APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**BKM Management Limited**
ABN:	61 009 146 543
Reporting period:	**Year ended 30 June 2010**
Previous corresponding period:	Year ended 30 June 2009

2. Results for announcement to the market

Revenues from ordinary activities	up	11.0%	to	$ 1,705,851
Loss from ordinary activities after tax attributable to the owners of BKM Management Limited	down	55.4%	to	$(552,436)
Loss for the period attributable to the owners of BKM Management Limited	down	55.4%	to	$(552,436)

Dividends
There were no dividends paid during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $552,436 which is significantly better than the loss of $1,238,763 in the previous financial year.

Refer to 'Review of operations' in the Directors' Report for further commentary.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	0.07 cents	0.13 cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable.	
Date control gained		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)		$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)		$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable.
Date control lost	
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)	$ -

6. Dividends

Current period
There were no dividends paid during the current financial period.

Previous corresponding period
There were no dividends paid during the previous financial period.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding – Current period	Reporting entity's percentage holding – Previous corresponding period	Contribution to profit/(loss) (where material) – Current period	Contribution to profit/(loss) (where material) – Previous corresponding period
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit(loss) from ordinary activities before income tax			$ -	$ -
Income tax on operating activities			$ -	$ -

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of BKM Management Limited for the year ended 30 June 2010 is attached.

12. Signed

Signed: ________________________________ Date: 31 August 2010

Alvin Tan
Director
Melbourne

BKM Management Limited

ABN 61 009 146 543

Annual Report - 30 June 2010

BKM Management Limited
Corporate directory
30 June 2010

Directors	Evan McGregor Alvin Tan Jeff Kwan	
Company secretary	Phillip Hains	
Notice of annual general meeting	The annual general meeting of BKM Management Limited:	
	will be held at	Suite 1 1233 High Street Armadale VIC 3143
	time date	Refer to separate announcement Refer to separate announcement
Registered office	Suite 1, 1233 High Street, Armadale VIC 3143 Telephone: +61 3 9824 5254 Facsimile: +61 3 9822 7735	
Principal place of business	Suite 1, 1233 High Street, Armadale VIC 3143 Rear 592 Chapel Street, South Yarra VIC 3141 872-876 Hay Street, Perth WA 6000	
Share register	Advanced Share Registry Services 150 Stirling Highway, Nedlands, Perth WA 6909 Telephone: +61 8 9389 8033 Facsimile: + 61 8 9389 7871	
Auditor	William Buck Audit (VIC) Pty Ltd Level 1, 465 Auburn Road, Hawthorn East VIC 3123 Telephone: +61 3 9824 8555 Facsimile: + 61 3 9824 8580	
Solicitors	Pointon Partners Level 2, 640 Bourke Street, Melbourne VIC 3000	
Stock exchange listing	BKM Management Limited shares are listed on the Australian Securities Exchange (Code: BKM)	
Website address	www.bkmmanagement.com	

BKM Management Limited
Letter to Shareholders
30 June 2010

Dear Shareholders,

It is with pleasure that your board of directors ('Board') deliver the 2010 Annual Report to you.

Australian and global markets experienced another volatile year, with the Australian share market posting a modest 14% gain for the financial year to 30 June 2010. This is considered a disappointing result as the market was up by as much as 30% in April 2010. However, government debt concerns in Europe and slow world economic growth lead the market lower towards the end of the year.

Results

The trading conditions experienced by BKM Management Ltd ('BKM' or the 'company') over the past year have remained very challenging and continued to impact on the performance of BKM. As a result, the company reports a loss after non controlling interest of $552,436 for the year, significantly less than the loss of $1,238,763 last year. The improved result can be attributed to, in particular, the improved performance of the Scene Model business, some administration and corporate cost cutting and a reduction in impairment write downs recognised in respect of IGC Asia and other investments.

New Projects

As previously announced on in March 2010, the company has signed a Heads of Agreement to acquire 100% of SMG Oil & Gas, who has been awarded a contract to carry out an oil exploration geological survey in the Baitag region in Mongolia. The acquisition fits well with the company’s strategy to expand its current investment in the energy sector.

The company is still completing the relevant due diligences on the acquisition of SMG Oil & Gas and associated legal entities and further updates are expected shortly. Approval of the sale is also subject to the approval of the Mineral Resources and Petroleum Authority of Mongolia.

In addition to the above project, the Board has also been pursuing other new business opportunities during the period, with the aim of broadening the business base of BKM and increasing shareholder value.

The Directors would like to thank shareholders for their continued support and interest in the company. With your continued support, the Board is confident in improving the business operations of BKM and enhancing shareholder value. We look forward to providing further updates to shareholders in the coming months.

Yours sincerely

Alvin Tan
Director
BKM Management Limited
31 August 2010

BKM Management Limited
Directors' report
30 June 2010

The directors present their report on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of BKM Management Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2010.

Directors
The following persons were directors of BKM Management Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Michael Sim (resigned on 12 April 2010)
Evan McGregor
Alvin Tan
Jeff Kwan (appointed on 12 April 2010)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- The operation of modelling agencies in Australia
- Investments in a health spa, bar and entertainment complex in China and an investment in an oil trading business in Singapore

There have been no significant changes in the nature of those principal activities during the financial year.

Dividends
There were no dividends paid during the current or previous financial year to the owners of BKM Management

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $552,436 (30 June 2009: $1,238,763).

The loss for the current year includes a $174,156 (2009:$807,269) net impairment of investments. This loss is significantly better than the loss of the previous financial year.

Revenue also improved to $1,705,851 from $1,536,428 in the prior year, primarily due to an increase in revenue from Scene Model Management Pty Ltd.

The Australian markets returned to positive territory for the financial year ended 30 June 2010, but the financial year ended with uncertainty as markets trended downwards and fears of a double dip surfaced. The company has found the operating conditions experienced by its businesses and investments during the year somewhat challenging.

BKM has maintained investments in Scene Model Management Pty Ltd (Scene), Global Capital Limited (Global Capital) and IGC Asia Pte Ltd (IGC Asia) during the year, each investment is discussed below.

Scene Model Management
The majority of the consolidated entity's revenue was derived from Scene's operations. Revenue for the financial year increased by approximately 17% from $1,463,078 to $1,705,846 and costs declined from $1,755,077 to $1,666,077. As such, Scene returned to profitability and posted a profit of $100,081 for the year ended 30 June 2010, after the elimination of intercompany transactions.

Global Capital Limited
The company has investments in Hong Kong based Global Capital, which includes the Sanctuary Health Spa and Scene Bar /Entertainment complex in Guangzhou, China. Performance of this investment improved significantly in the latter half of 2009, following the economic recovery in China, and has been maintained in the first half of 2010.

The performance of Global Capital was also assisted by the modifications to the Sanctuary Health Spa which helped to increase the number of customers using the facility. Prospects for the remainder of 2010 remain optimistic assuming continued growth in the Chinese economy in South China.

This investment was fully impaired last year due to the uncertainty of the future recoverability of the investment.

IGC Asia Pte Ltd
IGC Asia reported an operating loss of US$1,112,124 before tax, for the calendar year ending 31 December 2009. IGC Asia faced a challenging second half of 2009, amid slow recovery of demand in the oil markets and volatile trading conditions. In the first half of 2010, IGC Asia has posted a reduced loss of US$325,533 (unaudited), as trading conditions have remained difficult with margins continuing to be squeezed along the value chain, but there are signs that trading conditions are slowly improving.

