

**BKM MANAGEMENT LIMITED
AND CONTROLLED ENTITIES**

ABN: 61 009 146 543

**Annual Financial Report For The Year Ended
30 June 2007**

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CONTENTS

CHAIRMAN'S LETTER	1
REVIEW OF OPERATIONS	2
CORPORATE GOVERNANCE STATEMENT	4
DIRECTORS' REPORT	7
INDEPENDENCE DECLARATION	14
INCOME STATEMENT	15
BALANCE SHEET	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	18
NOTES TO THE FINANCIAL STATEMENTS	19
DIRECTORS' DECLARATION	37
INDEPENDENT AUDIT REPORT	38
SHAREHOLDER INFORMATION	40
CORPORATE DIRECTORY	42

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BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
CHAIRMAN'S LETTER

On behalf of your Board of Directors, I present the financial results for the 2007 year.

The past year was a much better one for the Company, with a reported loss of \$320,658. This represented a considerable improvement from previous years.

Management has worked diligently, once again under hard and competitive market conditions to achieve this improved business performance. We expect that this improvement will continue as the Scene Model Management offices in Perth and Melbourne expand activities and profile, while the Sydney office gains the benefits of the recently completed merger of its operations with that of the AEG Group's ACM Face model business in that city. These benefits should start to accrue immediately as the merged Scene entity increases its revenue and number of models, while reducing costs.

Once again Scene Model Management's profile has increased markedly during the past year with a significant number of models from each agency featuring in the major fashion events in Melbourne and Sydney. Scene's position at the forefront of the top few model agencies in Australia has been cemented during the year which is an excellent base from which to expand even further.

Turning to the coming year, it is the intention of the board of BKM to extend Scene's brand and reach into Asia. The recent expansion of our activities into southern China, where the Company has been party to developing a world class health spa resort facility incorporating a Scene branded bar, has seen us take an important first step in achieving this. We anticipate becoming involved in other beauty and wellness related businesses in Asia, and in the process build BKM into a solid, profitable company. The aim will be to not only build up the Scene brand in China, but to identify additional business prospects which can deliver ongoing profits to the Company.

Your board thanks shareholders, management and other stakeholders for their continuing support during this Company-building process and looks forward to a prosperous year ahead.

Yours sincerely



Mr Clive McKee
Non-Executive Chairman
BKM Management Limited
Dated: 26 September 2007

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
REVIEW OF OPERATIONS

The operating loss for the 2007 financial year was \$320,658, compared with last year's figure of \$477,161, which was a decrease in the losses for the Company of 32.8%. This was a reasonably pleasing result as group revenue increased by only 1.6% to \$2,348,307, due to trading difficulties experienced in the Sydney market for the Company's main business, Scene Model Management (Scene).

The Company's main business, Scene, continued to be the only source of revenue for the year.

The Perth office of Scene traded commendably during the period, and the Melbourne business continued to expand its presence in a competitive market. The Melbourne office has now attained a significant profile within the local industry, and the Scene models are increasingly securing excellent engagements

The Sydney Scene office once again experienced very tough competition with billings suffering and in turn impacting on Group profitability. In order to correct this situation, it was decided to merge the Sydney Scene office with the ACM Face model agency, owned by the AEG Group, into a 50:50 joint venture for that city. The merger retains the Scene branding and has been an excellent fit for both companies, as each business had different strengths to bring to the venture. For Scene Sydney, the benefits were reduced costs and stronger management, including the move of Scene into AEG's new premises. The move was well received by the models and the transition has been smooth. Model numbers and revenues have been boosted.

Agency Highlights

Sydney

Once again the most talked about name in the Fashion industry is Tallulah , and as Scene's number one model she had an amazing year, with trips to New York to shoot for US Vogue, Brazil for a swimwear campaign and she will have been in Paris as Collette Dinnigan's model for the Paris Collections. Tallulah did no less than 16 shows at this year's Fashion Week and was the highest paid model of the week.

Last year's winner of the Next Top Model – Eboni Stocks joined Scene in April and has gone from strength to strength. She is presently in New Zealand as the guest of NZ Fashion Week. Also in NZ is Mimi Macpherson who is managed by Scene. After her success on the Reality Show "It Takes Two" Mimi is in big demand for guest appearances and environmental spokesperson engagements.

Brooke Sheehan, Inside Sport cover girl and presenter on Ralph TV has just landed the lead in an Australian produced movie and a guest appearance in a new Bollywood movie. Brooke as she is a lady with enormous talent.

Other Scenes model successes include, Phillip Marciniak who is returning home after almost a year abroad working in New York, Milan, Munich and Barcelona. Phillip's trip has been closely followed by Sydney press as he went from being a Redfern garbo to a Valentino model in less than a month. Luke Cook is the face of the Australian brand Peter Alexander and there have been 6 metre posters of him in Westfield centres across the country. Oli Zuk has gone from the catwalks to a Gold Medal in the World Rowing Championships in Finland last month and is now guaranteed a spot in the Beijing Olympics.

Melbourne

Scene model Jessica Farrell was made the face of Motorola Melbourne Spring Fashion Week 2006, wowing audiences in all the retailer fashion shows held early September at the Melbourne Town Hall. During this prestigious week that places Melbourne squarely as the fashion capital of Australia, Jessica appeared in many media interviews and publicity shoots creating a buzz for the event and for Scene.

Scene also had many models appear in the L'Oreal Melbourne Fashion Festival in March, with the most in demand model of the moment, Tallulah , in the opening show held at Government House.

Scene Models appeared regularly in shows held over this period for many major clients including Myer, David Jones, Sportsgirl, Oroton, Armani Xchange and Peter Alexander.

Consistent growth occurred throughout the year establishing Scene as a major contender in the Melbourne market.

Perth

Scene's Perth models have done exceptionally well on the runways nationally across Australia for both David Jones and Myer.

Cydne Williams and Kirstie Fiander flew to Women Management in Milano for an eight week contract. Since their return both girls have been in big demand across Australia, and Kirstie will head off to Singapore for more engagements.

Scene Perth's Bridget Harries was the star of the recent Motorola Melbourne Fashion Festival, also doing shows for Myer while there.

Health Spa Update

BKM's other area of business is the Sanctuary Health Spa, incorporating the Scene Bar, located in the city of Guangzhou, in southern China. The Spa and bar are part of the Company's strategy to expand the Scene brand into Asia. While the opening has been later than planned, customer throughput is growing and has so far exceeded expectations. It is anticipated that the Spa will generate positive cash-flow in the coming year. BKM's interest in the Spa complex is held through its 25% holding in the Hong Kong based Global Capital Limited (Global).

The Health Spa and bar complex consists of a large variety of health and beauty related facilities for both men and women, and comprises some 74,000 square feet in area based in one of the finest locations in Guangzhou.

BKM is looking to acquire other assets in the beauty and wellness industry in the expanding China market, and the Global principals have been assisting the Company in identifying prospects and helping with negotiations.

Several other projects in Asia, and particularly China, are being investigated with the objective of building up a portfolio of profitable businesses in the region which have the capability of growing the Company quickly. Although BKM's focus has been on the beauty/wellness industry, management will continue the policy of examining all appropriate business opportunities which are presented to it. This will ensure the Company is given the best possible chance to secure its future.

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



Mr Evan McGregor
Managing Director
BKM Management Limited
Dated: 26 September 2007

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
CORPORATE GOVERNANCE REPORT

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 the changing legal and regulatory requirements. The Board of Directors 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.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Best Practice Recommendations. All Charters and Policies are available from the Company.

Role of the Board and Management

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 interests 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.

The Board's responsibilities are detailed in its Board Charter and cover the following broad categories:

- 1 Leadership of the organisation
- 2 Strategy formulation
- 3 Overseeing planning activities
- 4 Shareholder liaison
- 5 Monitoring, compliance and risk management
- 6 Company finances
- 7 Human resources
- 8 Health, safety and well-being of Directors, Officers and Contractors
- 9 Delegation of authority
- 10 Remuneration policy
- 11 Nomination Policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and being of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated on page 8, along with the term of office held by each.

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 as defined in the ASX Corporate Governance Guidelines.
- * Some major Shareholders being represented on the Board.

A majority of the Directors of the Company are classified as being 'Independent'.

Where any Director has material personal interest in a matter and, in accordance with the Corporations Law, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Directors independence is not jeopardised.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

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

Ethical and Responsible Decision-Making

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.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis with the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Integrity in Financial Reporting

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

The Company does not have an Audit Committee because it has deemed that the Full Board is a more efficient mechanism to consider the areas of audit, risk and compliance.

As a consequence to this, the Company does not meet the ASX recommendation to have an Audit, Risk and Compliance Committee with a minimum of three Non-Executive Directors, with the majority being independent.

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communication with the ASX. In accordance with ASX 'Listing Rules', the Company immediately notifies the ASX of information concerning the company:

- 1 That a reasonable person would or may 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.

Rights of shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of rights, the Company is committed to:

- 1 Communicating effectively with Shareholders through ongoing releases to the market via ASX information and 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's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

Any shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the ASX's website www.asx.com.au

Recognised and Manage Risk

As an Audit, Risk & Compliance Committee has not been established a policy for risk oversight and management within the Company has been formed by the Board. This is periodically reviewed and updated.

The CEO and CFO have given a statement to the Board that:

- a) In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board.
- b) The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk is operating effectively in all material respects.

Encourage Enhanced Performance

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, questionnaires were circulated to all members of the Board to conduct individual and group performance evaluations. These questionnaires were collated and analysed, providing the Board with valuable feedback and evaluation for future development.

