BKM Management Limited
ABN 61 009 146 543

Annual Report - 30 June 2011

Table of Contents

Directors	Alvin Tan Evan McGregor Michael Sim
Company secretary	Phillip Hains
Registered office	Suite 1, 1233 High Street, Armadale VIC 3143 Telephone: +61 3 9824 5254 Facsimile: +61 3 9822 7735
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 (ASX code: BKM)
Website address	www.bkmmanagement.com

BKM Management Limited
Chairman's Letter
30 June 2011

Dear Shareholders,

It has been just over six months that I have had the privilege of being your Chairman.

Despite a year of challenging capital markets and a difficult business environment, BKM Management Ltd ('BKM' or the 'company') has made some progress in its capital restructuring program and laying the foundations for the future direction of the company.

During the period, the company was able to raise some important funds, which was well supported by existing shareholders. These funds have allowed the company to pursue and assess opportunities in Mongolia and other areas. Further to this raising, the company has recently received appreciated support from the majority of existing Note holders by way of agreement to convert to fully paid ordinary shares (subject to shareholder approval). This support has enabled the company to take steps in its capital restructuring program and reduce its liabilities. The conversion of the Notes is important to the company at this stage as it addresses the negative net asset position, reduces short term finance costs, and converts at a premium to recent low market prices. Upon conversion the company will have a clean balance sheet with minimal debt.

BKM continues to look to develop its position as a genuine participant in the emerging business markets in Asia. We hold the view that the energy market is where we want to be in the near future. The needs of a developing Asia will continue to place increasing demand for resources despite the challenging financial markets or the troubles of developed markets.

The company has also leveraged the skills and resources available to take advantage of opportunities as they have arisen, such as the agreement with OneMet Minerals Pty Ltd (previously known as Ord River Diamonds Pty Ltd). Its twin projects of Potash and Rare Earth Elements are resources of special significance and are well positioned to draw investor interest. BKM shareholders will have priority to invest in the proposed listing of OneMet.

The board recognises that there is still much to be done and we look to continued shareholder support as we complete our restructuring program and develop the business and direction of the company.

On behalf of the Board, I would like to thank shareholders for their continued support and interest in the company and welcome new shareholders to the company.

Yours sincerely

Alvin Tan
Chairman

27 September 2011
Melbourne

The directors present their report, together with the financial statements, 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 2011.

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:

Alvin Tan - Chairman (Appointed Chairman on 1 October 2010)
Evan McGregor
Michael Sim (appointed on 1 October 2010)
Jeff Kwan (resigned on 1 October 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
- Mining exploration investment in tenements

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

Dividends
There were no dividends paid or declared during the current or previous financial year.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,279,766 (30 June 2010: $552,436).

The loss includes a $788,904 (2009:$174,156) net impairment of investments. This loss reflects provisions based on lowered forecast in the IGC operations as well as financing costs

Revenue was marginally lower from $1,705,851 in the prior year to $1,660,085.

BKM Management Ltd ('BKM') has maintained its interest in Scene Model Management Pty Ltd ('Scene'), Global Capital Limited ('Global Capital') and IGC Asia Pte Ltd ('GC Asia') during the year, each company is discussed below.

Scene Model Management Pty Ltd
The majority of the consolidated entity's revenue was derived from Scene's operations. Revenue for the period declined marginally to $1,637,864 compared with $1,692,136 in the face of a difficult trading environment. However, increasing costs pressure resulted in a loss of $53,941, compared to the profit of $38,174 posted for the year ended 30 June 2010.

This investment has not been impaired in the current or prior financial year.

IGC Asia Pte Ltd
IGC Asia reported improving results; however, it was still an operating loss of US$560,737 before tax, for the calendar year ending 31 December 2010. IGC Asia continues to face challenging trading conditions.

Due to the prolonged recovery of the trading conditions in the oil markets, the investment in IGC Asia has been impaired by $788,904 to $1,048,467 for the year ended 30 June 2011.

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

On 20 September 2011, the company announced it had reached agreement with a majority of existing Note holders to convert $917,000 Convertible Notes to fully paid ordinary shares. This has enabled the company to take steps in its capital restructuring program and reduce its liabilities and address the negative net asset position presented in this financial report. The conversion is subject to appropriate regulatory and shareholder approval and will be included as business at the upcoming AGM.