Expansion of the IGC Asia business into the bunker business is still planned, but has been delayed until current trading conditions improve.

Due to the prolonged recovery of the trading conditions in the oil markets, the fair value of the investment in IGC Asia has been reduced by $193,289 to $1,837,371 for the financial year ended 30 June 2010.

Outlook
The trading conditions experienced by the company over the past year have remained very challenging and continued to impact on the performance of the consolidated entity. Despite this, the Board of Directors remain confident that these difficult conditions will improve and therefore have been actively pursuing new business opportunities to broaden the current business base and develop a long term business.

In accordance with this strategy, the company announced in March 2010 that it had signed a Heads of Agreement to acquire 100% of SMG Oil & Gas, who have the rights to carry out an oil exploration geological survey in the Baitag region in Mongolia. The acquisition is aligned with the company’s strategy to expand its investments in the energy sector.

The company is still completing the relevant due diligences on the acquisition of SMG Oil & Gas, associated legal entities and businesses and further updates will be made in due course.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on likely developments in the operations of the company and consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company and consolidated entity.

Forward-looking statements
This report may contain forward-looking statements regarding the potential of the company and consolidated entity’s projects and interests. Any statement describing a goal, expectation, intention or belief of the company or consolidated entity is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Michael Sim (resigned on 12 April 2010)
Title:	Executive Director, Executive Chairman and Managing Director
Qualifications:	B.Sc. (Hons), MBA
Experience and expertise:	Michael joined IGC Asia Pte Ltd as Chief Executive Officer in January 2007 to lead and develop the trading of petroleum products. He has been in the oil trading business for over 12 years, starting with Exxon, then starting the Crown Resources AG Singapore trading office for the Russian conglomerate, Alfa Group in 1999. Subsequently, he moved on to trade at Noble Group, Petrochina and ABN Amro. He brought the entire spectrum of refinery, trading and logistics experience to the BKM
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,866,902 ordinary shares
Interests in options:	None

Name:	Evan McGregor
Title:	Non-Executive Director
Qualifications:	B.Sc. and B. Econ.
Experience and expertise:	Evan has a wide range and depth of business development skills from his many years of involvement with small emerging listed companies. He has worked at a senior level in large organisations and his specialities include strategic analysis, negotiations and corporate and financial management.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	49,995,000 ordinary shares
Interests in options:	None

Name:	Alvin Tan
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Commerce (with honours)
Experience and expertise:	Alvin has a wide range of experience in investment markets in Australia and overseas. He has worked with KPMG Peat Marwick in Kuala Lumpur and has been an investment advisor in the Asia-Pacific equity markets for DJ Carmichael Pty Ltd.
Other current directorships:	Non-Executive Director of Advanced Share Registries Ltd and Non-Executive Director of Orchid Capital Limited
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	11,600,000 ordinary shares
Interests in options:	None

Name:	Jeff Kwan (appointed on 12 April 2010)
Title:	Executive Director, Executive Chairman and Managing Director
Qualifications:	None
Experience and expertise:	Jeff has previously been employed by Prime Partners Corporate Finance and Nomura Singapore prior to his appointment to the Board of BKM Management Limited. His work experience includes fund raising for private equity and public markets, M&A activities and equity research. In addition, Jeff has also been involved in three startup companies and brings valuable experience to the Board.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary
Phillip Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Phillip serves the needs of a number of company boards and their related committees. He has over 22 years' experience in providing businesses with accounting, administration, compliance and general management services.

Meetings of directors
The numbers of meetings of the company's Board of Directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

	Full Board	
	Attended	Held
Michael Sim	7	8
Evan McGregor	11	11
Alvin Tan	11	11
Jeff Kwan	3	3

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:
A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration

Remuneration of all Executive and Non-Executive Directors, Officers and Employees is determined by the Board of Directors ('Board').

The company and consolidated entity are committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with 'Best Practice' including the interests of Shareholders. Remuneration packages are based on fixed and variable components, determined by the Executives' position, experience and performance, and may be satisfied via cash or equity.

Non-Executive Directors are remunerated out of the maximum aggregate amount approved by Shareholders and at a level that is consistent with industry standards. Non-Executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable other than statutory superannuation, if applicable.

Remuneration policy versus financial performance
The company's and consolidated entity's remuneration policy is not directly based on performance, rather than on industry practice.

The company's and consolidated entity's primary focus is the acquisition of new investment opportunities and streamlining or enhancing the existing investments held.

The company and consolidated entity envisages its performance in terms of earnings will remain negative whilst the company and consolidated entity continues this transformation process.

Performance income as a proportion of total remuneration
All executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore there is no fixed proportion between incentive and non-incentive remuneration. Non-Executive directors are not entitled to receive bonuses and/or incentives.

Performance based remuneration
The purpose of a performance bonus is to reward individual performance in line with the company's and consolidated entity's objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the company and/or consolidated entity. This is regularly measured in respect of performance against key performance indicators ('KPI's').

The company and consolidated entity uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:
- Successful contract negotiations
- Improved performance within a division

There were no performance based remuneration under the employment contract of Directors and Key Management Personnel.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of BKM Management Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of BKM Management Limited and the following executives:

- Anthony Harden - State Manager - Western Australia
- Phillip Hains - Company Secretary and Chief Financial Officer

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Evan McGregor	36,000	-	-	-	-	-	36,000
Alvin Tan	36,000	-	-	-	-	-	36,000
Executive Directors:							
Michael Sim	83,864	-	-	-	-	-	83,864
Jeff Kwan	24,136	-	-	-	-	-	24,136
Other Key Management Personnel:							
Anthony Harden	76,300	-	-	-	-	-	76,300
Phillip Hains	96,000	-	-	-	-	-	96,000

The total remuneration of the directors and key management personnel for the financial year, per the analysis above, is $352,300.

2009	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Evan McGregor	66,740	-	-	-	-	-	66,740
Alvin Tan	36,000	-	-	-	-	-	36,000
Executive Directors:							
Michael Sim	87,000	-	-	-	-	-	87,000
Other Key Management Personnel:							
Anthony Harden	74,500	-	-	-	-	-	74,500
Phillip Hains	108,000	-	-	-	-	-	108,000

The total remuneration of the directors and key management personnel for the prior financial year, per the analysis above, was $372,240.

C Service agreements

No Director is under a written employment contract.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2010.

Options
There were no options outstanding as at 30 June 2010.

There were no options granted or exercised during the year ended 30 June 2010.

This concludes the remuneration report, which has been audited.

Shares under option
There were no options outstanding as at 30 June 2010.

Shares issued on the exercise of options
There were no shares of BKM Management Limited issued on the exercise of options during the year ended 30 June 2010.

BKM Management Limited
Directors' report
30 June 2010

Indemnity and insurance of officers
On 25 June 2003 the company entered into an Officer's Protection Deed with each of the Directors to indemnify each of them against any liability that may be incurred in relation to his duties as an Officer of the company to the extent permitted by the law. This indemnification continues for 7 years after termination of the Directorship.

