

BKM MANAGEMENT LIMITED
AND CONTROLLED ENTITIES

Appendix 4D
Interim Financial Report

For the Half Year Ended
31 December 2007

(previous corresponding period: half year ended 31 December 2006)

To be read in conjunction with the 30 June 2007 Annual Report.
In compliance with Listing Rule 4.2A

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APPENDIX 4D FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Results for Announcement to the Market

Current Reporting Period - Half year Ended 31 December 2007

Previous Reporting Period - Half year Ended 31 December 2006

Revenues	down	4.80%	to	\$1,221,779
Loss after tax attributable to members	down	42.95%	to	(\$91,017)
Net loss for the period attributable to members	down	42.95%	to	(\$91,017)

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net Tangible Asset per Security (cents per security)

As at 31 December 2007

0.15

As at 31 December 2006

(0.01)

Record date for determining entitlements to the dividend, (in the case of a trust, distribution)

n/a

Explanation of the above information:

Refer to the Directors' Report - Review of Operations.

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of BKM Management Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2007.

Directors

The following persons were directors of BKM Management Limited during the whole of the half-year and up to the date of this report:

Mr. Clive McKee	Non-Executive Chairman
Mr. Evan McGregor	Managing Director
Mr. Alvin Tan	Non-Executive Director
Mr. Danny Chiew	Non-Executive Director (Appointed 26th October 2007)

Review of Operations

The operating group loss for the first half year was \$91,017, which was an excellent 43% improvement on the December 2006 figure. Revenue remained relatively constant compared to the corresponding result last year. This was despite the revenue from the Sydney office being excluded from this half-year's result, due to the commencement of the joint venture with Artist and Entertainment Group (AEG), in April 2007.

The Company's revenue source throughout the half-year was from the Scene Model Management (Scene) agency businesses in Melbourne and Perth.

The result, although still again showing a loss, was considered to be a good one, as the performance of the model business continued the improvement shown previously. The turnaround for Scene agencies was evident as the profit during the half year increased again after first reaching that milestone in the previous half-year.

The offices of Scene performed very well considering how intense the competition is in the model agency market. The Perth office, which includes the Scene Training Academy business, once again achieved an excellent result, and the Melbourne office continued to provide an increasingly valuable contribution to the group's revenue. Management of those offices is to be congratulated again for their effort.

The Joint Venture with AEG has met the objectives of the board by delivering a much better result for the Sydney operations, lowering fixed costs and operational overheads, bolstering management and increasing agency profile. Overall revenue has increased and costs reduced, making it a win-win for both Scene and BKM.

BKM's other areas of business include investments in the Hong Kong based company, Global Capital Limited (GCL), and the recently acquired interest in the Singapore based IGC Asia Pte Ltd (IGC).

GCL is involved in the Sanctuary Health Spa and Bar/Entertainment complex in the city of Guangzhou, located in the booming capital of Guangdong Province in southern China.

This facility which includes the BKM branded Scene Bar is being managed on behalf of GCL and its partners by experienced local business people. Recently there have been some additions made to the facility to include other beauty/wellness businesses and to improve operations. As a result, the complex was closed for a short period while renovations to incorporate these operations and improve overall presentation were carried out.

Some modifications to the frontage were also made to provide better signage and access. GCL is confident that these improvements will result in increased cash flow along with an enhanced experience for the Spa's current and future clients.

DIRECTORS' REPORT *(Continued)*

In November BKM announced the acquisition of a 14.23% interest in IGC by way of a placement in IGC shares. Since then it has been agreed that BKM will purchase a further 15% from IGC's main shareholder, CBS Ventures Pte Ltd, in order to bring the total shareholding in IGC up to a more meaningful level. This second tranche, which will be subject to shareholder approval, will be acquired for an issue of BKM shares, the number of which will be dependent upon IGC reaching various profit milestones.