All new Directors undergo an induction program.

The company has not adopted a Remuneration Committee as it deemed the Full Board of the Company a more efficient mechanism to administer the Company's remuneration policy than a committee.

The Board is responsible for, but not limited to:

- * Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company. The aggregate of Non-executive remuneration being approved by Shareholders at General Meetings of the Company from time to time.
- * Approving the design of Executive & Employee incentive plans (including equity-based plans) and proposed payments or awards under such plans.
- * Reviewing performance hurdles associated with incentive plans.
- * Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- * Succession planning for the Managing Director and Senior Executive Officers
- * Performance assessment of the Managing Director and Senior Executives

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. Senior Executives may receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

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.

Current remuneration is disclosed in Note 5: Key Management Personnel Compensation.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

BKM MANGEMENT LIMITEE

ABN: 61 009 146 543

DIRECTOR'S REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2007.

Directors

The

Mr Clive McKee

Mr Evan McGregor

Mr Alvin Tan

Mr Paul Pei Cheng Yang (Resigned 27 February 2007)

Company Secretary

Mr Phillip Hains serves as the Company's Company Secretary and Chief Financial Officer. Mr 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, Mr Hains 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.

Principal Activities:

The economic entity's principal activities in the course of the financial year were the operation of modelling agencies in Australia and investments. There have been no significant changes in the nature of those principal activities during the financial year.

Review and Results of Operations:

The consolidated net loss for the year after income tax amounted to \$320,658 (2006: \$477,161). The Review of Operations is set out on page 2.

Earnings Per Share

Basic loss per share 0.10 .

Dividends

The Directors did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2007 financial year.

Significant Changes in State of Affairs:

In the opinion of the Directors, there were no significant changes in the state of affairs of the economic entity during the financial year under review not otherwise disclosed in this Annual Report.

Corporate Structure

BKM Management Limited is a Company limited by shares that is incorporated and domiciled in Australia. It has 2 subsidiaries, Scene Model Management Pty Ltd and Elite Models (Australia) Pty Ltd

Employees

The economic entity employed 9 employees as at 30 June 2007 (2006: 9 employees).

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

Future Developments, Prospects and Business Strategie

The likely developments in the economic entity's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations contained elsewhere in this Annual Report

Environmental Issues:

The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth or of a State or Territory.

Information on Directors

Mr Clive McKee

Appointed to the Board
Experience

Interest in Shares and Options
Directorships held in other listed entities

- Independent Non-Executive Chairman
- Appointed Chairman 5 December 2001. Board member since 5 December 2001
- Mr McKee has extensive experience in global asset management and corporate finance. He has previously held positions with securities and fund management companies that include Yamaichi Securities, Societe General, and Australian and New Zealand Banking Group (ANZ).
- 135,178 ordinary shares
- Mr McKee has been a Director of Orchid Capital Limited since 1 September 1999 (currently Joint Managing Director) and was Chairman of Magna Pacific (Australia) Holdings Limited from 1996 to 24 February 2004, resigning from the Board 20 September 2004

Mr Evan McGregor

Appointed to the Board
Experience

Interest in Shares and Options
Directorships held in other listed entities

- Managing Director
- Appointed Managing Director 24 June 2004. Board Member since 7 March 2002
- Mr McGregor 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 specialties include strategic analysis, negotiations and corporate and financial management
- 40,995,000 ordinary shares and 40,000,000 options over ordinary shares
- No other listed public company directorships

Mr Alvin Tan

Appointed to the Board
Experience

Interest in Shares and Options

- Independent Non-Executive Director
- 5 February 2002
- Mr Tan has a wide range of experience in investment markets in Australia and overseas. He holds a bachelor of commerce (with honours), 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.
- 2,400,000 ordinary shares and 2,000,000 options over ordinary shares

Mr Paul Pei Cheng Yang

Appointed to the Board
Resigned from the Board
Experience

Interest in Shares and Options
Directorships held in other listed entities

- Independent Non-Executive Director
- Appointed 9 February 2004
- Resigned 27 February 2007
- Mr Yang has extensive experience in fund raising and has provided restructuring advice for Chinese State run companies; trading in coal, crude oil, iron ore and other metals; and developing oil and mining prospects in Indonesia and China. He holds an MBA and Bachelor of Arts from UK Universities.
- 3,000,000 options over ordinary shares
- No other listed public company directorships.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of BKM Management Limited and for the executives receiving the highest remuneration.

The Directors of BKM Management Limited during the year were:

Mr Clive McKee	Independent Non-Executive Chairman	
Mr Evan McGregor	Managing Director	
Mr Alvin Tan	Independent Non-Executive Director	
Mr Paul Pei Cheng Yang	Independent Non-Executive Director	(Resigned 27 February 2007)

The Key Management Personnel of BKM Management Limited during the year were:

Mr Anthony Harden	State Manager - Perth
Mr Kent Bangay	State Manager - Melbourne
Ms Vicki Graham	State Manager - Sydney
Mr Phillip Hains	Company Secretary and Chief Financial Officer

Remuneration Policy

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

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

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

Remuneration Policy versus Company Financial Performance

The Company's Remuneration Policy is not directly based on performance, rather on industry practice.

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

The Company envisages its performance in terms of earnings will remain negative whilst the Company continues this transformation process.

Performance Based Remuneration

The purposes of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:

- * Successful contract negotiations
- * Improved performance within a division

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

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each Director and each of the Key Management Personnel of the economic entity during the year was as follows:

	Short-term Employee Benefits			Post-Employment Benefits	Share-based Payments	Total
	Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Superannuation Contributions	Equity	
	\$	\$	\$	\$	\$	\$
Directors						
Mr Clive McKee	44,700	-	-	-	-	44,700
Mr Evan McGregor	108,000	-	-	-	-	108,000
Mr Alvin Tan	42,000	-	-	5,940	-	47,940
Mr Paul Pei Cheng Yang	24,996	-	-	-	-	24,996
	219,696	-	-	5,940	-	225,636
Key Management Personnel						
Mr Anthony Harden	79,554	-	-	7,160	-	86,714
Mr Kent Bangay	52,000	-	-	4,680	-	56,680
Ms Vicki Graham	50,599	-	-	5,386	-	55,985
Mr Phillip Hains	32,500	-	-	-	27,500	60,000
	214,653	-	-	17,226	27,500	259,379

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each Director and each of the Key Management Personnel of the economic entity during the year was as follows:

	Short-term Employee Benefits			Post-Employment Benefits	Share-based Payments	Total
	Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Superannuation Contributions	Equity	
	\$	\$	\$	\$	\$	
Directors						
Mr Clive McKee	44,700	-	-	-	-	44,700
Mr Evan McGregor ¹	99,000	-	-	-	45,000	144,000
Mr Alvin Tan ²	42,000	-	-	2,700	18,000	62,700
Mr Paul Pei Cheng Yang	24,996	-	-	-	-	24,996
	<u>210,696</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>63,000</u>	<u>276,396</u>
Key Management Personnel						
Mr Anthony Harden	71,864	-	-	6,468	-	78,332
Mr Kent Bangay	52,000	-	-	4,680	-	56,680
Ms Vicki Graham	52,000	-	-	4,680	-	56,680
Mr Phillip Hains ³	25,500	-	-	-	25,500	51,000
	<u>201,364</u>	<u>-</u>	<u>-</u>	<u>15,828</u>	<u>25,500</u>	<u>242,692</u>

¹ At 30 June 2006, 5 million shares and 5 million options were due to Mr McGregor in lieu of services. This equity was issued on 5 September 2006 following approval at the EGM held on 25 August 2006. The shares were valued at \$0.009 per share (the closing price of shares on 30 June 2006) and the options were valued at \$0.000001 per option. The options were valued using the Black-Scholes Option Pricing Model with the following inputs:

Option Exercise Price: \$0.04
 Share Price \$0.009
 Expected Life: 24 months
 Volatility: 30%
 Risk Free Rate: 5.8%
 Dividend Yield: 0.00%
 Vesting Period: Nil

² At 30 June 2006, 2 million shares and 2 million options were due to Mr Tan in lieu of services. This equity was issued on 5 September 2006 following approval at the EGM held on 25 August 2006. The shares were valued at \$0.009 per share (the closing price of shares on 30 June 2006) and the options were valued at \$0.000001 per option. The options were valued using the Black-Scholes Option Pricing Model with the following inputs:

Option Exercise Price: \$0.04
 Share Price \$0.009
 Expected Life: 24 months
 Volatility: 30%
 Risk Free Rate: 5.8%
 Dividend Yield: 0.00%
 Vesting Period: Nil

³ These fees were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as Company Secretary. The CFO Solution's fees are paid 50% via cash and 50% via equity. During the 2006 financial year, The CFO Solution was issued with 4,200,000 shares, valued at date of grant, inclusive of 1,320,000 ordinary shares issued to The CFO Solution on 1 July 2005 in lieu of cash fees for Company Secretarial and Accounting Services provided to the Company in the 2005 financial year. At 30 June 2006, \$1,100 was accrued to be paid via the issue of equity.

Performance income as a proportion of total remuneration

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

Equity Issued as Part of Remuneration for the Year Ended 30 June 200

The following table discloses the movement in Directors and Key Management Personnel Shares.