The company has not otherwise, during or since the financial year, paid a premium in respect of a contract to insure the directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor
The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of William Buck Audit (VIC) Pty Ltd
There are no officers of the company who are former audit partners of William Buck Audit (VIC) Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Rounding of amounts
Amounts in this report have been rounded off to the nearest dollar.

Auditor
William Buck Audit (VIC) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

On behalf of the directors

____
Alvin Tan
Director

31 August 2010
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BKM MANAGEMENT LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

H D Paton
Director

Dated in Melbourne on this 31st day of August 2010

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142
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williambuck.com

BKM Management ('Company') is committed to implementing the highest standards of corporate governance. In determining what those standards should involve, the Company and the consolidated entity have considered the ASX Corporate Governance Council's ('the Council') Corporate Governance Principles and Recommendations.

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of changing legal and regulatory requirements. The Board of Directors ('Board') continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company has stated that fact and has set out a mandate for future compliance when the size of the company and consolidated entity and the scale of its operations warrants the introduction of those recommendations. All Charters and Policies are available from the Company.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation, but rather the topic covered. The full details of each recommendation can be found on the ASX Corporate Governance Council's website.

	Recommendation	Section
1.1	Functions of the Board and Management	1.1
1.2	Senior Executive Evaluation	1.4.10
1.3	Reporting on Principle 1	1.1; 1.4.10
2.1	Independent Directors	1.2
2.2	Independent Chair	1.2
2.3	Role of the Chair and CEO	1.2
2.4	Establishment of Nomination Committee	2.2
2.5	Board and Individual Director Evaluation	1.4.10
2.6	Reporting on Principle 2	1.2; 1.4.10; 2.2.2 and Directors' Report
3.1	Code of Conduct	3.1
3.2	Company Securities Trading Policy	1.4.9
3.3	Reporting on Principle 3	3.1
4.1	Audit, Risk and Compliance Policies	2.1
4.2	Structure of Audit Committee	2.1.2
4.3	Audit Committee Charter	2.1
4.4	Reporting on Principle 4	2.1
5.1	Policy for Compliance with Continuous Disclosure	1.4.4
5.2	Reporting on Principle 5	1.4.4
6.1	Communications Policy	1.4.8
6.2	Reporting on Principle 6	1.4.8
7.1	Policies on Risk Oversight and Management	2.1.3
7.2	Risk Management Report	1.4.12
7.3	CEO and CFO Assurance	1.4.11
7.4	Reporting on Principle 7	1.4.11; 1.4.12; 2.1.3
8.1	Establishment of Remuneration Committee	2.2
8.2	Executive and Non-Executive Director Remuneration	2.2.4.1; 2.2.4.2
8.3	Reporting on Principle 8	2.2; 2.2.4.1; 2.2.4.2

1. Board of directors

1.1 Role of the board

The Board’s role is to govern the Company rather than to manage it. In governing the Company, the directors must act in the best interest of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

To assist the Board carry out its functions, it has a Code of Conduct in place to guide directors, the chief executive officer, the chief financial officer and other senior executives and employees in the performance of their roles.

1.2 Composition of the board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the directors and their qualifications and experience are stated in the Directors' Report under the section headed 'Information on Directors'.

The Board believes that the interests of all shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry;
- The Company striving to have a number of directors being independent; and
- Some major shareholders being represented on the Board.

The Company recognises the importance of non-executive directors and the external perspective and advice that non-executive directors can offer. Further, the Company also recognises the importance of independent directors in ensuring shareholders that the Board is properly fulfilling its role.

The Company considers a non-executive director to be independent when they are not a substantial shareholder of the Company or an associate of a substantial holder of the Company or have any other material interest and within the past three years has not been employed in an executive capacity by the Company (or subsidiary) and is free from any business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company and shareholders.

The Company believes that at this stage in its development, the most appropriate person for the position of Chairman is an executive officer of the Company. The executive officer's overall expertise has been crucial to the Company's development and negates any perceived lack of independence.

1.3 Responsibility of the board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the consolidated entity. Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.

2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensure that there are policies in place to govern the operation of the consolidated entity.

3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.

4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings.

5. Monitoring, Compliance and Risk Management: overseeing the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operation performance of the Company.

6. Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.

7. Human Resources: appointing, and, where appropriate, removing the executive officers as well as reviewing the performance of the chief executive officer and monitoring the performance of senior management in their implementation of Company's strategy.

8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.

9. Delegation of Authority: delegating appropriate powers to executives of the Company to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

10. Audit, Risk and Compliance Policy: assisting the Board in fulfilling its responsibilities in respect of establishing an oversight and management of risk within the Company.

11. Remuneration and Nomination Policy: assisting the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in directors on the Board at all times.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board policies

1.4.1 Conflicts of interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a director cannot or is unwilling to remove a conflict of interest then the director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

1.4.3 Confidentiality

In accordance with legal requirement and agreed ethical standards, directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company also posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

1.4.5 Education and induction

It is the policy of the Company that new directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new directors includes:

- details of the roles and responsibilities of a director;
- formal policies on director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.

1.4.6 Independent professional advice

The Board collectively and each director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related party transactions

Related party transactions include any financial transaction between a director and the Company and will be reported in writing at each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company entity is committed to:

1. communicating effectively with shareholders through releases to the market via the ASX and the general meetings of the Company;

2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;

3. making it easy for shareholders to participate in general meetings of the Company; and

4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Shareholder's are also able to ring the registered office of the Company to make enquiries of the Company or obtain updated announcements via the ASX website (www.asx.com.au).

Information is communicated to shareholders through:

- the annual report which is published on the Company's website and distributed to shareholders where specifically requested;

- the half-year shareholder's report which is published on the Company's website and distributed to shareholders where specifically requested, containing summarised financial information and a review of the operations during the period since the annual report; and

- other correspondence regarding matters impacting on shareholders as required.

1.4.9 Trading in the consolidated entity's shares

The Company has a Share Trading Policy which states that directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX. Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance review/evaluation

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual directors and Executive Officers of the Company. The Board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

During the reporting period, the Board conducted individual and group performance evaluations on an informal basis which provided the Board with valuable feedback for future development.

Further information on policies and procedures established to evaluate the performance of the Board are set out in the Director's Report under the section headed 'Remuneration Report'.

1.4.11 Attestations by chief executive officer (CEO) and chief financial officer (CFO)

In accordance with the Board's policy, the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report.

1.4.12 Risk management accountability

As part of the process of approving the financial statements, at each reporting date the CEO and other responsible senior executives provide statements in writing to the Board on the quality and effectiveness of the Company's risk management and internal compliance and control systems.

2. Board committees

2.1 Audit, risk and compliance committee (Full board)

2.1.1 Role

The role of an Audit, Risk & Compliance Committee is to assist the Board in fulfilling its responsibilities in respect of establishing an oversight and management of risk within the Company.

2.1.2 Composition

Due to the size of the Company's operations, it does not have a Audit, Risk and Compliance Committee. It is deemed to be more efficient to have the full Board consider the areas of Audit, Risk and Compliance.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration and nomination committee (Full board)

2.2.1 Role

The role of a Remuneration and Nomination Committee ('Remuneration Committee') is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in directors on the Board at all times.

2.2.2 Composition

Due to the size of the Company's operations, it does not have a Remuneration and Nomination Committee. It is deemed to be more efficient to have the full Board consider membership nominations and configuration.