No other matter or circumstance has arisen since 30 June 2011 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

Outlook

BKM continue to evolve its interests in the emerging energy business in Asia, partly through its investments in IGC Asia, and through that association into oil and gas interests in Mongolia. We continue to seek involvement in suitable projects in Mongolia but recognise that it is a difficult and challenging environment for a small company with limited funding capabilities.

During the year, the company concluded an acquisition agreement with OneMet Minerals Pty Ltd (previously known as Ord River Diamonds Pty Ltd) with its exciting Potash & Rare Earth projects. Shareholders will be given a priority allocation to apply for shares in the proposed listing of OneMet. The successful listing of OneMet will add significantly to the consolidated entity’s asset base

Forward-looking statements

This report may contain forward-looking statements regarding the potential of the consolidated entity’s projects and interests. Any statement describing a goal, expectation, intention or belief of the company 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:	Alvin Tan (appointed Chairman on 1 October 2010)
Title:	Chairman
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:	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:	Michael Sim (appointed on 1 October 2010)
Title:	Non-Executive Director
Qualifications:	Bachelor of Science (with honours) and Master of Business Administration
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 brings the entire spectrum of refinery, trading and logistics experience to the company.
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:	Jeff Kwan (resigned on 1 October 2010)
Title:	Former Executive Director and Former Managing Director
Experience and expertise:	Jeff experience includes fund raising for private equity and public markets, M&A activities and equity research and has also been involved in three startup companies. Jeff resigned from the Board during the year.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

'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 20 years' experience in providing businesses with accounting, administration, compliance and general management services.

Meetings of directors
The number of meetings of the company's Board of Directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Alvin Tan	12	13
Evan McGregor	12	13
Michael Sim	6	8
Jeff Kwan	2	5

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, 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 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/or other incentives 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 consolidated entity's remuneration policy is not directly based on performance, but on industry practice.

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

The consolidated entity envisages its performance in terms of earnings will remain negative whilst the 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 as the payment of performance income is discretionary.

Performance based remuneration
The purpose of a performance bonus is to reward individual performance in line with the 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 consolidated entity. This is regularly measured in respect of performance against key performance indicators ('KPI's').

The 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; and
- Improved performance within a division

There was no performance based remuneration under the employment contracts of Directors and Key Management Personnel paid during the financial year.

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

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Alvin Tan	46,200	-	-	-	-	-	46,200
Evan McGregor	36,000	-	-	-	-	-	36,000
Michael Sim	27,000	-	-	-	-	-	27,000
Other Key Management Personnel:							
Anthony Harden	72,692	-	-	6,542	-	-	79,234
Phillip Hains	92,094	-	-	-	-	-	92,094
	273,986	-	-	6,542	-	-	280,528

2010	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	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
	352,300	-	-	-	-	-	352,300

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 2011.

Options
There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2011.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2011.

This concludes the remuneration report, which has been audited.

Shares under option
There were no options outstanding as at 30 June 2011.

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 2011.

Indemnity and insurance of officers

The company has 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 their 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, 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.

Non-audit services

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.

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, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Alvin Tan
Chairman

27 September 2011
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 2011 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

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

J.C. Luckins
Director

Dated this 27th day of September 2011, Melbourne

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

The company is committed to implementing the highest standards of corporate governance. In determining what those standards should involve, the consolidated entity has 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 ('the 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 states that fact and has set out a mandate for future compliance when the size of the 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	1.4.11
1.3 Reporting on Principle 1	1.1; 1.4.11
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	1.4.11
2.6 Reporting on Principle 2	1.2; 1.4.11; 2.2.2 and Directors' Report
3.1 Code of Conduct	3.1
3.2 company Diversity Policy	1.4.10
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	1.4.12
7.4 Reporting on Principle 7	1.4.12; 1.4.13; 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' along with the term of office held by each of the 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; and

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.

Shareholders 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) and the company's website (www.bkmmanagement.com).

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 Diversity Policy
The company has not yet established a Diversity Policy. However, the board is committed to establishing a Diversity Policy that considers all aspects of diversity in accordance with corporate governance guidelines.