	Balance 01 July 2006 No.	Granted as Remuneration No.	Other No.	Balance 30 June 2007 No.	in Remuneration
Directors					
Mr Clive McKee	135,178	-	-	135,178	-
Mr Evan McGregor *	35,995,000	5,000,000	-	40,995,000	-
Mr Alvin Tan	400,000	2,000,000	-	2,400,000	-
Mr Paul Pei Cheng Yang	-	-	-	-	-
	<u>36,530,178</u>	<u>7,000,000</u>	<u>-</u>	<u>43,530,178</u>	<u>-</u>
Key Management Personnel					
Mr Anthony Harden	1,750,000	-	-	1,750,000	-
Mr Kent Bangay	50,000	-	-	50,000	-
Ms Vicki Graham	1,500,000	-	-	1,500,000	-
Mr Phillip Hains **	4,200,000	2,937,500	-	7,137,500	27,500
	<u>7,500,000</u>	<u>2,937,500</u>	<u>-</u>	<u>10,437,500</u>	<u>27,500</u>

* Equity issued in September 2006 following shareholder approval at the 2006 AGM, previously included in remuneration for the financial year 2006.

** Equity issued in June 2007 in lieu of consulting services provided during the financial year ended June 2007.

The following table discloses the movement in Directors and Key Management Personnel Options.

	Balance 01 July 2006 No.	Granted as Remuneration No.	Options Exercised No.	Options Lapsed No.	Other No.	Balance 30 June 2007 No.
Directors						
Mr Clive McKee	-	-	-	-	-	-
Mr Evan McGregor *	35,000,000	5,000,000	-	-	-	40,000,000
Mr Alvin Tan *	-	2,000,000	-	-	-	2,000,000
Mr Paul Pei Cheng Yang	3,000,000	-	-	-	-	3,000,000
	<u>38,000,000</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000,000</u>
Key Management Personnel						
Mr Anthony Harden	-	-	-	-	-	-
Mr Kent Bangay	-	-	-	-	-	-
Ms Vicki Graham	-	-	-	-	-	-
Mr Phillip Hains **	-	10,000,000	-	-	-	10,000,000
	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised or (Lapsed)	Other	Total	
	\$	%	\$	\$	\$	
Directors						
Mr Clive McKee	-	-	-	-	-	
Mr Evan McGregor *	-	-	-	-	-	
Mr Alvin Tan	-	-	-	-	-	
Mr Paul Pei Cheng Yang	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Key Management Personnel						
Mr Anthony Harden	-	-	-	-	-	
Mr Kent Bangay	-	-	-	-	-	
Ms Vicki Graham	-	-	-	-	-	
Mr Phillip Hains *	-	-	-	-	-	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

* Equity issued in September 2006 following shareholder approval at the 2006 AGM, previously included in remuneration for the financial year 2006.

** 10,000,000 Equity issued in September 2006 as remuneration for the 2006 financial year as approved by members at the 2006 AGM.

Equity Issued as Part of Remuneration for the Year Ended 30 June 200

The following table discloses the movement in Directors and Key Management Personnel Shares.

	Balance 30 June 2005 No.	Granted as Remuneration No.	Other No.	Balance 30 June 2006 No.	in Remuneration \$
Directors					
Mr Clive McKee	135,178	-	-	135,178	
Mr Evan McGregor *	30,995,000	5,000,000	-	35,995,000	45,000
Mr Alvin Tan *	400,000	-	-	400,000	18,000
Mr Paul Pei Cheng Yang	-	-	-	-	
	31,530,178	5,000,000	-	36,530,178	63,000
Key Management Personnel					
Mr Anthony Harden	1,750,000	-	-	1,750,000	
Mr Kent Bangay	50,000	-	-	50,000	
Ms Vicki Graham	1,500,000	-	-	1,500,000	
Mr Phillip Hains *	-	4,200,000	-	4,200,000	25,500
	3,300,000	4,200,000	-	7,500,000	25,500

* Equity issued in September 2006 as remuneration for the 2006 financial year as approved by members at the 2006 AGM.

The following table discloses the movement in Directors and Key Management Personnel Options.

	Balance 30 June 2005 No.	Granted as Remuneration No.	Options Exercised No.	Options Lapsed No.	Other No.	Balance 30 June 2006 No.
Directors						
Mr Clive McKee	-	-	-	-	-	-
Mr Evan McGregor *	30,000,000	5,000,000	-	-	-	35,000,000
Mr Alvin Tan	-	-	-	-	-	-
Mr Paul Pei Cheng Yang	3,000,000	-	-	-	-	3,000,000
	33,000,000	5,000,000	-	-	-	38,000,000
Key Management Personnel						
Mr Anthony Harden	-	-	-	-	-	-
Mr Kent Bangay	-	-	-	-	-	-
Ms Vicki Graham	-	-	-	-	-	-
Mr Phillip Hains *	-	-	-	-	-	-
	-	-	-	-	-	-

	Options Granted as Part of Remuneration \$	Total Remuneration Represented by Options %	Options Exercised or (Lapsed) \$	Other \$	Total \$
Directors					
Mr Clive McKee	-	-	-	-	-
Mr Evan McGregor *	-	-	-	-	-
Mr Alvin Tan	-	-	-	-	-
Mr Paul Pei Cheng Yang	-	-	-	-	-
	-	-	-	-	-
Key Management Personnel					
Mr Anthony Harden	-	-	-	-	-
Mr Kent Bangay	-	-	-	-	-
Ms Vicki Graham	-	-	-	-	-
Mr Phillip Hains *	-	-	-	-	-
	-	-	-	-	-

* Equity issued in September 2006 following shareholder approval at the 2006 AGM, previously included in remuneration for the financial year 2006.

** 10,000,000 Equity issued in September 2006 as remuneration for the 2006 financial year as approved by members at the 2006 AGM.

Employment Contracts of Key Management Personna

Key Management Personal	Notice Period
Mr Phillip Hains	3 Months Notice

Meetings of Directors

During the financial year, 6 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr Clive McKee	6	6
Mr Evan McGregor	6	6
Mr Alvin Tan	6	6
Mr Paul Pei Cheng Yang	4	4

Indemnification and Insurance of Directors and Officer

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

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

The Company has not, during or since the financial year, indemnified or agreed to indemnify the Auditor of the Company or any related body corporate against a liability incurred by the Auditor.

Share Options on Issue at 30 June 2007

At the date of this report, the unissued ordinary shares of BKM Management Limited under option are as follows:

Date of expiry	Exercise price	Number under option
30/06/2008	\$ 0.04	214,250,000

Shares Issued as a Result of the Exercise of Option:

During the year ended 30 June 2007 no ordinary shares of BKM Management Limited were issued as a result of the exercise of options.

Proceedings on Behalf of 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.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Auditor's Independence Declaration

The lead Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2007 has been received and can be found on pp 14 of the Annual Report.

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

Director



Mr Clive McKee

Dated: 26th september 2007

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BKM MANAGEMENT LIMITED
ABN: 61 009 146 543**



26 September 2007

The Board of Directors
BKM Management Limited
Suite 1, 1233 High Street
ARMADALE VIC 3143

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BKM MANAGEMENT LIMITED & CONTROLLED ENTITIES**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BKM Management Limited.

As lead audit partner for the audit of the financial report of BKM Management Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporation Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jeffrey Luckins", written over a light grey rectangular background.

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 26th day of September 2007

Webb Audit Pty Ltd
ABN 59 116 151 136

A member of the Webb Group
Cnr Toorak & Auburn Roads Hawthorn East Vic 3123 Australia
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Telephone +61 3 9822 8686 Facsimile +61 3 9824 8578
audit@webbgroup.com.au www.webbgroup.com.au

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	2,348,307	2,311,422	(42,081)	16,250
Administration & Corporate	3	(392,690)	(379,631)	(197,280)	(156,215)
Model/Talent Costs	3	(1,421,939)	(1,625,188)	-	-
Employment and Consulting	3	(725,156)	(703,063)	(219,415)	(279,388)
Occupancy	3	(86,218)	(80,701)	-	-
Provision for Diminution of Investments	3	-	-	176,301	-
Loss on Sale of Investment	3	-	-	(106,125)	-
Losses Borne by Parent Entity	3	(6,420)	-	-	-
Share of net loss of joint venture	3	(19,004)	-	-	-
Loss before income tax		(303,120)	(477,161)	(388,600)	(419,353)
Income tax expense	4	-	-	-	-
Loss for the year		(303,120)	(477,161)	(388,600)	(419,353)
Loss attributable to minority equity interest		(17,538)	-	-	-
Loss attributable to members of the parent entity		(320,658)	(477,161)	(388,600)	(419,353)
Overall Operations					
Basic earnings per share (cents per share)	7a	(0.10)	(0.17)		
Diluted earnings per share (cents per share)	7b	(0.10)	(0.17)		

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BKM MANAGEMENT LIMITED**ABN: 61 009 146 543****BALANCE SHEET****AS AT 30 June 2007**

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	165,022	194,719	25,767	135,926
Trade and other receivables	9	312,032	320,825	41,227	4,198
Other	15	2,306	4,649	-	-
TOTAL CURRENT ASSETS		479,360	520,193	66,994	140,124
NON-CURRENT ASSETS					
Trade and other receivables	9	490,100	502,683	490,100	502,683
Other financial assets	11	57,700	44,095	227,700	173,919
Property, plant and equipment	13	3,073	3,376	582	970
Goodwill	14	49,878	58,680	-	-
TOTAL NON-CURRENT ASSETS		600,751	608,834	718,382	677,572
TOTAL ASSETS		1,080,111	1,129,027	785,376	817,696
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	879,623	753,890	389,732	133,765
Provisions	19	42,002	36,075	-	-
TOTAL CURRENT LIABILITIES		921,625	789,965	389,732	133,765
NON-CURRENT LIABILITIES					
Borrowings	17	240,000	220,000	240,000	220,000
Provisions	19	23,679	2,914	-	-
Interests in Joint Venture Entities		19,004	-	-	-
TOTAL NON-CURRENT LIABILITIES		282,683	222,914	240,000	220,000
TOTAL LIABILITIES		1,204,308	1,012,879	629,732	353,765
NET ASSETS		(124,197)	116,148	155,644	463,931
EQUITY					
Issued capital	20	22,205,415	22,125,083	22,205,415	22,125,083
Accumulated Losses		(22,329,593)	(22,008,935)	(22,049,752)	(21,661,152)
TOTAL EQUITY		(124,178)	116,148	155,663	463,931

The accompanying notes form part of these financial statements.