2.2.3 Responsibilities

The Board's responsibilities include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive and making recommendations to the Board on any proposed changes and undertake a review of the CEO's performance, including, setting with the CEO goals for the coming year and reviewing progress in achieving those goals.

The Nomination duties include devising criteria for Board membership, regularly reviewing the structure of the Board and identifying specific individuals for nomination/removal as directors for review by the Board. Further responsibilities include overseeing management succession plans including the CEO and their direct reports and evaluation of the Board's performance.

2.2.4 Remuneration policy

The Remuneration Report includes further details on the Company's remuneration policy and its relationship to the Company's performance last year. It also includes details of the remuneration of directors and senior executives last year. Shareholders are invited to vote on the adoption of the report at the Company's annual general meeting.

2.2.4.1 Senior executive remuneration policy

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Under the senior executive remuneration policy, remuneration of senior executives may comprise of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the share/option scheme with thresholds approved by shareholders; and
- statutory superannuation.

The Company aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

2.2.4.2 Non-executive director remuneration policy

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the Company without prior shareholder approval.

Non-executive directors are entitled to but not necessarily paid statutory superannuation.

3. Interests of stakeholders

3.1 Company code of conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This code includes the following:

Responsibilities to shareholders and the financial community generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to clients, customers and consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations relative to fair trading and dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws and strives to deal fairly with the Company's customers, suppliers and competitors and encourages its employees to strive to do the same.

Responsibilities to the community and to individuals

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and supports community charities.

The Company is committed to keeping private information from employees, clients, customers, consumers and investorsconfidential and protected from uses other than those for which it was provided.

Conflicts of interest

Directors and employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company complies with legislation affecting its operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company monitors and ensures compliance with its code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

BKM Management Limited
Financial report
For the year ended 30 June 2010

Contents

General information

The financial report covers BKM Management Limited as a consolidated entity consisting of BKM Management Limited and the entities it controlled. The financial report is presented in Australian Dollars, which is BKM Management Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

BKM Management Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	*Principal place of business*
Suite 1, 1233 High Street, Armadale VIC 3143	Suite 1, 1233 High Street, Armadale VIC 3143
	Rear 592 Chapel Street, South Yarra VIC 3141
	872-876 Hay Street, Perth WA 6000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2010. The directors have the power to amend and reissue the financial report.

BKM Management Limited
Statement of comprehensive income
For the year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Revenue	4	1,705,851	1,536,428
Share of profits of associates accounted for using the equity method		-	19,004
Expenses	5		
Model talent cost		(1,054,486)	(972,073)
Employee benefits expense		(530,944)	(563,967)
Administration and corporate expense		(294,157)	(326,332)
Net fair value loss on financial assets through profit or loss		(174,156)	(807,269)
Finance costs	5	(113,364)	(104,564)
Occupancy		(83,668)	(63,790)
Loss before income tax expense		(544,924)	(1,282,563)
Income tax expense	6	-	-
Loss after income tax expense for the year		(544,924)	(1,282,563)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(544,924)	(1,282,563)
Loss for the year is attributable to:			
Non-controlling interest		7,512	(43,800)
Owners of BKM Management Limited		(552,436)	(1,238,763)
		(544,924)	(1,282,563)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		7,512	(43,800)
Owners of BKM Management Limited		(552,436)	(1,238,763)
		(544,924)	(1,282,563)
		Cents	**Cents**
Basic earnings per share	29	(0.10)	(0.25)
Diluted earnings per share	29	(0.10)	(0.25)

The above statement of comprehensive income should be read in conjunction with the accompanying notes

BKM Management Limited
Statement of financial position
As at 30 June 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
Assets			
Current assets			
Cash and cash equivalents	7	146,276	220,648
Trade and other receivables	8	237,670	156,444
Other	9	4,502	4,410
Total current assets		388,448	381,502
Non-current assets			
Property, plant and equipment	10	1,268	2,112
Intangibles	11	49,878	49,878
Financial assets at fair value through profit or loss	12	1,877,838	2,051,993
Total non-current assets		1,928,984	2,103,983
Total assets		2,317,432	2,485,485
Liabilities			
Current liabilities			
Trade and other payables	13	650,407	483,945
Borrowings	14	1,191,000	812,500
Employee benefits	15	14,516	24,420
Total current liabilities		1,855,923	1,320,865
Non-current liabilities			
Borrowings	16	-	465,000
Employee benefits	17	24,939	14,678
Total non-current liabilities		24,939	479,678
Total liabilities		1,880,862	1,800,543
Net assets		436,570	684,942
Equity			
Contributed equity	18	24,743,400	24,446,848
Accumulated losses		(24,305,532)	(23,750,244)
Equity attributable to the owners of BKM Management Limited		437,868	696,604
Non-controlling interest		(1,298)	(11,662)
Total equity		436,570	684,942

The above statement of financial position should be read in conjunction with the accompanying notes

BKM Management Limited
Statement of changes in equity
For the year ended 30 June 2010

	Contributed equity $	Accumulated losses $	Non-controlling interest $	Total equity $
Consolidated				
Balance at 1 July 2008	23,721,668	(22,511,481)	32,138	1,242,325
Total comprehensive income for the year	-	(1,238,763)	(43,800)	(1,282,563)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	725,180	-	-	725,180
Balance at 30 June 2009	24,446,848	(23,750,244)	(11,662)	684,942

	Contributed equity $	Accumulated losses $	Non-controlling interest $	Total equity $
Consolidated				
Balance at 1 July 2009	24,446,848	(23,750,244)	(11,662)	684,942
Total comprehensive income for the year	-	(552,436)	7,512	(544,924)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	296,552	-	-	296,552
Transfers	-	(2,852)	2,852	-
Balance at 30 June 2010	24,743,400	(24,305,532)	(1,298)	436,570

The above statement of changes in equity should be read in conjunction with the accompanying notes

BKM Management Limited
Statement of cash flows
For the year ended 30 June 2010

	Note	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,786,463	1,457,503
Payments to suppliers (inclusive of GST)		(1,987,937)	(1,858,580)
Interest received		5	499
Net cash used in operating activities	28	(201,469)	(400,578)
Cash flows from investing activities			
Payments for property, plant and equipment	10	-	(3,376)
Proceeds of capital return		-	32,000
Net cash from investing activities		-	28,624
Cash flows from financing activities			
Proceeds from borrowings		140,000	310,000
Capital raising costs		(7,889)	(3,820)
Repayment of borrowings		-	(40,000)
Interest on convertible notes		(5,014)	(14,000)
Net cash from financing activities		127,097	252,180
Net decrease in cash and cash equivalents		(74,372)	(119,774)
Cash and cash equivalents at the beginning of the financial year		220,648	340,422
Cash and cash equivalents at the end of the financial year	7	146,276	220,648

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Standards and Interpretations
The consolidated entity has adopted all of the new, revised or amending Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant and effective for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

The adoption of these Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Standards and Interpretations are most relevant to the consolidated entity:

AASB 101 Presentation of Financial Statements ('AASB 101')
The consolidated entity has applied the revised AASB 101 from 1 July 2009 and now presents a statement of comprehensive income, which incorporates the income statement and all non-owner changes in equity. As a result, the consolidated entity now presents all owner changes in the statement of changes in equity. The balance sheet is now referred to as the statement of financial position. There is a requirement to present a third statement of financial position if there is restatement of comparatives through either a correction of error, change in accounting policy or a reclassification. The cash flow statement is now referred to as the statement of cash flows.