In establishing a Diversity Policy, the Board will consider the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in the company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review and appointment of directors, and identify key measureable diversity performance objectives for the Board, CEO and senior management.

1.4.11 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 consolidated entity 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'.

1.4.12 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.

1.4.13 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 an 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 investors confidential 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 2011

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 is:

Suite 1, 1233 High Street
Armadale VIC 3143

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 27 September 2011. 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 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Revenue	4	1,660,085	1,705,851
Expenses			
Model talent cost		(1,192,380)	(1,054,486)
Employee benefits expense		(464,761)	(530,944)
Administration and corporate expense		(285,802)	(294,157)
Net fair value loss on financial assets through profit or loss		(788,904)	(174,156)
Loss on sale of assets		(5,313)	-
Finance costs	5	(128,218)	(113,364)
Occupancy		(82,564)	(83,668)
Loss before income tax expense		(1,287,857)	(544,924)
Income tax expense	6	-	-
Loss after income tax expense for the year		(1,287,857)	(544,924)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,287,857)	(544,924)
Loss for the year is attributable to:			
Non-controlling interest		(8,091)	7,512
Owners of BKM Management Limited		(1,279,766)	(552,436)
		(1,287,857)	(544,924)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(8,091)	7,512
Owners of BKM Management Limited		(1,279,766)	(552,436)
		(1,287,857)	(544,924)
		Cents	**Cents**
Basic earnings per share	29	(0.21)	(0.10)
Diluted earnings per share	29	(0.21)	(0.10)

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 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Assets			
Current assets			
Cash and cash equivalents	7	367,811	146,276
Trade and other receivables	8	217,636	237,670
Other	9	10,547	4,502
Total current assets		595,994	388,448
Non-current assets			
Property, plant and equipment	10	3,259	1,268
Intangibles	11	49,878	49,878
Financial assets at fair value through profit or loss	12	1,048,467	1,877,838
Total non-current assets		1,101,604	1,928,984
Total assets		1,697,598	2,317,432
Liabilities			
Current liabilities			
Trade and other payables	13	795,012	650,407
Borrowings	14	1,060,970	1,191,000
Employee benefits	15	18,555	14,516
Total current liabilities		1,874,537	1,855,923
Non-current liabilities			
Borrowings	16	273,000	-
Employee benefits	17	30,800	24,939
Total non-current liabilities		303,800	24,939
Total liabilities		2,178,337	1,880,862
Net assets/(liabilities)		(480,739)	436,570
Equity			
Contributed equity	18	25,113,948	24,743,400
Accumulated losses		(25,585,298)	(24,305,532)
Equity attributable to the owners of BKM Management Limited		(471,350)	437,868
Non-controlling interest		(9,389)	(1,298)
Total equity/(deficiency)		(480,739)	436,570

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 2011

	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
Other comprehensive income for the year, net of tax	-	-	-	-
Profit/(loss) after income tax expense for the year	-	(552,436)	7,512	(544,924)
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

	Contributed equity $	Accumulated losses $	Non-controlling interest $	Total equity $
Consolidated				
Balance at 1 July 2010	24,743,400	(24,305,532)	(1,298)	436,570
Other comprehensive income for the year, net of tax	-	-	-	-
Loss after income tax expense for the year	-	(1,279,766)	(8,091)	(1,287,857)
Total comprehensive income for the year	-	(1,279,766)	(8,091)	(1,287,857)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	370,548	-	-	370,548
Balance at 30 June 2011	25,113,948	(25,585,298)	(9,389)	(480,739)

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 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,836,956	1,786,463
Payments to suppliers and employees (inclusive of GST)		(2,040,324)	(1,987,937)
		(203,368)	(201,474)
Interest received		6,949	5
Net cash used in operating activities	28	(196,419)	(201,469)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(2,500)	-
Proceeds from sale of investments		35,154	-
Net cash from investing activities		32,654	-
Cash flows from financing activities			
Proceeds from issue of shares	18	400,000	-
Proceeds from borrowings		29,751	140,000
Capital raising costs		(29,452)	(7,889)
Interest on convertible notes		(14,999)	(5,014)
Net cash from financing activities		385,300	127,097
Net increase/(decrease) in cash and cash equivalents		221,535	(74,372)
Cash and cash equivalents at the beginning of the financial year		146,276	220,648
Cash and cash equivalents at the end of the financial year	7	367,811	146,276