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BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS RELATED TO OPERATING ACTIVITIES					
Receipts from customers		2,414,011	2,225,457	-	-
Payments to suppliers and employees		(2,502,088)	(2,411,266)	(150,225)	(246,716)
Interest received		415	15,923	415	15,923
Interest and other costs of finance paid		(21,700)	(6,752)	(21,700)	(6,752)
Other		-	5,985	-	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	24a	<u>(109,362)</u>	<u>(170,653)</u>	<u>(171,510)</u>	<u>(237,545)</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES					
Payment for purchases of plant and equipment		(5,686)	(2,069)	-	-
Payment for purchases of equity investments		-	(44,095)	-	(44,095)
Loans to other entities		(69,962)	(502,683)	(69,962)	(502,683)
Partial sale of subsidiary		10,000	-	10,000	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(65,648)</u>	<u>(548,847)</u>	<u>(59,962)</u>	<u>(546,778)</u>
CASH FLOWS RELATED TO FINANCING ACTIVITIES					
Proceeds from issues of securities		80,481	333,600	59,981	333,600
Capital raising costs		(168)	(21,257)	(3,668)	(21,257)
Proceeds from borrowings		65,000	220,000	65,000	220,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		<u>145,313</u>	<u>532,343</u>	<u>121,313</u>	<u>532,343</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(29,697)</u>	<u>(187,157)</u>	<u>(110,159)</u>	<u>(251,980)</u>
Cash and cash equivalents at the beginning of the year	8	<u>194,719</u>	<u>381,876</u>	<u>135,926</u>	<u>387,906</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	<u><u>165,022</u></u>	<u><u>194,719</u></u>	<u><u>25,767</u></u>	<u><u>135,926</u></u>

The accompanying notes form part of these financial statements.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

Economic Entity	Note	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 30 June 2006		21,679,676	(21,531,774)	147,902
Shares issued net of costs	20	381,643	-	381,643
Options issued	20	764	-	764
Shares to be issued		63,000	-	63,000
Net (Loss) for the period		-	(477,161)	(477,161)
Balance at 30 June 2006		22,125,083	(22,008,935)	116,148
Shares issued net of costs	20	143,313	-	143,313
Reversal of Shares to be issued		(63,000)	-	(63,000)
Net (Loss) for the period		-	(320,658)	(320,658)
Balance at 30 June 2007		22,205,396	(22,329,593)	(124,197)

Parent Entity	Note	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 30 June 2006		21,679,676	(21,241,799)	437,877
Shares issued net of costs	20	381,643	-	381,643
Options issued	20	764	-	764
Shares to be issued		63,000	-	63,000
Net (Loss) for the period		-	(419,353)	(419,353)
Balance at 30 June 2006		22,125,083	(21,661,152)	463,931
Shares issued net of costs	20	143,313	-	143,313
Reversal of Shares to be issued		(63,000)	-	(63,000)
Net (Loss) for the period		-	(388,600)	(388,600)
Balance at 30 June 2007		22,205,396	(22,049,752)	155,644

The accompanying notes form part of these financial statements.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 1 Basis of Preparation

The financial report of BKM Management Limited (the Company) for the year ended 30 June 2007, was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company and controlled entities have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 July 2006.

The financial report covers BKM Management Limited, a listed public Company, incorporated and domiciled in Australia and its subsidiaries.

The following is a summary of the material accounting policies adopted by the entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity BKM Management Limited has the power to control the financial and operating policies of so as to obtain benefits from All controlled entities have a June financial year-end.

on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income Tax

The change for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the assets is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20-50%

The asset's residual values and useful lives are reviewed, and adjusted is appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Income

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(d) Leases

Operating Lease

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as the finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful life where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Finance Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

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

Financial Liabilities

Non-derivative financial liabilities are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Investments

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before

Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(f) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(g) Interests in Joint Ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the consolidated group's interests are shown at Note 10.

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(j) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made to

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest Revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(o) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not to be billed to the economic entity.

Payables to related parties are carried at the principle amount. Interest, when charged by the lender, is recognised as an expense on an accrual ba:

(p) Share Capital

Ordinary share capital is recognised as the fair value of the consideration received by the Compa

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Share based payments

Equity-settled payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability or exercise restrictions.

The fair value determined at the grant date of the equity-settled share-based payments is expenses on a straight-line basis over the vesting period, based on ordinary shares outstanding during the financial year.

Basic earnings per share is determined by dividing the result from ordinary activities after related income tax expenses by the weighted average number of ordinary shares outstanding during the financial year

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from or payable to, the Australian Taxation Office is classified as operating cash flows.

(s) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial

(t) Going Concern

This financial report has been prepared on a going concern basis that the entity will be dependent on the successful sourcing of additional func Subsequent to balance date the Company has made plans for the completion of a further equity capital raising. The Directors are confident this will occur.

For these reasons, the Directors believe that the assumption of a going concern basis in the preparation of this financial report is appropriate. The financial report does not include any adjustments relation to the recoverability or classification of recorded assets, or to the amounts of classification or liabilities that might be necessary should the Company not be able to continue as a going concern

(t) Segment Accounting

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation.

While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transactions are eliminated on consolidation.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 2 Revenue

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Operating Activities				
— Interest Revenue	36,859	8,286	36,859	8,286
— Agency Fees	2,345,620	2,289,187	-	-
Total Operating Revenue	2,382,479	2,297,473	36,859	8,286
Non-Operating Activities				
— Proceeds from Sale of Investment	45,155	-	-	-
— Currency Gain/(Loss)	(88,940)	7,637	(88,940)	7,637
— Other Revenue	9,613	6,312	10,000	327
Total Non-Operating Revenue	(34,172)	13,949	(78,940)	7,964
Total Revenue	2,348,307	2,311,422	(42,081)	16,250

Note 3 Profit for the Year

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Expenses				
— Borrowing Costs	21,700	6,752	21,700	6,752
— Bad Debts	12,618	4,511	-	-
— Doubtful Debts	-	5,392	-	-
— Audit Fees	18,000	17,500	18,000	17,500
— Other Fees	6,906	858	6,906	858
— Depreciation	5,989	10,876	388	647
— Administration and Corporate Administration & Corporate	327,477	333,742	150,286	130,458
	392,690	379,631	197,280	156,215
— Model/Talent Costs	1,421,939	1,625,188	-	-
— Employment and Consulting	725,156	703,063	219,415	279,388
— Occupancy	86,218	80,701	-	-
— Provision for Diminution of Investments	-	-	(176,301)	-
— Loss on Sale of Investment	-	-	106,125	-
— Losses Borne by Parent Entity	6,420	-	-	-
— Share of net loss of joint venture	19,004	-	-	-
	2,258,737	2,408,952	149,239	279,388
TOTAL EXPENSES	2,651,427	2,788,583	346,519	435,603

Note 4 Income Tax Expense

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
(a) The components of tax expense comprise:					
Current Tax		(95,150)	(135,516)	(121,698)	(121,534)
Deferred Tax	18	(4,882)	(7,120)	(5,786)	(3,805)
		(100,032)	(142,636)	(127,484)	(125,339)
(b) The prima facie tax payable on loss from ordinary income tax at 30% (2006: 30%)		(90,936)	(143,148)	(116,580)	(125,806)
Add:					
Tax effect of:					
- Entertainment		668	467	668	467
- Fines		-	45	-	-
Benefit of tax losses not brought to account		(90,268)	(142,636)	(115,912)	(125,339)
Income tax attributable to entity		-	-	-	-
The applicable weighted average effective tax rates are as follows:		0%	0%	0%	0%

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 5 Key Management Personnel Compensation

(a) Directors

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

Name	Position
Mr Clive McKee	Independent Non-Executive Chairman
Mr Evan McGregor	Managing Director
Mr Alvin Tan	Independent Non-Executive Director
Mr Paul Pei Cheng Yang	Independent Non-Executive Director (Resigned 27 February 2007)
Mr Anthony Harden	State Manager - Perth
Mr Kent Bangay	State Manager - Melbourne
Ms Vicki Graham	State Manager - Sydney
Mr Phillip Hains	Company Secretary and Chief Financial Officer

All of the above persons were key management persons during the year ended 30 June 2007.

(b) Key Management Personnel Compensation Policy

Remuneration Policy

Remuneration of all Executive and Non-Executive Directors, Officers of the Company is determined by the Remuneration and Nomination Committee.

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

For further details, refer to the Company's Corporate Governance Statement on page 4.

Remuneration policy versus Company financial performance

Over the past four years the Company has undertaken a variety of different activities including These volatile and speculative activities, which can provide high returns if successful, have been reflected in the Company's performance and shareholder wealth over the period.

The Company's remuneration policy has been based on industry practice rather than Company performance and takes into account the risk and liabilities assumed by the Directors and Executives as a result of their involvement in the speculative activities undertaken by the Company. Directors

Performance based remuneration

The purposes of a performance bonus is to reward individual performance in line with Company objectives. Consequently, performance based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured in respect of performance against key performance indicators (KPI's).