AASB 3 Business Combinations ('AASB 3')
The consolidated entity has applied the revised AASB 3 for all new business combinations acquired on or after 1 July 2009. As well as the expensing of transaction costs and minority interest now being referred to as non-controlling interest, there are a number of significant changes - refer to the 'business combinations' accounting policy for further details.

AASB 127 Consolidated and Separate Financial Statements ('AASB 127')
The consolidated entity has applied the revised AASB 127 from 1 July 2009. The revised standard requires changes in ownership interest of a subsidiary without a change in control to be accounted for as a transaction with owners in their capacity as owners. It also changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary - refer to the 'principles of consolidation' accounting policy for further details.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
This amendment is applicable from 1 July 2009 and removes references to the cost method. The distinction between pre and post acquisition profits is no longer relevant as all dividends are now recognised in profit or loss - refer to the 'principles of consolidation' accounting policy for further details.

AASB 7 Financial Instruments: Disclosure ('AASB 7')
This amended standard is applicable from 1 July 2009 and requires additional disclosure about fair value measurement of financial instruments, using a three level fair value hierarchy. The amendments also clarify the disclosure requirements about liquidity risks for derivative transactions and assets used for liquidly management.

AASB 8 Operating Segments ('AASB 8')
The consolidated entity has applied AASB 8, which replaces AASB 114 'Segment Reporting', from 1 July 2009. AASB 8 requires a management approach to segment reporting based on the information reported internally. Refer to note 3.

Note 1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

As at 30 June 2010, the consolidated entity had net current liabilities of $1,467,475 (2009: $939,363) and incurred a loss for the year of $544,924 (2009: $1,282,563).The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation:

i) the directors expect to successfully issue shares and convertible securities. The current borrowings of $1,191,000 (2009: $812,500) and non-current borrowings of $Nil (2009: $465,000) are unsecured convertible notes. The directors have been in contact with a majority of the convertible note holders and are satisfied the expiry date of most of the convertible notes can be extended for a period of 12 months. Therefore it is expected the convertible notes expiring during the next financial year will be rolled over into new convertible notes;

ii) the consolidated entity has the ability to scale down its operations sufficiently should i) above not occur; and

iii) the directors are of the opinion that no asset is likely to be realised for an amount less than that amount at which it is recorded in the statement of financial position.

As a consequence of the above, the directors believe that the consolidated entity will be able to continue as a going concern and, therefore these financial statements have been prepared on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporates the assets and liabilities of all subsidiaries of BKM Management Limited ('company' or 'parent entity') as at 30 June 2010 and the results of all subsidiaries and special purpose entities for the year then ended. BKM Management Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Special purpose entities ('SPEs') are those entities where the consolidated entity, in substance, controls the SPE so as to obtain the majority of benefits without having any ownership interest.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Change in accounting policy from 1 July 2009

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

The change in accounting policy has been applied prospectively.

Accounting policy up to 30 June 2009

The acquisition of subsidiaries is accounted for using the purchase method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for using the parent entity extension method, where the difference between the consideration paid and the book value of the share of net assets acquired is recognised in goodwill.

Where the consolidated entity loses control over a subsidiary, the consolidated entity recognises a gain or loss directly to the income statement, being the difference between the consideration received and the share of the net assets disposed of. Any investment retained is accounted for at its proportionate share of net asset value at the date control is lost.

Note 1. Significant accounting policies (continued)

Operating segments

Change in accounting policy from 1 July 2009
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Accounting policy up to 30 June 2009
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards are transferred to the customer and the cessation of all involvement in those goods. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue is determined with reference to the stage of completion of the transaction at the reporting date and where outcome of the contract can be estimated reliably.

Stage of completion is measured by reference to the services performed to date as a percentage of the total anticipated services to be performed. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 1. Significant accounting policies (continued)

Investments and other financial assets
Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mis-match. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable date indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal can not exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset’s fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 1. Significant accounting policies (continued)

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings

Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

Business combinations

Change in accounting policy from 1 July 2009
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The change in accounting policy has been applied prospectively.

Note 1. Significant accounting policies (continued)

Accounting policy up to 30 June 2009
The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially recognised at their fair values at the acquisition-date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets acquired, the difference is recognised as a gain directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. The unwinding of the discount on deferred cash consideration is expensed to profit or loss as a finance cost. Contingent consideration is recognised when probable. Subsequent change to contingent consideration is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis until either the earlier of (i) 12 months from the date of the acquisition or (ii) the finalisation of fair values.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of BKM Management Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

Rounding of amounts
Amounts in this report have been rounded off to the nearest dollar.

New Standards and Interpretations not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations, most relevant to and not early adopted by the consolidated entity, are set out below.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main change is the removal of specific guidance on classifying land as a lease in AASB 117 'Leases', which may result in more land leases being classified as finance leases. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-8 Amendments to AASB 2 - Group Cash-settled Share-based Payment Transactions
These amendments are applicable to annual reporting periods beginning on or after 1 January 2010. These amendments clarify the scope of AASB 2 'Share-Based Payment' by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash. These amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by these amendments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues
These amendments are applicable to annual reporting periods beginning on or after 1 February 2010. These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2009-12 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 9 Financial Instruments and 2009-11 Amendments Australian Accounting Standards arising from AASB 9
This standard and consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. This standard introduces new classification and measurement models for financial assets as part of phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). It uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. The standard also removes the impairment requirements for financial assets held at fair value. The accounting for financial liabilities has not been amended by the IASB and continues to be classified and measured in accordance with AASB 139. The consolidated entity will adopt this standard from 1 July 2011 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 July 2010. The amendments make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The main amendments deal with the transitional requirements arising as a result of revised AASB 127 'Consolidated and Separate Financial Statements' being issue; transitional requirements for contingent consideration from a business combination that occurred before the effective date of revised AASB 3 'Business Combinations' and amendments to the measurement of non-controlling interests; and unreplaced and voluntarily replaced share-based payments awards. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures'; clarification of statement of changes in equity in AASB 101 'Presentation of Financial Instruments' and disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2010. The revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Standards arising from Interpretation 19

These amendments are applicable for annual reporting periods beginning on or after 1 July 2010. The amendments clarify that equity instruments issued to a creditor to extinguish a financial liability are 'consideration paid'. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The transaction should be measured at the fair value of the equity instruments issued. The adoption of these amendments from 1 July 2010 will not have a material impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Going concern
These financial statements have been prepared on a going concern basis which is dependent on sourcing of additional finance and the consolidated entity having sufficient funds to meet its debts as and when they full due. Should this assumption be incorrect the consolidated entity may not be able to continue as a going concern and the carrying amounts of assets and liabilities may need to be reclassified and adjusted accordingly.

Fair value and hierarchy of financial instruments
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 12.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the cash flows.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into two operating segments: modelling and investment. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments. All operations are in Australia.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services
The principal products and services of each of these operating segments are as follows:

Modelling	Provision of management services to the modelling industry
Investment	Investment in the health spa industry in China and the oil industry in Singapore

Intersegment transactions
Any intersegment transactions are at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers
There were no significant customers in any reported segment that comprise greater than 10% of the segments aggregated revenues (2009: None).