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

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
The consolidated entity has applied Interpretation 19 from 1 July 2010. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measurable, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;
AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;
AASB 117 'Leases' - removal of specific guidance on classifying land as an operating or finance lease;
AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and
AASB 136 'Impairment of Assets' - clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 'Operating Segments' before aggregation for reporting purposes.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
The consolidated entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations - clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

Note 1. Significant accounting policies (continued)

Going concern

As at 30 June 2011, the consolidated entity incurred an operating loss of $1,287,857 (2010 loss: $544,924) and net liabilities were $480,739 (June 2010: net assets $436,570). The consolidated entity's cash position has increased to $367,811 from $146,276 at 30 June 2010.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation:

• The directors expect to issue additional securities;

• The majority of the current borrowings of $1,060,970 and all the non-current borrowings of $273,000 are unsecured convertible notes. On 20 September 2011, the company announced that it had reached agreement with note holders to convert $917,000 of convertible notes to equity, subject to the appropriate approvals being received at the annual general meeting. It is expected that the balance of convertible notes expiring during the next twelve months will be redeemed and converted into equity in accordance with the note agreement on similar terms to those above;

• The trade and other payables balance at 30 June 2011 contains accrued directors fees of $161,000 (2010: $152,000) and related party payables for director controlled entities of $84,700 (2010: $36,300). An undertaking has been provided to the consolidated entity by the directors that repayment of these amounts, and future director fees, will only be demanded in the event that the consolidated entity has sufficient cashflows available; and

• The consolidated entity has the ability to scale down its operations sufficiently should the above not occur.

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 in relation to the recoverability or classification of recorded assets, or to the amounts of classification or liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by 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.

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 incorporate the assets and liabilities of all subsidiaries of BKM Management Limited ('company' or 'parent entity') as at 30 June 2011 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.

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 an 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.

Operating segments
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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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.

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.

On initial recognition the consolidated entity measures its financial assets at fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets carried at fair value through profit or loss are expensed as incurred.

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 subsequently carried at fair value, and 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 mismatch. 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 subsequently 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.

Note 1. Significant accounting policies (continued)

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 data 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.

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 are 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.

Note 1. Significant accounting policies (continued)

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.

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

Note 1. Significant accounting policies (continued)

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.

Business combinations
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.

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 non-controlling 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 profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

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 to profit or loss.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

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, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using 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. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any ‘recycling’ of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by 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', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Statements'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Statements Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards
These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

AASB 124 Related Party Disclosures (December 2009)
This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This 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. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 1054 Australian Additional Disclosures
This Standard is applicable to annual reporting periods beginning on or after 1 July 2011. The standard sets out the Australian-specific disclosures, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
The amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

Note 1. Significant accounting policies (continued)

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint Operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 ‘Consolidated and Separate Financial Statements’, AASB 128 ‘Investments in Associates’, AASB 131 ‘Interests in Joint Ventures’, Interpretation 12 'Service Concession Arrangements’ and Interpretation 13 'Customer Loyalty Programmes'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made by the consolidated entity in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the ‘exit price’ and it provides guidance on measuring fair value when a market becomes less active. The ‘highest and best use’ approach would be used to measure assets, but not liabilities. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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 for the key assumptions employed in the fair value assessment.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, 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 estimated future 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 and profit before income tax and the accounting policies adopted for internal reporting to the CODM are consistent with those applied in the financial statements.

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 (2010: None).

Note 3. Operating segments (continued)

Operating segment information

2011	Modelling $	Investment $	Intersegment eliminations/ unallocated $	Consolidated $
Revenue				
Sales to external customers	1,637,864	-	-	1,637,864
Total sales revenue	1,637,864	-	-	1,637,864
Other income	15,272	6,949	-	22,221
Total revenue	1,653,136	6,949	-	1,660,085
Adjusted EBITDA	(53,432)	(1,105,698)	-	(1,159,130)
Depreciation and amortisation	(509)	-	-	(509)
Finance costs	-	(128,218)	-	(128,218)
Loss before income tax expense	(53,941)	(1,233,916)	-	(1,287,857)
Income tax expense				-
Loss after income tax expense				(1,287,857)
Assets				
Segment assets	343,105	1,615,999	(107,506)	1,851,598
Intersegment eliminations				(154,000)
Total assets				1,697,598
Total assets includes:				
Acquisition of non-current assets	2,500	-	-	2,500
Liabilities				
Segment liabilities	405,701	1,914,020	12,616	2,332,337
Intersegment eliminations				(154,000)
Total liabilities				2,178,337