The Company uses a variety of KPI's to determine achievement, depending on the role of the executive being assessed. These include:

- * successful contract negotiations
- * Company share price consistently reaching a targeted rate on the ASX or applicable market over a period of time
- * completion of set milestones.

(c) Key Management Personnel Compensation

The aggregate compensation made to key management personnel of the Company and the Group is set out below:

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term Employee Benefits	434,349	412,060	252,196	236,196
Post-Employment Benefits	23,166	18,528	5,940	2,700
Equity	27,500	88,500	27,500	88,500
	485,015	519,088	285,636	327,396

The compensation of each member of the key management personnel of the Group is set out on the following pages:

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report on pages 9 to 12.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(d) Key Management Personnel Compensation

The compensation of each member of the key management personnel of the Group for the current year is set out below:

		Short-term Employee Benefits		Post-	Share-based	Total
		Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Employment Benefits	
		\$	\$	\$	\$	\$
2007						
Directors						
Mr Clive McKee	1	44,700	-	-	-	44,700
Mr Evan McGregor	2	108,000	-	-	-	108,000
Mr Alvin Tan	3	42,000	-	-	5,940	47,940
Mr Paul Pei Cheng Yang		24,996	-	-	-	24,996
		<u>219,696</u>	<u>-</u>	<u>-</u>	<u>5,940</u>	<u>225,636</u>
Other key management personnel of the Group						
Mr Anthony Harden		79,554	-	-	7,160	86,714
Mr Kent Bangay		52,000	-	-	4,680	56,680
Ms Vicki Graham		50,599	-	-	5,386	55,985
Mr Phillip Hains	4	32,500	-	-	-	60,000
		<u>214,653</u>	<u>-</u>	<u>-</u>	<u>17,226</u>	<u>259,379</u>
		<u>434,349</u>	<u>-</u>	<u>-</u>	<u>23,166</u>	<u>485,015</u>

¹ On the 10 September 2007, following approval at the GM held on 10 September 2007, 9,300,000 BKM Ordinary fully paid shares were issued to Mr. Clive McKee in lieu of unpaid cash remuneration for Directors' fees accrued over the period July 2004 to June 2007. The number of shares issued was based on the 7 July 2007 closing price for BKM Shares of \$0.008, the value of 9,300,000 BKM Shares is \$74,400.

² On the 10 September 2007, following approval at the GM held on 10 September 2007, 9,000,000 BKM Ordinary fully paid shares were issued to Mr. Evan McGregor in lieu of unpaid cash remuneration for Directors' fees accrued over the period July 2004 to June 2007. The number of shares issued was based on the 7 July 2007 closing price for BKM Shares of \$0.008, the value of 9,000,000 BKM Shares is \$72,000.

³ On the 10 September 2007, following approval at the GM held on 10 September 2007, 9,200,000 BKM Ordinary fully paid shares were issued to Mr. Alvin Tan in lieu of unpaid cash remuneration for Directors' fees accrued over the period July 2004 to June 2007. The number of shares issued was based on the 7 July 2007 closing price for BKM Shares of \$0.008, the value of 9,200,000 BKM Shares is \$73,600.

⁴ These fees were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as Company Secretary. The CFO Solution's fees are paid 50% via cash and 50% via equity. During the 2007 financial year, The CFO Solution was issued with 2,937,500 on 26th June 2007 in lieu of cash fees for Company Secretarial and Accounting Services provided to the Company in the 2007 financial year. The issue was ratified by members at the GM held on 10 September 2007.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

The compensation of each member of the key management personnel of the Group for the prior year is set out below:

	Short-term Employee Benefits			Post-Employment Benefits	Share-based Payments	Total
	Cash Salary and Fees	Cash Bonus	Non-Monetary Benefits	Superannuation Contributions	Equity	
	\$	\$	\$	\$	\$	\$
2006						
Directors						
Mr Clive McKee	44,700	-	-	-	-	44,700
Mr Evan McGregor ¹	99,000	-	-	-	45,000	144,000
Mr Alvin Tan ²	42,000	-	-	2,700	18,000	62,700
Mr Paul Pei Cheng Yang	24,996	-	-	-	-	24,996
	<u>210,696</u>	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>63,000</u>	<u>276,396</u>
Other key management personnel of the Group						
Mr Anthony Harden	71,864	-	-	6,468	-	78,332
Mr Kent Bangay	52,000	-	-	4,680	-	56,680
Ms Vicki Graham	52,000	-	-	4,680	-	56,680
Mr Phillip Hains ³	25,500	-	-	-	25,500	51,000
	<u>201,364</u>	<u>-</u>	<u>-</u>	<u>15,828</u>	<u>25,500</u>	<u>242,692</u>
	<u>412,060</u>	<u>-</u>	<u>-</u>	<u>18,528</u>	<u>88,500</u>	<u>519,088</u>

¹ At 30 June 2006, 5 million shares and 5 million options were due to Mr McGregor in lieu of services. This equity was issued on 5 September 2006 following approval at the EGM held on 25 August 2006. The shares were valued at \$0.009 per share (the closing price of shares on 30 June 2006) and the options were valued at \$0.000001 per option. The options were valued using the Black-Scholes Option Pricing Model with the following inputs:

Option Exercise Price: \$0.04
Share Price \$0.009
Expected Life: 24 months
Volatility: 30%
Risk Free Rate: 5.8%
Dividend Yield: 0.00%
Vesting Period: Nil

² At 30 June 2006, 2 million shares and 2 million options were due to Mr Tan in lieu of services. This equity was issued on 5 September 2006 following approval at the EGM held on 25 August 2006. The shares were valued at \$0.009 per share (the closing price of shares on 30 June 2006) and the options were valued at \$0.000001 per option. The options were valued using the Black-Scholes Option Pricing Model with the following inputs:

Option Exercise Price: \$0.04
Share Price \$0.009
Expected Life: 24 months
Volatility: 30%
Risk Free Rate: 5.8%
Dividend Yield: 0.00%
Vesting Period: Nil

³ These fees were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr Hains is Principal. Through the fees paid to The CFO Solution, Mr Hains was remunerated for his services as Company Secretary. The CFO Solution's fees are paid 50% via cash and 50% via equity. During the 2006 financial year, The CFO Solution was issued with 4,200,000 shares, valued at date of grant, inclusive of 1,320,000 ordinary shares issued to The CFO Solution on 1 July 2005 in lieu of cash fees for Company Secretarial and Accounting Services provided to the Company in the 2005 financial year. At 30 June 2006, \$1,100 was accrued to be paid via the issue of equity.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(e) Options and Rights Holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of BKM Management Limited and Other Key Management Personnel of the Group, including their personally related parties, are set out below:

	Balance at start of the year	Granted as Compensation	Options Exercised	Net Change Other	Balance at end of the year**	Vested and exercisable	Unvested
2007							
Directors							
Mr Clive McKee	-	-	-	-	-	-	-
Mr Evan	35,000,000	5,000,000	-	-	40,000,000	-	-
Mr Alvin Tan	-	2,000,000	-	-	2,000,000	-	-
Mr Paul Pei Cheng Yang	3,000,000	-	-	-	3,000,000	-	-
	38,000,000	7,000,000	-	-	45,000,000	-	-
Other key management personnel of the Group							
Mr Anthony Harden	-	-	-	-	-	-	-
Mr Kent Bangay	-	-	-	-	-	-	-
Ms Vicki Graham	-	-	-	-	-	-	-
Mr Phillip Hains	-	10,000,000	-	-	10,000,000	-	-
	-	10,000,000	-	-	10,000,000	-	-
	38,000,000	17,000,000	-	-	55,000,000	-	-
2006							
Directors							
Mr Clive McKee	-	-	-	-	-	-	-
Mr Evan	30,000,000	5,000,000	-	-	35,000,000	-	-
Mr Alvin Tan	-	-	-	-	-	-	-
Mr Paul Pei Cheng Yang	3,000,000	-	-	-	3,000,000	-	-
	33,000,000	5,000,000	-	-	38,000,000	-	-
Other key management personnel of the Group							
Mr Anthony Harden	-	-	-	-	-	-	-
Mr Kent Bangay	-	-	-	-	-	-	-
Ms Vicki Graham	-	-	-	-	-	-	-
Mr Phillip Hains	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	33,000,000	5,000,000	-	-	38,000,000	-	-

All vested options are exercisable at the end of the year.

The net change other column above includes those options that have been forfeited by holders as well as options issued during the year under review.

** For those that were not a Director or Key Management Personnel for the entire period, the opening balance is the balance when they were appointed to the position. If they resigned during the period then the balance at the end of the year is the balance when they resigned.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(f) Shareholdings

The number of shares in the Company held during the financial year by each Director of BKM Management Limited and Other Key Management Personnel of the Group, including their personally related parties, are set out below. There were no share granted during the period a compensation.