Note 3. Operating segments (continued)

Operating segment information

2010	Modelling $	Investment $	Intersegment eliminations/ unallocated $	Consolidated $
Revenue				
Sales to external customers	1,692,136	-	-	1,692,136
Intersegment sales	-	50,000	(50,000)	-
Total sales revenue	1,692,136	50,000	(50,000)	1,692,136
Other income	13,710	5	-	13,715
Total revenue	1,705,846	50,005	(50,000)	1,705,851
Adjusted EBITDA	50,925	(481,641)	-	(430,716)
Depreciation and amortisation	(844)	-	-	(844)
Finance costs	-	(35,424)	(77,940)	(113,364)
Profit/(loss) before income tax expense	50,081	(517,065)	(77,940)	(544,924)
Income tax expense				-
Loss after income tax				(544,924)
Assets				
Segment assets	387,611	2,203,943	(120,122)	2,471,432
Intersegment eliminations				(154,000)
Total assets				2,317,432
Liabilities				
Segment liabilities	550,266	293,596	1,191,000	2,034,862
Intersegment eliminations				(154,000)
Total liabilities				1,880,862

Note 3. Operating segments (continued)

2009	Modelling $	Investment $	Intersegment eliminations/ unallocated $	Consolidated $
Revenue				
Sales to external customers	1,461,480		-	1,461,480
Intersegment sales	-	212,500	(212,500)	-
Total sales revenue	1,461,480	212,500	(212,500)	1,461,480
Other income	1,598	58,429	33,925	93,952
Total revenue	1,463,078	270,929	(178,575)	1,555,432
Adjusted EBITDA	(290,387)	(921,523)	35,523	(1,176,387)
Depreciation and amortisation	(1,612)	-	-	(1,612)
Finance costs	-	-	(104,564)	(104,564)
Loss before income tax	(291,999)	(921,523)	(69,041)	(1,282,563)
Income tax expense				-
Loss after income tax				(1,282,563)
Assets				
Segment assets	263,614	2,440,993	(120,122)	2,584,485
Intersegment eliminations				(99,000)
Total assets				2,485,485
Total assets includes:				
Acquisition of non-current assets	3,376	729,000	-	732,376
Liabilities				
Segment liabilities	421,351	200,692	1,277,500	1,899,543
Intersegment eliminations				(99,000)
Total liabilities				1,800,543

Note 4. Revenue

	Consolidated 2010 $	**Consolidated 2009 $**
Sales revenue		
Agency fees	1,692,136	1,461,480
Other revenue		
Interest	5	39,425
Other revenue	13,710	35,523
	13,715	74,948
Revenue	1,705,851	1,536,428

Note 5. Expenses

	Consolidated 2010 $	Consolidated 2009 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	844	1,612
Finance costs		
Convertible notes	113,364	104,564
Rental expense relating to operating leases		
Minimum lease payments	62,281	60,524
Superannuation expense		
Defined contribution superannuation expense	30,291	28,934

Note 6. Income tax expense

	Consolidated 2010 $	Consolidated 2009 $
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(544,924)	(1,282,563)
Tax at the Australian tax rate of 30%	(163,477)	(384,769)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	14	235
Financial assets at fair value through profit or loss	52,247	291,622
Capital raising costs	473	-
	(110,743)	(92,912)
Current year temporary differences not recognised	110,743	92,912
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	6,808,397	6,432,128
Potential tax benefit @ 30%	2,042,519	1,929,638

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 6. Income tax expense (continued)

Unused capital losses of $5,175,499 (2009: $5,175,499) have not been recognised.

Deferred tax liabilities on temporary differences of $2,138 (2009: $12,764) have not been recognised.

The above potential tax benefit, which excludes tax losses have not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2010	**2009**
	$	**$**
Cash on hand	420	129
Cash at bank	145,856	220,519
	146,276	220,648

Note 8. Current assets - trade and other receivables

	Consolidated	
	2010	**2009**
	$	**$**
Trade receivables	242,960	169,028
Less: Provision for impairment of receivables	(12,148)	(16,903)
	230,812	152,125
Other receivables	6,858	4,319
	237,670	156,444

Impairment of receivables
The consolidated entity has recognised a loss of $7,370 (2009: recovery of $8,373) in profit or loss in respect of impairment of receivables for the year ended 30 June 2010.

The ageing of the impaired receivables recognised above are as follows:

	Consolidated	
	2010	**2009**
	$	**$**
3 to 6 months overdue	12,148	16,903

Note 8. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2010 $	Consolidated 2009 $
Opening balance	16,903	35,392
Unused amounts reversed	(4,755)	(18,489)
Closing balance	12,148	16,903

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $230,812 at 30 June 2010 ($152,125 at 30 June 2009). Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2010 $	Consolidated 2009 $
1 to 30 days overdue	160,632	91,777
30 to 60 days overdue	45,691	30,410
60 + days overdue	24,489	29,938
	230,812	152,125

Note 9. Current assets - other

	Consolidated 2010 $	Consolidated 2009 $
Prepayments	4,502	4,410

Note 10. Non-current assets - property, plant and equipment

	Consolidated 2010 $	Consolidated 2009 $
Plant and equipment - at cost	55,325	55,325
Less: Accumulated depreciation	(54,057)	(53,213)
	1,268	2,112
	1,268	2,112

Note 10. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $	Total $
Consolidated		
Balance at 1 July 2008	348	348
Additions	3,376	3,376
Depreciation expense	(1,612)	(1,612)
Balance at 30 June 2009	2,112	2,112
Depreciation expense	(844)	(844)
Balance at 30 June 2010	1,268	1,268

Note 11. Non-current assets - intangibles

	Consolidated 2010 $	Consolidated 2009 $
Goodwill - at cost	483,776	483,776
Less: Impairment	(433,898)	(433,898)
	49,878	49,878
	49,878	49,878

Impairment testing
Goodwill is allocated to the following cash-generating units:

	Consolidated 2010 $	Consolidated 2009 $
Modelling	49,878	49,878

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years, together with a terminal value based upon a multiple of 5 (2009: 5).

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:
a. 16% (2009: 16%) pre-tax discount rate;
b. 5% (2009: 10%) per annum projected revenue growth rate; and
c. 3% (2009: 3%) per annum increase in operating costs and overheads.

No impairment has been recognised for the year ended 30 June 2010 (2009: $Nil).

Note 12. Non-current assets - financial assets at fair value through profit or loss

	Consolidated	
	2010	2009
	$	$
Shares in Artist & Entertainment Group Ltd (listed)	8,800	8,000
Shares in Venturex Resources Ltd (listed)	31,667	13,333
Shares in IGC Asia Pte Ltd (unlisted)	1,837,371	2,030,660
	1,877,838	2,051,993

Fair value of IGC Asia Pte Ltd
The fair value of the investment in IGC Asia Pte Ltd has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years, together with a terminal value based upon a multiple of 5 (2009: 5).

The following key assumptions were used in the discounted cash flow model:
a. 16% (2009: 16%) pre-tax discount rate;
b. 2% (2009: 4%) per annum projected revenue growth rate; and
c. 3% (2009: 3%) per annum increase in operating costs and overheads.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2010	2009
	$	$
Trade payables	201,196	100,132
Accrued directors fees	152,627	134,491
Model's payments unpresented	163,154	160,627
Other payables and accrued expenses	133,430	88,695
	650,407	483,945

Refer to note 19 for detailed information on financial instruments.