Note 3. Operating segments (continued)

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 expense				(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 4. Revenue

	Consolidated	
	2011 **$**	**2010** **$**
Sales revenue		
Agency fees	1,637,864	1,692,136
Other revenue		
Interest	6,949	5
Other revenue	15,272	13,710
	22,221	13,715
Revenue	1,660,085	1,705,851

Note 5. Expenses

	Consolidated 2011 $	Consolidated 2010 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	509	844
Finance costs		
Interest on convertible notes	128,218	113,364
Rental expense relating to operating leases		
Minimum lease payments	70,653	62,281
Superannuation expense		
Defined contribution superannuation expense	27,909	30,291
Employee benefits expense		
Employee benefits expense	436,851	500,653

Note 6. Income tax expense

	Consolidated 2011 $	Consolidated 2010 $
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax expense	(1,287,857)	(544,924)
Tax at the Australian tax rate of 30%	(386,357)	(163,477)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	14
Financial assets at fair value through profit or loss	236,671	52,247
Capital raising costs	8,836	473
	(140,850)	(110,743)
Current year temporary differences not recognised	140,850	110,743
Income tax expense	-	-

Note 6. Income tax expense (continued)

	Consolidated 2011 $	Consolidated 2010 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	7,277,898	6,808,397
Potential tax benefit @ 30%	2,183,369	2,042,519

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.

Unused capital losses of $5,180,812 (2010: $5,175,499) 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 2011 $	Consolidated 2010 $
Cash on hand	320	420
Cash at bank	367,491	145,856
	367,811	146,276

Note 8. Current assets - trade and other receivables

	Consolidated 2011 $	Consolidated 2010 $
Trade receivables	213,398	242,960
Less: Provision for impairment of receivables	(9,774)	(12,148)
	203,624	230,812
Other receivables	14,012	6,858
	217,636	237,670

Impairment of receivables

The consolidated entity has recognised a loss of $2,870 (2010: loss of $7,370) in administration and corporate expense, in profit or loss, in respect of impairment of receivables for the year ended 30 June 2011.

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

	Consolidated 2011 $	Consolidated 2010 $
3 to 6 months overdue	9,774	12,148

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

	Consolidated 2011 $	Consolidated 2010 $
Opening balance	12,148	16,903
Additional provisions recognised	2,870	7,370
Receivables written off during the year as uncollectable	(5,244)	(12,125)
Closing balance	9,774	12,148

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

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $200,192 as at 30 June 2011 ($230,812 as at 30 June 2010). The consolidated entity 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	
	2011	**2010**
	$	**$**
1 to 30 days overdue	121,454	160,632
30 to 60 days overdue	32,847	45,691
60+ days overdue	45,891	24,489
	200,192	230,812

Refer to note 19 for detailed information on financial instruments.

Note 9. Current assets - other

	Consolidated	
	2011	**2010**
	$	**$**
Prepayments	10,547	4,502

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

	Consolidated	
	2011	**2010**
	$	**$**
Plant and equipment - at cost	57,825	55,325
Less: Accumulated depreciation	(54,566)	(54,057)
	3,259	1,268
	3,259	1,268

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 2009	2,112	2,112
Depreciation expense	(844)	(844)
Balance at 30 June 2010	1,268	1,268
Additions	2,500	2,500
Depreciation expense	(509)	(509)
Balance at 30 June 2011	3,259	3,259

Note 11. Non-current assets - intangibles

	Consolidated 2011 $	2010 $
Goodwill - at cost	483,776	483,776
Less: Impairment	(433,898)	(433,898)
	49,878	49,878
	49,878	49,878

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

	Goodwill $	Total $
Consolidated		
Balance at 1 July 2009	483,776	483,776
Impairment of assets	(433,898)	(433,898)
Balance at 30 June 2010	49,878	49,878
Balance at 30 June 2011	49,878	49,878

Note 11. Non-current assets - intangibles (continued)

Impairment testing

Goodwill is allocated to the following cash-generating units:

	Consolidated	
	2011	2010
	$	$
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 (2010: 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% (2010: 16%) pre-tax discount rate;
b. 5% (2010: 5%) per annum projected revenue growth rate; and
c. 3% (2010: 3%) per annum increase in operating costs and overheads.

