbourne
19 February 2010

ASX Additional Information

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

Shareholder information was applicable at 15 February 2010.

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	331	219,232	0.09
1,001 - 5,000	1,145	3,926,981	1.62
5,001 - 10,000	512	4,470,087	1.85
10,000 - 100,000	574	17,901,787	7.39
100,000 and over	115	215,692,436	89.05
	2,677	**242,210,523**	**100.00**

The number of shareholders holding less than a marketable parcel of ordinary shares is 31.

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
Bell Group Holdings Pty Limited	117,967,345	48.70
UBS Nominees Pty Ltd	42,232,044	17.44
Equitas Nominees Pty Limited	6,000,000	2.48
ANZ Nominees Limited	3,145,416	1.30
Cherryburn Pty Ltd	2,598,590	1.07
Mr Lionel Alexander McFadyen	2,294,101	0.95
Lost Ark Nominees Pty Limited	2,148,172	0.89
National Nominees Limited	1,784,287	0.74
Bungeeltap Pty Ltd	1,750,000	0.72
Fatty Holdings Pty Ltd	1,733,019	0.72
Lost Ark Nominees Pty Limited	1,671,875	0.69
Moat Investments Pty Ltd	1,349,985	0.56
UBS Nominees Pty Ltd	1,251,292	0.52
Lost Ark Nominees Pty Limited	1,231,381	0.51
Fadmoor Pty Ltd	1,100,000	0.45
Lost Ark Nominees Pty Limited	884,067	0.36
Mr John William Murray	755,000	0.31
Mark Paterson and Suzanne Paterson	750,000	0.31
Mr Colin Bell	715,161	0.30
Merivale Investments Pty Ltd	630,838	0.26

ASX Additional Information
(continued)

SUBSTANTIAL SHAREHOLDINGS

	Number of shares	% of issued capital
Bell Group Holdings Pty Limited (BGH)	118,050,845	48.74%[1]
Colin Bell	119,384,259	49.29%[2,5]
Alastair Provan	119,229,003	49.23%[3,5]
Lewis Bell	118,825,333	49.06%[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 (83,500 shares).*
2. *Registered holder of 1,333,414 shares.*
3. *Registered holder of 1,178,158 shares.*
4. *Registered holder of 774,488 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 (83,500) because each has voting power in BGH above 20% (pursuant to section 608(3) of the Corporations Act 2001 (Cth)).*

Voluntary restrictions

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

Escrow terms	Number of shares
Ordinary fully paid shares escrowed until 11 December 2010	83,500

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

Brian Wilson
Non-executive Director

COMPANY SECRETARY

Paul Vine

REGISTERED AND HEAD OFFICE

Level 29, 101 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

Telephone (03) 9415 5000

ASX CODE

BFG
Shares are listed on the
Australian Securities Exchange

BANKER

Australia and New Zealand Banking Group

AUDITOR

KPMG

WEBSITE ADDRESS

www.bellfg.com.au

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Melbourne VIC 3000