Note 14. Current liabilities - borrowings

	Consolidated	
	2010	2009
	$	$
Convertible notes payable	1,191,000	812,500

Refer to note 16 for further information on assets pledged as security and financing arrangements and note 19 for detailed information on financial instruments.

Note 15. Current liabilities - employee benefits

	Consolidated 2010 $	Consolidated 2009 $
Annual leave	14,516	24,420

Note 16. Non-current liabilities - borrowings

	Consolidated 2010 $	Consolidated 2009 $
Convertible notes payable	-	465,000

There were no assets pledged as security for the convertible notes.

Refer to note 19 for detailed information on financial instruments.

Note 17. Non-current liabilities - employee benefits

	Consolidated 2010 $	Consolidated 2009 $
Long service leave	24,939	14,678

Note 18. Equity - contributed

	Consolidated		Consolidated	
	2010 Shares	2009 Shares	2010 $	2009 $
Ordinary shares - fully paid	583,514,875	507,404,640	24,743,400	24,446,848

Note 18. Equity - contributed (continued)

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2008	466,904,640		23,721,668
Ordinary shares issued to purchase 4.90% of IGC Asia Pte Ltd	25 August 2008	40,500,000	$0.018	729,000
Transaction costs relating to share issue	25 August 2008			(3,820)
Balance	30 June 2009	507,404,640		24,446,848
Issued in lieu of interest on convertible notes due on 30 September 2009	5 October 2009	16,187,708	$0.004	64,751
Issued in lieu of interest on convertible notes due on 30 September 2009	5 October 2009	58,055,625	$0.004	232,222
Issued in lieu of interest on convertible notes as per Resolution 3 of 2009 AGM	27 November 2009	1,866,902	$0.004	7,468
Transaction costs relating to share issue		-		(7,889)
Balance	30 June 2010	583,514,875		24,743,400

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

By regularly reviewing undiscounted cash flows forecasts and actual cash flows provided to the Board of directors by management, the Board is able to monitor the consolidated entity's capital needs.

The capital risk management policy remains unchanged from the 30 June 2009 Annual Report.

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of volatility in oil prices and foreign exchange rates and ageing analyses for credit risk in respect of investment portfolios to determine market risk.

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the consolidated entity's implementation of that system on a regular basis.

The exploration potential of the consolidated entity's projects and the economic viability of future developments are subject to the risk of movements in commodity prices, especially oil.

Market risk

Foreign currency risk
The consolidated entity undertake certain transactions denominated in foreign currency and it is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity’s functional currency. The risk is measured by regular review of the consolidated entity's cash flows, monitoring the dollar amount and currencies that payments are anticipated to be paid in. The consolidated entity also considers the market fluctuations in relevant currencies to determine the level of exposure. If the level of exposure is considered by management to be high, then management has the authority to take steps to reduce the risk. Steps to reduce risk may include the acquisition of foreign currency ahead of the anticipated due date of payment or may include negotiations with suppliers to make payments in Australian dollars. If management determines that the consolidated entity should take out a hedge to reduce the foreign currency risk they would need to seek Board approval.

The consolidated entity currently does not hedge overseas payments or receivables.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Consolidated				
Singapore Dollars	1,837,371	2,030,660	-	-

The consolidated entity had net assets denominated in foreign currencies of $1,837,371 at 30 June 2010 (2009: $2,036,660). Based on this exposure, had the Australian Dollar weakened by 10%/strengthened by 5% (2009: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been $183,737 lower/$91,869 higher (2009: $203,066 lower/$101,533 higher) and equity would change by the same amount. The percentage change is the expected overall volatility of the significant currencies, which is based on management’s assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date.

Note 19. Financial instruments (continued)

Price risk
The consolidated entity is not exposed to any significant price risk directly, however its investment in IGC Asia Pte Ltd has a significant exposure to the volatility in movements in commodity prices, especially oil.

Interest rate risk
The consolidated entity does not have a significant exposure to interest rate risk.

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2010	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	201,196	-	-	-	201,196
Other payables	-	315,781	-	-	-	315,781
Interest-bearing - fixed rate						
Convertible note	10.00	1,310,100	-	-	-	1,310,100
Total non-derivatives		1,827,077	-	-	-	1,827,077

Note 19. Financial instruments (continued)

Consolidated - 2009	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	100,132	-	-	-	100,132
Other payables	-	295,118	-	-	-	295,118
Interest-bearing - fixed rate						
Convertible notes	10.00	893,750	558,000	-	-	1,451,750
Total non-derivatives		1,289,000	558,000	-	-	1,847,000

The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

Fair value of financial instruments
The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	40,467	-	1,837,371	1,877,838
Total assets	40,467	-	1,837,371	1,877,838

There were no transfers between levels during the financial year.

The consolidated entity has not shown the comparatives in accordance with the transitional provisions.

Movements in level 3 financial instruments
Movements in level 3 financial instruments during the current financial year are set out below:

Consolidated - 2010	Fair value through profit or loss $	Total $
Opening balance	2,030,660	2,030,660
Fair value movement through profit or loss	(193,289)	(193,289)
Closing balance	1,837,371	1,837,371
Total losses for the year included in other income that relate to level 3 assets held at the end of the year	(193,289)	(193,289)

Changing one or more inputs would not significantly change the fair value of level 3 financial instruments.

Note 19. Financial instruments (continued)

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 20. Key management personnel disclosures

Directors
The following persons were directors of BKM Management Limited during the financial year:

Jeff Kwan (appointed 12 April 2010)	Current Executive Chairman and Managing Director
Michael Sim (resigned 12 April 2010)	Former Executive Chairman and Managing Director
Evan McGregor	Non-Executive Director
Alvin Tan	Independent Non-Executive Director

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Phillip Hains	Company Secretary and Chief Financial Officer
Anthony Harden	State Manager - Western Australia

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2010 $	2009 $
Short-term employee benefits	352,300	372,240

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2010	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Michael Sim *	-	-	1,866,902	(1,866,902)	-
Evan McGregor	49,995,000	-	-	-	49,995,000
Alvin Tan	11,600,000	-	-	-	11,600,000
Phillip Hains	7,137,500	-	-	-	7,137,500
Anthony Harden	2,000,000	-	-	-	2,000,000
	70,732,500	-	1,866,902	(1,866,902)	70,732,500

* Additions represents issue of shares in lieu of cash payment of interest payable on convertible notes, approved at the AGM held on 23 November 2009 to Michael Sim.
Disposal represents Michael Sim no longer being a key management personnel.

Note 20. Key management personnel disclosures (continued)

2009	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Evan McGregor	49,995,000	-	-	-	49,995,000
Alvin Tan	11,600,000	-	-	-	11,600,000
Phillip Hains	7,137,500	-	-	-	7,137,500
Anthony Harden	2,000,000	-	-	-	2,000,000
	70,732,500	-	-	-	70,732,500

Option holding
The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2009	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
Ordinary shares					
Alvin Tan	2,000,000	-	-	(2,000,000)	-

No key management personnel held options during 2010.