No impairment has been recognised for the year ended 30 June 2011 (2010: $Nil).

Sensitivity analysis
Management estimates that any reasonable changes in the key assumptions would not have a significant impact on the value-in-use of goodwill that would require the asset to be impaired.

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

	Consolidated	
	2011	2010
	$	$
Shares in Artist and EntertainmentGroup Ltd (listed)	-	8,800
Shares in Venturex Resources Ltd (listed)	-	31,667
Shares in IGC Asia Pte Ltd (unlisted)	1,048,467	1,837,371
	1,048,467	1,877,838

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 (2010: 5).

The following key assumptions were used in the discounted cash flow model:
a. 20% (2010: 16%) pre-tax discount rate;
b. 2% (2010: 2%) per annum projected revenue growth rate; and
c. 3% (2010: 3%) per annum increase in operating costs and overheads.

Refer to note 19 for detailed information on financial instruments.

Note 13. Current liabilities - trade and other payables

	Consolidated 2011 $	Consolidated 2010 $
Trade payables	291,152	201,196
Accrued directors fees	161,627	152,627
Model's payments unpresented	166,055	163,154
Other payables and accrued expenses	176,178	133,430
	795,012	650,407

Refer to note 19 for detailed information on financial instruments.

Note 14. Current liabilities - borrowings

	Consolidated 2011 $	Consolidated 2010 $
Bridging advance	62,470	-
Convertible notes payable	998,500	1,191,000
	1,060,970	1,191,000

Refer to note 19 for detailed information on financial instruments.

Note 15. Current liabilities - employee benefits

	Consolidated 2011 $	Consolidated 2010 $
Annual leave	18,555	14,516

Note 16. Non-current liabilities - borrowings

	Consolidated 2011 $	Consolidated 2010 $
Convertible notes payable	273,000	-

Refer to note 19 for detailed information on financial instruments.

Note 17. Non-current liabilities - employee benefits

	Consolidated	
	2011	2010
	$	$
Long service leave	30,800	24,939

Note 18. Equity - contributed

	Consolidated		Consolidated	
	2011	2010	2011	2010
	Shares	Shares	$	$
Ordinary shares - fully paid	640,657,733	583,514,875	25,113,948	24,743,400

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 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
Translation costs relating to share issue		-	$0.000	(7,889)
Balance	30 June 2010	583,514,875		24,743,400
Issue of shares	21 December 2010	57,142,858	$0.007	400,000
Capital raising costs		-	$0.000	(29,452)
Balance	30 June 2011	640,657,733		25,113,948

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.

Note 18. Equity - contributed (continued)

Capital risk management
The consolidated entity's objectives when managing capital are 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 2010 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 undertakes certain transactions denominated in foreign currency and are 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.

Note 19. Financial instruments (continued)

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	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Consolidated				
Singapore dollars	1,048,467	1,837,371	-	-

The consolidated entity had net assets denominated in foreign currencies as detailed above. Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2010: weakened by 10% strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $104,847 lower/$52,423 higher (2010: $183,737 lower/$91,869 higher) and equity would have been $104,847 lower/$52,423 higher (2010: $183,737 lower/$91,869 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations.

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 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.

Note 19. Financial instruments (continued)

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 - 2011	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	-	291,153	-	-	-	291,153
Other payables	-	506,860	-	-	-	506,860
Interest-bearing - fixed rate						
Convertible note	10.00	1,065,225	286,650	-	-	1,351,875
Bridging advance	10.00	65,594	-	-	-	65,594
Total non-derivatives		1,928,832	286,650	-	-	2,215,482

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

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

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 - 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares	-	-	1,048,467	1,048,467
Total assets	-	-	1,048,467	1,048,467

Note 19. Financial instruments (continued)

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.