	Balance at the start of the	Granted as Compensation	Options Exercised	Net Change Other*	Balance at end of the
2007					
Directors					
Mr Clive McKee	135,178	-	-	-	135,178
Mr Evan McGregor	35,995,000	5,000,000	-	5,000,000	45,995,000
Mr Alvin Tan	400,000	2,000,000	-	-	2,400,000
Mr Paul Pei Cheng Yang	-	-	-	-	-
	<u>36,530,178</u>	<u>7,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>48,530,178</u>
Other key management personnel of the Group					
Mr Anthony Harden	1,750,000	-	-	-	1,750,000
Mr Kent Bangay	50,000	-	-	-	50,000
Ms Vicki Graham	1,500,000	-	-	-	1,500,000
Mr Phillip Hains	4,200,000	2,937,500	-	-	7,137,500
	<u>7,500,000</u>	<u>2,937,500</u>	<u>-</u>	<u>-</u>	<u>10,437,500</u>
	<u>44,030,178</u>	<u>9,937,500</u>	<u>-</u>	<u>5,000,000</u>	<u>58,967,678</u>

* Net change other refers to shares purchased or sold during the financial year.

	Balance at the start of the year	Granted as Compensation	Options Exercised	Net Change Other*	Balance at end of the year**
2006					
Directors					
Mr Clive McKee	135,178	-	-	-	135,178
Mr Evan McGregor	30,995,000	5,000,000	-	-	35,995,000
Mr Alvin Tan	400,000	-	-	-	400,000
Mr Paul Pei Cheng Yang	-	-	-	-	-
	<u>31,530,178</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>36,530,178</u>
Other key management personnel of the Group					
Mr Anthony Harden	1,750,000	-	-	-	1,750,000
Mr Kent Bangay	50,000	-	-	-	50,000
Ms Vicki Graham	1,500,000	-	-	-	1,500,000
Mr Phillip Hains	-	4,200,000	-	-	4,200,000
	<u>3,300,000</u>	<u>4,200,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
	<u>34,830,178</u>	<u>9,200,000</u>	<u>-</u>	<u>-</u>	<u>44,030,178</u>

* Net change other refers to shares purchased or sold during the financial year.

** For those that were not a Director or Key Management Personnel for the entire period, the opening balance is the balance when they were appointed to the position. If they resigned during the period then the balance at the end of the year is the balance when they resigned.

(g) Loans to key management personnel

There were no loans made to the Directors or Other Key Management Personnel of the Group, including their personally related parties.

(h) Other transactions with key management personnel

There were no further transactions with key management personnel not disclosed above.

Note 6 Auditors' Remuneration

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity:				
— Auditing or reviewing the financial report	18,000	17,500	18,000	17,500
— Taxation services	-	858	-	858
	<u>18,000</u>	<u>18,358</u>	<u>18,000</u>	<u>18,358</u>

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 7 Earnings/Loss per Share

	2007 \$	2006 \$
(a) Basic earnings/loss per share Profit/Loss attributable to the ordinary equity holders of the Company	(0.10)	(0.17)
(b) Diluted earnings/loss per share Profit attributable to the ordinary equity holders of the Company	(0.10)	(0.17)
(c) Reconciliation of earnings to profit/loss		
Earnings used to calculate basic EPS	(320,658)	(477,161)
Earnings used in the calculation of dilutive EPS	(320,658)	(477,161)
(d) Weighted average number of ordinary shares outstanding during the Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	No.	No.
	<u>309,044,366</u>	<u>277,345,030</u>
(e) Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore they have been excluded from the calculation of diluted loss per share.		

Note 8 Cash and Cash Equivalents

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash at bank	164,087	193,828	25,767	135,926
Cash on hand	935	891	-	-
	<u>165,022</u>	<u>194,719</u>	<u>25,767</u>	<u>135,926</u>

Note 9 Trade and Other Receivables

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
CURRENT				
Trade Debtors	263,200	342,177	2,964	932
Provision for Doubtful Debts	(35,392)	(35,392)	-	-
	<u>227,808</u>	<u>306,785</u>	<u>2,964</u>	<u>932</u>
Goods and Services Tax	24,928	2,355	(247)	-
Other Debtors	59,296	11,685	38,510	3,266
	<u>312,032</u>	<u>320,825</u>	<u>41,227</u>	<u>4,198</u>
NON-CURRENT				
Loan - Global Capital Limited	339,300	396,855	339,300	396,855
Convertible Notes - Global Capital Limited	150,800	105,828	150,800	105,828
	<u>490,100</u>	<u>502,683</u>	<u>490,100</u>	<u>502,683</u>

Note 10 Joint Venture

Interest in Joint Venture Operations

A controlled entity of BKM Management Limited, Scene Model Management Pty Ltd, has a 50% interest in a joint venture with Artist Entertainment Group Limited. The Joint Venture was incorporated in Australia with its principal activity being the management of modelling and editorial imagery in Sydney.

Voting power in relation to Joint Venture is split equally 50-50 between BKM Management Limited and Artist Entertainment Group Limited.

	Economic Entity		Parent Entity	
	2007 \$	2006 \$	2007 \$	2006 \$
Share of joint venture entity's results:				
Revenues	8,287	-	-	-
Expenses	(27,291)	-	-	-
Loss before income tax	(19,004)	-	-	-
Income tax expense	-	-	-	-
Loss after income tax	<u>(19,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>

At this point in time there are no assets or liabilities held by this Joint Venture.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 11 Other Financial Assets

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON CURRENT				
Shares in unlisted corporations, at cost - unrelated				
Global Capital Limited	37,700	44,095	37,700	44,095
Artist Entertainment Group Limited	20,000		20,000	
Shares in unlisted controlled entities, at cost	-	-	771,375	907,500
Less provision for diminution	-	-	(601,375)	(777,676)
	<u>57,700</u>	<u>44,095</u>	<u>227,700</u>	<u>173,919</u>

Note 12 Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned *	
		2007	2006
Parent Entity:			
BKM Management Limited	Australia		
Subsidiaries of BKM Management Limited			
Scene Model Management Pty Ltd	Australia	85%	100%
Elite Models (Australia) Pty Ltd	Australia	100%	100%

* Percentage of voting power is in proportion to ownership

(b) **Disposal of Controlled Entities**

On 1 March 2007, the parent entity disposed 15% of its 100% interest in Scene Model Management Pty Ltd. An operating loss of (\$116,919) after income tax was attributable to members of the parent entity. An 85% remaining interest in Scene Model Management Pty Ltd is held by the economic

Note 13 Property, Plant and Equipment

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	48,179	42,493	3,090	3,090
Accumulated depreciation	(45,106)	(39,117)	(2,508)	(2,120)
	<u>3,073</u>	<u>3,376</u>	<u>582</u>	<u>970</u>
Total Property, Plant and Equipment	<u>3,073</u>	<u>3,376</u>	<u>582</u>	<u>970</u>

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at the beginning of year	3,376	12,183	970	1,617
Additions	2,830	2,069		-
Depreciation expense	(5,192)	(10,876)		(647)
Carrying amount at the end of year	<u>1,014</u>	<u>3,376</u>	<u>970</u>	<u>970</u>

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 14 Intangible Assets

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
<u>Goodwill</u>				
At Cost	483,776	569,148	-	-
Amortisation, Write-down & Impairment of Goodwill	(433,898)	(510,468)		
Net Carrying Value	49,878	58,680	-	-

Note 15 Other Assets

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Prepayments	2,306	4,649	-	-
	2,306	4,649	-	-

Note 16 Trade and Other Payables

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Trade payables	77,075	24,823	73,167	17,314
Sundry payables and accrued expenses	802,548	729,067	316,565	116,451
	879,623	753,890	389,732	133,765

Note 17 Borrowings

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON-CURRENT				
Convertible Notes	240,000	220,000	240,000	220,000
Convertible Notes mature on 1st April 2008 and bear interest at 10%				

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 18 Tax

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Liabilities				
CURRENT				
Income Tax	-	-	-	-
TOTAL	-	-	-	-
NON-CURRENT				
Deferred tax liability comprises:				
- Plant & Equipment	-	(31)	-	(31)
- Trade and Other Payables	(5,204)	-	(5,786)	-
Total	(5,204)	(31)	(5,786)	(31)
(b) Assets				
Deferred tax assets comprise:				
- Trade and other receivables	-	1,618	-	-
- Provisions	322	1,299	-	-
- Trade and Other Payables	-	4,235	-	3,836
	322	7,152	-	3,836
(c) Reconciliations				
(i) Gross Movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	(1,349)	(17,649)	(3,867)	(7,650)
(Charged)/credit to the income statement	(3,533)	24,770	(1,919)	11,455
Closing balance	(4,882)	7,121	(5,786)	3,805
	Economic Entity	Parent Entity		
	2007	2006	2007	2006
	\$	\$	\$	\$
(ii) Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Tax allowances relating to Plant and equipment:				
Opening Balance	(31)	-	(31)	-
(Charged)/credit to the income statement	31	(31)	31	(31)
Closing Balance	-	(31)	-	(31)
Trade and Other payables				
Opening Balance	(4,235)	-	(3,836)	-
Charged / (Credit) to the income statement	(969)	-	(1,950)	-
Closing Balance	(5,204)	-	(5,786)	-
(iii) Deferred Tax Assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Trade and other payables				
Opening Balance	-	(8,500)	-	(7,650)
Credited to the income statement	-	12,735	-	11,486
Closing Balance	-	4,235	-	3,836
Trade and Other Receivables				
Opening Balance	1,618	-	-	-
(Charge) / Credited directly to equity	(1,618)	1,618	-	-
Closing Balance	-	1,618	-	-
Provisions				
Opening Balance	1,299	(9,149)	-	-
(Charge) / Credited directly to equity	(977)	10,448	-	-
Closing Balance	322	1,299	-	-
(d)				
Deferred tax assets not brought to account:				
— temporary differences	(4,882)	7,121	(5,786)	3,805
— tax losses:				
— operating losses	5,641,099	5,174,499	5,642,003	5,177,814
	5,636,217	5,181,620	5,636,217	5,181,619