The investment in IGC expands and complements BKM's current growth strategy for Asia. The BKM management team will be working closely with IGC and its principals to further BKM's interests in Asia, where IGC's network is extensive. These contacts, particularly within the diverse petroleum and petrochemical areas should prove to be a catalyst for BKM to expand its current activities, and develop new and profitable ways to grow the Company.

The board will continue to review all appropriate and related business opportunities, in order to ensure the Company is well positioned for future growth. As stated above, Asia still remains the focus of this policy, and although the beauty/wellness industry remains a major area of activity, the Company will extend its investment reach if suitable projects are identified.

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

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



Mr. Evan McGregor
Managing Director
BKM Management Limited

Dated: Friday 29 February 2008.

AUDITORS' INDEPENDENCE DECLARATION



29 February 2008

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**

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 review of the financial report of BKM Management Limited for the half-year ended 31 December 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 Corporations Act 2001 in relation to the review; 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", is written over a light grey rectangular background.

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne on this 29th day of February 2008

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INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	<u>CONSOLIDATED ENTITY</u>	
	<u>31 December 2007</u>	<u>31 December 2006</u>
	<u>\$</u>	<u>\$</u>
Revenue	1,221,779	1,283,369
Administration & Corporate	(252,022)	(240,862)
Model/Talent Costs	(701,646)	(817,079)
Employment and Consulting	(304,994)	(341,359)
Occupancy	(27,902)	(43,615)
Share of net loss of joint venture	(26,232)	-
PROFIT/(LOSS) BEFORE INCOME TAX	(91,017)	(159,546)
INCOME TAX EXPENSE	-	-
PROFIT/(LOSS) FOR THE HALF YEAR	(91,017)	(159,546)
	<u>Cents</u>	<u>Cents</u>
Loss per share for loss from attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.03)	(0.05)
Diluted loss per share	(0.03)	(0.05)

The accompanying notes form part of these financial statements.

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	<u>CONSOLIDATED ENTITY</u>	
	31 December 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,309,379	165,022
Trade and other receivables	349,866	312,032
Other	2,203	2,306
TOTAL CURRENT ASSETS	1,661,448	479,360
NON-CURRENT ASSETS		
Trade and other receivables	475,770	490,100
Other financial assets	132,450	57,700
Property, plant and equipment	1,305	3,073
Goodwill	49,878	49,878
TOTAL NON-CURRENT ASSETS	659,403	600,751
TOTAL ASSETS	2,320,851	1,080,111
CURRENT LIABILITIES		
Trade and other payables	669,873	898,627
Provisions	46,833	42,002
TOTAL CURRENT LIABILITIES	716,706	940,629
NON-CURRENT LIABILITIES		
Borrowings	940,000	240,000
Provisions	23,679	23,679
TOTAL NON-CURRENT LIABILITIES	963,679	263,679
TOTAL LIABILITIES	1,680,385	1,204,308
NET ASSETS/(DEFICIENCY)	640,466	(124,197)
EQUITY		
Issued capital	23,061,076	22,205,396
Accumulated Losses	(22,420,610)	(22,329,593)
TOTAL EQUITY	640,466	(124,197)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED ENTITY

	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at 30 June 2006	22,125,083	(22,008,935)	116,148
Shares issued net of costs	119,813	-	119,813
Reversal of Shares to be issued	(63,000)	-	(63,000)
Net (Loss) for the period	-	(159,546)	(159,546)
Balance at 31 December 2006	22,181,896	(22,168,481)	13,415
Shares issued net of costs	23,500	-	23,500
Net (Loss) for the period	-	(161,112)	(161,112)
Balance at 30 June 2007	22,205,396	(22,329,593)	(124,197)
Shares issued net of costs	855,680	-	855,680
Net (Loss) for the period	-	(91,017)	(91,017)
Balance at 31 December 2007	23,061,076	(22,420,610)	640,466

The accompanying notes form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007