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

Consolidated - 2011	Fair value through profit or loss $	Total $
Balance at 1 July 2009	2,030,660	2,030,660
Fair value movement through profit or loss	(193,289)	(193,289)
Balance at 30 June 2010	1,837,371	1,837,371
Fair value movement through profit or loss	(788,904)	(788,904)
Balance at 30 June 2011	1,048,467	1,048,467

The total loss for the year included in profit or loss relating to level 3 assets held at the end of the year amounted to $788,904.

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

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:

Alvin Tan	Chairman
Evan McGregor	Non-Executive Director
Michael Sim (appointed 1 October 2010)	Non-Executive Director
Jeff Kwan (resigned 1 October 2010)	Former Executive Chairman and Managing 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

Note 20. Key management personnel disclosures (continued)

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

	Consolidated 2011 $	2010 $
Short-term employee benefits	273,986	352,300
Post-employment benefits	6,542	-
	280,528	352,300

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:

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Alvin Tan	11,600,000	-	-	-	11,600,000
Evan McGregor	49,995,000	-	-	-	49,995,000
Michael Sim *	-	-	-	1,866,902	1,866,902
Phillip Hairns	7,137,500	-	-	-	7,137,500
Anthony Harden	2,000,000	-	-	-	2,000,000
	70,732,500	-	-	1,866,902	72,599,402

* Other - represents Michael Sim becoming a key management personnel on his reappointment to the Board on 1 October 2010.

2010	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	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. Other represents Michael Sim no longer being a key management personnel on his resignion from the Board on 12 April 2010, not necessarily physical disposal.

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:

No key management personnel, including their personally related entities, held options during 2011 or 2010.

Note 20. Key management personnel disclosures (continued)

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	
	2011	**2010**
	$	**$**
Audit services - William Buck Audit (VIC) Pty Ltd		
Audit or review of the financial report	27,000	29,000

Note 22. Contingent liabilities

There were no contingent liabilities at 30 June 2011 and 30 June 2010.

Note 23. Commitments for expenditure

	Consolidated	
	2011	**2010**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	50,433	53,490
One to five years	71,571	85,413
	122,004	138,903

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 remuneration report in the directors' report.

Note 24. Related party transactions (continued)

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

	Consolidated	
	2011	2010
	$	$
Payment for other expenses:		
Interest on convertible notes to Innovation Marketing and Finance Pty Ltd (a company in which Evan McGregor is a director)	8,992	3,008
Interest on convertible notes to Michael Sim	8,500	7,468
Share registry services to Advanced Share Registry Ltd (a company in which Alvin Tan is a director)	6,293	9,520

Michael Sim is a director of IGC Asia Pte Ltd ('IGC'). 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	
	2011	2010
	$	$
Current borrowings:		
Convertible notes to Michael Sim	91,500	83,000
Accrued interest (on above convertible notes)	6,067	224
Convertible notes to Innovation Marketing and Finance Pty Ltd (a company in which Evan McGregor is a director)	60,000	60,000
Accrued interest (on above convertible notes)	4,488	4,488

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	
	2011	2010
	$	$
Loss after income tax	(1,233,916)	(595,006)
Total comprehensive income	(1,233,916)	(595,006)

Note 25. Parent entity information (continued)

Statement of financial position

	Parent 2011 $	Parent 2010 $
Total current assets	397,532	156,106
Total assets	1,615,999	2,203,943
Total current liabilities	1,914,020	1,638,596
Total liabilities	1,914,020	1,638,596
Equity		
Contributed equity	25,113,948	24,743,400
Accumulated losses	(25,411,969)	(24,178,053)
Total equity/(deficiency)	(298,021)	565,347

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2011 and 30 June 2010.

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 in the separate financial statements of BKM Management Limited.

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 2011 %	Equity holding 2010 %
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

On 20 September 2011, the company announced it had reached agreement with a majority of existing Note holders to convert $917,000 Convertible Notes to fully paid ordinary shares. This has enabled the company to take steps in its capital restructuring program and reduce its liabilities and address the negative net asset position presented in this financial report. The conversion is subject to appropriate regulatory and shareholder approval and will be included as business at the upcoming AGM.