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 19 Provisions

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CURRENT				
Employee Entitlements	42,002	36,075	-	-
	42,002	36,075	-	-
NON CURRENT				
Employee Entitlements	23,679	2,914	-	-
	23,679	2,914	-	-
Total Provisions	65,681	38,989	-	-
	No.	No.	No.	No.
Number of Employees at Year-end	9	9	1	1

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 20 Issued Capital

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
314,254,640 (2006:298,817,140) Ordinary Shares fully paid	20a	22,204,651	22,124,319	22,204,651	22,124,319
196,520,000 (2006:214,250,000) Options over shares	20a	764	764	764	764
		22,205,415	22,125,083	22,205,415	22,125,083

(a) **Movement in ordinary shares on issue**

	Note	2007		2006	
		No.	\$	No.	\$
At the beginning of reporting period		298,817,140	22,124,319	261,617,140	21,679,676
Shares issued during year	20a(i)	15,437,500	80,500	37,200,000	402,900
Equity to be issued	20a(ii)	-	-	-	63,000
Transaction costs relating to share issues			(168)		(21,257)
At reporting date		314,254,640	22,204,651	298,817,140	22,124,319

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) 2007	Details	Number	Issue Price \$	\$
4/09/2006	Issue of Shares in lieu of fees as per resolution 4 & 5 of EGM 25/08/06 *	7,000,000	-	(7,000)
4/09/2006	Issue of shares to raise funds for use in the expansion in China, as per General Meeting resolution.	5,000,000	0.012	60,000
19/09/2006	Issue of shares to a consultant of the Company in lieu of fees, under the Employee and Consultants Share & Option Plan	500,000	0.008	4,000
29/06/2007	Issue of Shares in lieu of fees to CFO	2,937,500	0.008	23,500
	* Equity revalued at date of shareholder approval in accordance	<u>15,437,500</u>		<u>80,500</u>

2006	Details	Number	Issue Price \$	\$
1/07/2005	Issue of shares to a consultant of the Company in lieu of fees, as per AGM resolution.	1,320,000	0.010	13,200
22/12/2005	Issue of shares to raise funds for use in developing the Company into China, as per General Meeting resolution.	11,000,000	0.010	110,000
22/12/2005	Issue of shares to a consultant of the Company in lieu of fees, as per General Meeting resolution.	1,980,000	0.010	19,800
22/12/2005	Issue of shares with free attaching option to raise working capital, as per AGM	5,000,000	0.014	70,000
30/12/2005	Issue of shares to raise funds for use in developing the Company into China, as per General Meeting resolution.	2,000,000	0.010	20,000
2/02/2006	Issue of shares to raise funds for use in developing the Company into China, as per General Meeting resolution.	10,000,000	0.010	100,000
30/06/2006	Issue of shares to a consultant of the Company in lieu of fees, issued under the BKM Management Limited 2006 Employees', Directors' and Consultants' Share and Option Plan.	900,000	0.011	9,900
30/06/2006	Issue of shares to raise funds for use in developing the Company into China, as per General Meeting resolution.	5,000,000	0.012	60,000
		<u>37,200,000</u>		<u>402,900</u>

(ii) 2006	Details	Number	Issue Price \$	\$
30/06/2006	Equity to be issued to Directors for past performance, totalling 7,000,000 shares, as per General Meeting resolution.	-	-	63,000
		<u>-</u>		<u>63,000</u>

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(b) **Options**

		2007		2006	
	Note	No.	\$	No.	\$
At the beginning of reporting period		196,250,000	764	90,500,000	-
Options issued during year	20b(i)	18,000,000	-	105,750,000	764
At reporting date		214,250,000	764	196,250,000	764

(i)	2007 Details	Number	Issue Price \$	\$
4/09/2006	Issue of Shares in lieu of fees as per resolution 4,5 & 6 of EGM 25/08/06	17,000,000	-	-
19/09/2006	Issue of options to a consultant of the Company in lieu of fees, under the Employee and Consultants Share & Option Plan	1,000,000	-	-
		18,000,000		-

	2006 Details	Number	Issue Price \$	\$
22/12/2005	Issue of 1:1 free attaching unquoted options exercisable at @ \$0.04 on or before 30 June 2008 as part of the capital raising activities during the year, as per AGM resolution.	5,000,000	-	-
2/02/2006	Issue of options in lieu of fees, as per General Meeting resolution, unquoted options exercisable at @ \$0.04 on or before 30 June 2008.	12,000,000	0.000009	108
6/04/2006	Issue of options in lieu of fees, as per General Meeting resolution, unquoted options exercisable at @ \$0.04 on or before 30 June 2008.	68,000,000	0.000009	612
19/05/2006	Issue of options in lieu of fees, issued under the BKM Management Limited 2006 Employees', Directors' and Consultants' Share and Option Plan, unquoted options exercisable at @ \$0.04 on or before 30 June 2008.	500,000	0.000008	4
9/06/2006	Issue of options in lieu of fees, as per General Meeting resolution, unquoted options exercisable at @ \$0.10 on or before 30 June 2010.	20,000,000	0.000002	40
30/06/2006	Issue of options in lieu of fees, issued under the BKM Management Limited 2006 Employees', Directors' and Consultants' Share and Option Plan, unquoted options exercisable at @ \$0.04 on or before 30 June 2008.	250,000	-	-
		105,750,000		764

Note 21 Capital and Leasing Commitments

(a) **Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable — minimum lease payments

— not later than 12 months

— between 12 months and 5 years

— greater than 5 years

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
— not later than 12 months	77,978	74,183	-	-
— between 12 months and 5 years	77,306	83,284	-	-
— greater than 5 years	-	-	-	-
	155,284	157,467	-	-

Companies in the economic entity are parties to two non-cancellable leases with terms varying between one and three years. The lease agreements provide for regular increases based on either CPI or market reviews.

Note 22 Contingent Liabilities and Contingent Assets

There has been no change in contingent liabilities since the last annual reporting date.

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 23 Segment Reporting

The consolidated group has the following two business segments:

- Modelling, which represents the transactions of the parent company BKM Management Limited
- Investment, which represents the transactions of the subsidiary Scene Model Management Pty Ltd and the Joint Venture operations between BKM Management Limited and Artist Entertainment Group Limited

	Modelling		Investment		Consolidated	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Primary Reporting Format - Business Segments						
Revenue						
External sales	2,345,620	2,289,187	-	-	2,345,620	2,289,187
Other revenue - interest	-	-	2,687	22,235	2,687	22,235
Unallocated revenue	-	-	-	-	-	-
Total segment revenue/income	2,345,620	2,289,187	2,687	22,235	2,348,307	2,311,422
Segment Result	116,919	(57,808)	643,992	(419,353)	760,911	(477,161)
Unallocated Revenue	-	-	-	-	-	-
Unallocated Expenses	-	-	-	-	-	-
Income Tax Expense	-	-	-	-	-	-
Net Loss	116,919	(57,808)	643,992	(419,353)	760,911	(477,161)
Segment Assets	414,857	311,331	665,254	817,696	1,080,111	1,129,027
Unallocated Assets	-	-	-	-	-	-
Total Assets	414,857	311,331	665,254	817,696	1,080,111	1,129,027
Segment Liabilities	574,576	659,114	629,732	353,765	1,204,308	1,012,879
Unallocated Liabilities	-	-	-	-	-	-
Total Liabilities	574,576	659,114	629,732	353,765	1,204,308	1,012,879
Cash flow information						
Net cash (outflow) from operating activities					(85,362)	(170,653)
Net cash inflow from investing activities					(65,648)	(548,847)
Net cash inflow from financing activities					121,313	532,343

Note 24 Cash Flow Information

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with after Income Tax				
Loss for the period	(320,658)	(477,161)	(388,600)	(419,353)
Add back depreciation expense	5,989	10,876	388	647
Add back foreign currency movements on loan accounts	88,940	-	88,940	-
Add back loss on joint venture	19,004	-	-	-
Add back loss borne by parent	6,420	-	-	-
Add back equity issued for nil consideration	20,500	133,064	20,500	133,064
(Increases)/Decreases in Provisions for investments	(45,155)	-	(70,176)	-
(Increases)/Decreases in Accounts Receivable	8,792	(51,969)	(37,029)	(1,231)
(Increases)/Decreases in Other Current Assets	2,343	(1,060)	-	-
Increases/(Decreases) in Accounts Payable	84,233	209,937	214,467	49,328
Increases/(Decreases) in Other Current Liabilities	26,692	5,660	-	-
Cash flow from operations	(102,901)	(170,653)	(171,510)	(237,545)

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 25 Events After the Balance Sheet Date

(a) On the 14th September 2007, the Company announced to the ASX that a General Meeting of the Company would be held on 26th October 2007 at 10:00am at the Company's registered office at Suite 1, 1233 High Street, Armadale, Victoria, Australia.

For further detail regarding the business to be conducted that this General Meeting of the Company, please refer to the Notice of Meeting as announced to the ASX on 27th September 2007.