Related party transactions
Related party transactions are set out in note 24.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck Audit (VIC) Pty Ltd, the auditor of the company, and its related practices:

	Consolidated	
	2010	**2009**
	$	**$**
Audit services - William Buck Audit (VIC) Pty Ltd		
Audit or review of the financial report	29,000	30,250

Note 22. Contingent liabilities

There were no contingent liabilities at 30 June 2010 and 30 June 2009.

Note 23. Commitments for expenditure

	Consolidated 2010 $	Consolidated 2009 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	53,490	57,069
One to five years	85,413	109,454
	138,903	166,523

The consolidated entity has two non-cancellable leases with terms varying between one and three years. The lease agreements provide for regular increases based either on CPI or market reviews.

Note 24. Related party transactions

Parent entity
BKM Management Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 20 and the directors' report.

Note 24. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2010 $	Consolidated 2009 $
Payment for other expenses:		
Interest on convertible notes to Innovation Marketing and Finance Pty Ltd (a company in which Evan McGregor is a director)	3,008	6,000
Interest on convertible notes to Michael Sim	7,468	6,208
Share registry services to Advanced Share Registry Ltd (a company in which Alvin Tan is a director)	9,520	10,586

Michael Sim is a director of IGC Asia Pte Ltd ('IGC'). On 25 August 2008 the consolidated entity issued 40,500,000 shares at an issue price of $0.018 per share, for a total consideration of $729,000 to acquire an additional 223,039 shares in IGC. As a result of this transaction the consolidated entity's total shareholding represents 26.5% of the issued share capital of IGC. In line with accounting rules for venture capitalists, the consolidated entity continues to account for the investment at fair value through profit or loss. The remaining 73.5% of the issued share capital of IGC is owned by a Singapore based company CBS Ventures Pte Ltd ('CBS'). CBS is a substantial shareholder of the consolidated entity.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated 2010 $	Consolidated 2009 $
Current borrowings:		
Convertible notes to Michael Sim	83,000	83,000
Accrued interest (on above convertible notes)	224	6,208
Convertible notes to Innovation Marketing and Finance Pty Ltd (a company in which Evan McGregor is a director)	60,000	-
Accrued interest (on above convertible notes)	4,488	-
Non-current borrowings:		
Convertible notes to Innovation Marketing and Finance Pty Ltd (a company in which Evan McGregor is a director)	-	60,000
Accrued interest (on above convertible notes)	-	1,496

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent 2010 $	Parent 2009 $
Loss after income tax	(595,006)	(1,009,568)
Total comprehensive income	(595,006)	(1,009,568)

Statement of financial position

	Parent 2010 $	Parent 2009 $
Total current assets	156,106	219,000
Total assets	2,203,943	2,440,993
Total current liabilities	1,638,596	1,112,192
Total liabilities	1,638,596	1,577,192
Equity		
Contributed equity	24,743,400	24,446,848
Accumulated losses	(24,178,053)	(23,583,047)
Total equity	565,347	863,801

Contingent liabilities
The parent entity had no contingent liabilities at 30 June 2010 and 30 June 2009.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

Note 26. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding 2010 %	Equity holding 2009 %
Elite Models (Australia) Pty Limited	Australia	100.00	100.00
Scene Model Management Pty Ltd	Australia	85.00	85.00

Note 27. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2010 $	Consolidated 2009 $
Loss after income tax expense for the year	(544,924)	(1,282,563)
Adjustments for:		
Depreciation and amortisation	844	1,612
Interest on convertible notes	113,364	51,139
Net fair value movement on financial assets	174,156	695,674
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(81,226)	165,915
(Increase)/decrease in other operating assets	(92)	3,465
Increase/(decrease) in trade and other payables	136,052	(18,699)
Increase/(decrease) in other provisions	357	(17,121)
Net cash used in operating activities	(201,469)	(400,578)

Note 29. Earnings per share

	Consolidated 2010 $	Consolidated 2009 $
Loss after income tax	(544,924)	(1,282,563)
Non-controlling interest	(7,512)	43,800
Loss after income tax attributable to the owners of BKM Management Limited	(552,436)	(1,238,763)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	563,225,756	501,285,135
Weighted average number of ordinary shares used in calculating diluted earnings per share	563,225,756	501,285,135
	Cents	**Cents**
Basic earnings per share	(0.10)	(0.25)
Diluted earnings per share	(0.10)	(0.25)

BKM Management Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Alvin Tan
Director

31 August 2010
Melbourne

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BKM MANAGEMENT LTD AND ITS CONTROLLED ENTITIES

ABN 61 009 146 543

Report on the Financial Report

We have audited the accompanying financial report of BKM Management Limited and Controlled Entities (the "economic entity"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the economic entity 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, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ("IFRS") ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BKM MANAGEMENT LIMITED AND ITS CONTROLLED ENTITIES

ABN 61 009 146 543 *(Continued)*

Independence

In conducting our audit, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Auditor's Opinion

In our opinion:

a) the financial report of BKM Management Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the economic entity's financial position as at 30 June 2010 and of its 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 also complies with International Financial Reporting Standards as disclosed in Note 1.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in the going concern paragraph in note 1 to the financial statements, there is inherent uncertainty whether the economic entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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 Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of BKM Management Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

Hugh D. Paton
Director
William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

Dated in Melbourne, Australia on this 31st day of August 2010

BKM Management Limited
Shareholder information
30 June 2010

The shareholder information set out below was applicable as at 30 August 2010.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares
1 to 1,000	393
1,001 to 5,000	440
5,001 to 10,000	200
10,001 to 100,000	436
100,001 and over	188
	1,657
Holding less than a marketable parcel	1,399

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
CBS Ventures Pte Ltd	101,400,000	17.38
Brooklyn International Inc	69,722,373	11.95
Innovation Marketing & Finance Pty Ltd <Super Fund A/C>	49,900,000	8.55
Slade Technologies Pty Ltd <Embrey Family Superfund A/C>	27,248,000	4.67
ANZ Nominees Ltd <Cash Income A/C>	26,980,299	4.62
UOB Kay Hian Private Ltd <Clients A/C>	15,874,214	2.72
Nerac Capital Holdings Ltd	15,000,000	2.57
Medan Financial Ltd	15,000,000	2.57
Trayburn Pty Ltd	14,663,972	2.51
Cudgen Superannuation Services Pty Ltd	14,400,000	2.47
Ong Sau Yin	10,000,000	1.71
Tan Chiew Koon	10,000,000	1.71
At Growth Equities Sdn Bhd	9,200,000	1.58
Northbridge Business Services Pty Ltd	8,300,000	1.42
The CFO Solution Team Pty Ltd <CFO Solution Team Account>	7,137,500	1.22
G E Underwood & M E Underwood <Underwood Super Fund A/c>	6,898,176	1.18
HSBC Custody Nominees (Australia) Limited	6,689,024	1.15
Scintilla Capital Pty Ltd	6,000,000	1.03
Mr Clarke Barnett Dudley	5,745,339	0.98
Scintilla Strategic Investments Ltd	5,000,000	0.86
	425,158,897	72.85

Unquoted equity securities

There are no unquoted equity securities.

BKM Management Limited
Shareholder information
30 June 2010

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
CBS Ventures Pty Ltd	101,400,000	17.38
Brooklyn International Inc	69,722,373	11.95
Innovation Marketing & Finance Pty Ltd <Super Fund A/C>	49,900,000	8.55

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.