No other matter or circumstance has arisen since 30 June 2011 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	
	2011	2010
	$	$
Loss after income tax expense for the year	(1,287,857)	(544,924)
Adjustments for:		
Depreciation and amortisation	509	844
Interest on convertible notes	128,218	113,364
Net fair value movement on financial assets	788,904	174,156
Net loss on sale of assets	5,313	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	20,034	(81,226)
Increase in other operating assets	(6,045)	(92)
Increase in trade and other payables	144,605	136,052
Increase in employee benefits	9,900	357
Net cash used in operating activities	(196,419)	(201,469)

Note 29. Earnings per share

	Consolidated	
	2011	**2010**
	$	**$**
Loss after income tax	(1,287,857)	(544,924)
Non-controlling interest	8,091	(7,512)
Loss after income tax attributable to the owners of BKM Management Limited	(1,279,766)	(552,436)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	613,573,584	563,225,756
Weighted average number of ordinary shares used in calculating diluted earnings per share	613,573,584	563,225,756
	Cents	**Cents**
Basic earnings per share	(0.210)	(0.100)
Diluted earnings per share	(0.210)	(0.100)

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 2011 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
Chairman

27 September 2011
Melbourne

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKM MANAGEMENT LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising BKM Management Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKM MANAGEMENT LIMITED AND CONTROLLED ENTITIES (CONTINUED)

Auditor's Opinion

In our opinion:

a. the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 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; and

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 Note 1 in the financial report which indicates the consolidated entity incurred a net loss of $1,287,857 during year ended 30 June 2011 (30 June 2010 $544,924) and, as of that date, the Directors have made an assessment that the cash balance of $367,811 (30 June 2010: 146,276) may not be sufficient to meet the forecasted operational and capital expenditure without further funding being raised. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of BKM Management Limited for the year ended 30 June 2011 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the BKM Management Limited's web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

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

J.C. Luckins
Director
Dated this 27th day of September 2011, Melbourne

BKM Management Limited
Shareholder information
30 June 2011

The shareholder information set out below was applicable as at 22 September 2011.

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

	Number of holders of ordinary shares
1 to 1,000	392
1,001 to 5,000	436
5,001 to 10,000	196
10,001 to 100,000	430
100,001 and over	218
	1,672
Holding less than a marketable parcel	1,425

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	15.83
BROOKLYN INTERNATIONAL INC	69,722,373	10.88
INNOVATION MARKETING & FINANCE PTY LTD <SUPER FUND A/C>	49,900,000	7.79
SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND A/C>	35,000,000	5.46
J P MORGAN NOMINEES AUSTRALIA LIMITED (GROUP # 889383)	24,943,029	3.89
NERAC CAPITAL HOLDINGS LIMITED	15,000,000	2.34
MEDAN FINANCIAL LIMITED	15,000,000	2.34
TRAYBURN PTY LTD (GROUP # 675116)	14,663,972	2.29
CUDGEN SUPERANNUATION SERVICES PTY LIMITED	14,400,000	2.25
UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	13,999,214	2.19
NORTHBRIDGE BUSINESS SERVICES PTY LTD	11,300,000	1.76
CUDGEN SUPERANNUATION SERVICES PTY LTD	10,600,000	1.65
ONG SAU YIN	10,000,000	1.56
TAN CHIEW KOON	10,000,000	1.56
SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY S/FUND A/C>	10,000,000	1.56
AT GROWTH EQUITIES SDN BHD	9,200,000	1.44
THE CFO SOLUTION TEAM PTY LTD <CFO SOLUTION TEAM ACCOUNT>	7,137,500	1.11
MR GRAEME EDWARD UNDERWOOD + MRS MONICA	6,898,176	1.08
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (GROUP # 889118)	6,486,306	1.01
JACOBS CORPORATION PTY LTD	6,161,826	0.96
	441,812,396	68.95

Unquoted equity securities
There are no unquoted equity securities.

BKM Management Limited
Shareholder information
30 June 2011

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

	Ordinary shares	
	Number held	% of total shares issued
CBS VENTURES PTE LTD	101,400,000	15.83
BROOKLYN INTERNATIONAL INC	69,722,373	10.88
INNOVATION MARKETING & FINANCE PTY LTD <SUPER FUND A/C>	49,900,000	7.79
SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND A/C>	35,000,000	5.46

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.