(b) The financial report was authorised for issue on 24 September 2007 by the Board of Directors

Note 26 Financial Instruments

(a) **Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Fixed Interest Rate Within Year \$	Fixed Interest Rate 1 to 5 years \$	Fixed Interest Rate Over 5 years \$	Non-Interest Bearing \$	Total \$
2007							
Financial Assets:							
Cash and cash equivalents	0.00	164,087	-	-	-	935	165,022
Trade and other receivables	0.00	-	-	-	-	312,032	312,032
Other	0.00	-	-	-	-	-	-
Total Financial Assets		164,087	-	-	-	312,967	477,054
Financial Liabilities:							
Convertible notes	0.00	-	240,000	-	-	-	240,000
Trade and other payables	0.00	-	-	-	-	834,623	834,623
Total Financial Liabilities		-	240,000	-	-	834,623	1,074,623
2006							
Financial Assets:							
Cash and cash equivalents	0.00	193,828	-	-	-	891	194,719
Trade and other receivables	0.00	-	-	-	-	320,825	320,825
Other	0.00	-	-	-	-	-	-
Total Financial Assets		193,828	-	-	-	321,716	515,544
Financial Liabilities:							
Convertible notes	0.00	-	220,000	-	-	-	220,000
Trade and other payables	0.00	-	-	-	-	753,890	753,890
Total Financial Liabilities		-	220,000	-	-	753,890	973,890

(b) **Credit Risk**

Financial assets, which potentially expose the economic entity to concentrations of credit risk, consist primarily of cash and cash equivalents and term deposits over three months. The economic entity's cash and cash equivalents are placed with high credit quality financial institutions. Accordingly, the Directors believe the Economic Entity has no significant concentration of credit risk.

(c) **Net Fair Values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values determined in accordance with the accounting policies disclosed in note 1.

Note 27 Company Details

The registered office of the Company is:
BKM Management Limited
 Suite 1, 1233 High Street
 Armadale, Victoria
 Australia 3143

The principal places of business are:
Melbourne
 Suite 1, 1233 High Street
 Armadale, Victoria
 Australia

Perth
 872-876 Hay Street
 Perth, Western Australia
 Australia 6000

Rear 592 Chapel Street
 South Yarra, Victoria
 Australia

Sydney
 529a Crown Street
 Surry Hills, New South Wales
 Australia 2010

BKM MANAGEMENT LIMITED
ABN: 61 009 146 543
DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 15 to 36, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Director



Mr Clive McKee

Dated: 26th September 2007

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BKM MANAGEMENT LIMITED**



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BKM MANAGEMENT LIMITED**

ABN 61 009 146 543

Report on the Financial Report

We have audited the accompanying financial report of BKM Management Limited (the company) and BKM Management Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free of material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 risk of material misstatement of the financial report, whether due to fraud or error. In making those assessments, the auditor consider 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 overall presentation of the financial report and the remuneration disclosures in the directors' report.

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

Webb Audit Pty Ltd
ABN 59 116 151 136

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

ABN 61 009 146 543

(Continued)

Independence

In conducting our review, we have complied with applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Auditor's Opinion

In our opinion the financial report of BKM Management Limited and BKM Management Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(t) to the financial statements on page 22, there is significant uncertainty whether the economic entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 26th day of September 2007

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**BKM MANAGEMENT LIMITED
SHAREHOLDER INFORMATION**

As at 26th September 2007.

NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

347,754,640 fully paid ordinary shares are held by 1,688 individual shareholders

All ordinary shares carry one vote per share

Options

194,250,000 options exercisable at \$0.04 on or before 30 June 2008, are held by 21 individual shareholders

20,000,000 options exercisable at \$0.10 on or before 30 June 2010, are held by 1 individual shareholder.

Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES

	Fully paid ordinary shares
1 - 1,000	389
1,001 - 5,000	446
5,001 - 10,000	212
10,001 - 100,000	453
100,001 - and over	188
Total number of shareholders	1688
Unmarketable parcels	1344
	Listed Options
1 - 1,000	-
1,001 - 5,000	-
5,001 - 10,000	-
10,001 - 100,000	-
100,001 - and over	21
Total number of shareholders	21

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

Shareholders	Fully Paid Ordinary Shares	
	Number	%
1 ANZ NOMINEES LIMITED <CASH INCOME A/C>	50,055,229	14.394
2 INNOVATION MARKETING AND FINANCE PTY LTD <SUPER FUND	49,995,000	14.377
3 TRAYBURN PTY LTD	18,263,972	5.252
4 CUDGEN SUPERANNUATION SERVICES PTY LIMITED	14,400,000	4.141
5 SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND	13,001,000	3.739
6 OSTLE INVESTMENTS PTY LTD <TAN FAMILY SUPER FUND A/C>	9,200,000	2.646
7 MR CLARKE BARNETT DUDLEY	8,635,339	2.483
8 MR CLIVE MCKEE	8,000,000	2.300
9 THE CFO SOLUTION HQ PTY LTD	7,137,500	2.052
10 MR GRAEME EDWARD UNDERWOOD & MRS MONICA ELFRIEDE UNDERWOOD <UNDERWOOD SUPER FUND A/C>	5,898,176	1.696
11 MR CHRISTOPHER DAVID ROBIE & MR BRIAN EDWARD ROBIE <ROBIE SUPER FUND A/C>	4,500,000	1.294
12 SCINTILLA CAPITAL PTY LTD	4,300,000	1.237
13 KONGMING INVESTMENTS LIMITED	4,000,000	1.150
14 ZERO NOMINEES PTY LTD	4,000,000	1.150
15 ORDEL NOMINEES PTY LTD <HOLLYBANK A/C>	4,000,000	1.150
16 MR CAESAR LOONG	3,750,000	1.078
17 MR NEIL MCQUALTER & MRS NORMA MCQUALTER	3,500,000	1.006
18 HOY PING CHEW	3,250,000	0.935
19 STRAIGHT INVESTMENTS S A	3,136,667	0.902
20 NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	3,109,750	0.894
	222,132,633	63.876

Optionholders	Number	Listed Options
		%
1 GLOBAL NOMINEES LIMITED	80,000,000	41.184
2 INNOVATION MARKETING AND FINANCE PTY LTD <SUPER FUND	40,000,000	20.592
3 TRAYBURN PTY LTD	13,000,000	6.692
4 ZERO NOMINEES LIMITED	11,000,000	5.663
5 ANZ NOMINEES LIMITED	10,000,000	5.148
6 THE CFO SOLUTION HQ PTY LTD	10,000,000	5.148
7 TAO YUAN LIMITED <NO 2 ACCOUNT>	6,000,000	3.089
8 MR PAUL HARTLEY WATTS	4,000,000	2.059
9 PAUL PEI CHENG YANG	3,000,000	1.544
10 SAGE CAPITAL GROUP PTY LTD	2,500,000	1.287
11 MR TONG SHING ANG	2,000,000	1.030
12 MR ALVIN KONG KEE TAN	2,000,000	1.030
13 BBY NOMINEES PTY LTD	2,000,000	1.030
14 BEE HUN THEAN	1,800,000	0.927
15 MR ROBBIE MCGREGOR	1,500,000	0.772
16 SANCOAST PTY LTD	1,500,000	0.772
17 GDA CONSULTING GROUP PTY LTD <THE UNITED UNIT NO 1 A/C>	1,250,000	0.644
18 MOANA NOMINEES PTY LTD	1,000,000	0.515
19 MR JULIAN SANDT	1,000,000	0.515
20 PASO HOLDINGS PTY LTD	500,000	0.257
	194,050,000	99.897

UNQUOTED EQUITY SECURITIES HOLDINGS GREATER THAN 20%

There are no unquoted equity securities holding greater than 20%

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Innovation Marketing and Finance Pty Ltd

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholders should contact the share registry:

Advanced Share Registry Services

7th Floor, 200 Adelaide Terrace

Perth, Western Australia

Australia 6000

Telephone: +61 8 9389 8033

Facsimile: + 61 8 9389 7871

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDINGS

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

The Australian Government recently introduced legislation changing the default distribution of annual reports to be via a company's website instead of in hard copy format via mail. This change will allow Shareholders to now receive timely, cost effective and greener online annual reports, unless a shareholder specifically requests a printed version to be mailed free of charge to them.

TAX FILE NUMBERS

It is important that Australian resident shareholders, including children, have their tax file number or exemption details noted by the Share Registry.

CHESS (Clearing House Electronic Subregister System)

shareholders wishing to move to uncertified holdings under the Australian Stock Exchange CHESS system should contact their stockbroker.

UNCERTIFICATED SHARE REGISTER

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of your holding.

**BKM MANAGEMENT LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Mr Clive McKee
Mr Evan McGregor
Mr Alvin Tan

Independent Non-Executive Chairman
Managing Director
Independent Non-Executive Director

COMPANY SECRETARY

Mr Phillip Hains

AUDITORS

Webb Audit Pty Ltd
C/- Webb Group
Cnr Toorak and Auburn Roads
Hawthorn East, Victoria
Australia 3123
Telephone: +61 3 9824 8555
Facsimile: +61 3 9824 8580

REGISTERED OFFICE

Suite 1, 1233 High Street
Armadale, Victoria
Australia 3143
Telephone +61 3 9824 5254
Facsimile +61 3 9822 7735

SOLICITORS

Pointon Partners
Level 2, 640 Bourke Street
Melbourne, Victoria
Australia 3000

PRINCIPLE PLACE OF BUSINESS

Perth

Level 1, 872-876 Hay Street
Perth, Western Australia
Australia 6000

Sydney

529a Crown Street
Surry Hills, New South Wales
Australia 2010

SHARE REGISTRY

Advanced Share Registry Services
7th Floor, 200 Adelaide Terrace
Perth, Western Australia

Melbourne

Rear 592 Chapel Street
South Yarra, Victoria
Australia 3141

Australia 6000
Telephone: +61 8 9389 8033
Facsimile: + 61 8 9389 7871

SECURITIES QUOTED

Australian Stock Exchange
Code: BKM Ordinary Shares

WEBSITE

www.bkmmanagement.com