	<u>CONSOLIDATED ENTITY</u>	
	31 December 2007	31 December 2006
	\$	\$
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
Receipts from customers	(1,142,958)	1,303,942
Payments to suppliers and employees	1,050,622	(1,373,815)
Interest received	7,429	(28,142)
Interest and other costs of finance paid	(9,734)	-
NET OPERATING CASH FLOWS	(94,641)	(98,015)
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
Payment for purchases of plant and equipment	(1,682)	(2,856)
Payment for purchases of equity investments	(50,000)	-
Loans to other entities	-	(27,392)
Loans repaid by other entities	-	25,000
NET INVESTING CASH FLOWS	(51,682)	(5,248)
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Proceeds from issues of securities	637,000	59,981
Capital raising costs	(1,320)	(168)
Proceeds from borrowings	700,000	-
Repayment of borrowings	(45,000)	-
NET FINANCING CASH FLOWS	1,290,680	59,813
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,144,357	(43,450)
Cash and cash equivalents at the beginning of the half year	165,022	194,719
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR	1,309,379	151,269

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Basis of Preparation

The general purpose financial report for the interim half year reporting period ended 31 December 2007 has been prepared in accordance with Accountign Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half year financial report does not include all notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by BKM Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with the most recent Annual Financial Report for the year ended 30 June 2007.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the entity comply with International Financial Reporting Standards.

Note 2. Dividends

The company has not declared any dividends in the period ended 31 December 2007.

Note 3. Segment Information

Industrial Segments

31 December 2007	Modelling (\$)	Investment (\$)	Total (\$)
<u>Revenue</u>			
External Sales	1,185,416	-	1,185,416
Other revenue - interest	-	36,363	36,363
Total Revenue	1,185,416	36,363	1,221,779
<u>Result</u>			
Segment Result	153,783	(244,800)	(91,017)
Net Result	153,783	(244,800)	(91,017)
<u>Assets</u>			
Segment Assets	406,439	1,914,412	2,320,851
Total Assets	406,439	1,914,412	2,320,851
<u>Liabilities</u>			
Segment Liabilities	532,496	1,147,889	1,680,385
Total Liabilities	532,496	1,147,889	1,680,385

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2006	Modelling (\$)	Investment (\$)	Total (\$)
Revenue			
External Sales	1,265,621	-	1,265,621
Other revenue - interest	-	17,748	17,748
Total Revenue	1,265,621	17,748	1,283,369
Result			
Segment Result	63,021	(222,567)	(159,546)
Net Loss	63,021	(222,567)	(159,546)
Assets			
Segment Assets	338,191	764,584	1,102,775
Total Assets	338,191	764,584	1,102,775
Liabilities			
Segment Liabilities	629,732	459,629	1,089,361
Total Liabilities	629,732	459,629	1,089,361

Note 4. Contingent Liabilities and Assets

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

Note 5. Issued Capital

	31 December 2007		30 June 2007	
	No.	\$	No.	\$
Issued and Paid Up Capital				
Fully Paid Ordinary Shares	405,754,640	23,060,311	314,254,640	22,204,631
Options over Fully Paid Ordinary Shares	214,250,000	764	214,250,000	764
Total Issued Capital		23,061,075		22,205,395

During the half year ended 31 December 2007, the following movements in equity occurred:

Shares

27 August 2007 - Capital Raising - Issue of 6,000,000 Fully Paid Ordinary Shares to raise \$48,000.

10 September 2007 - Issue of 27,500,000 Shares to Directors in lieu of cash payment as approved by members at the GM held on 10 September 2007.

29 October 2007 - Capital Raising - Issue of 55,000,000 Fully Paid Ordinary Shares, as approved by members at the GM held on 26 October 2007 raising \$550,000.

16 November 2007 - Issue of 3,000,000 Fully Paid Ordinary Shares to Consultant in lieu of cash payment.

Note 6. Events Subsequent to Reporting Date

On the 10 January 2008 BKM Management Limited announced that the Company had completed its due diligence on the Singapore based IGC Asia Pte Ltd (IGC), and that the Company intends to proceed with an investment in IGC forthwith.

On the 15 January 2008 BKM Management Limited announced that the Company had increased its interest in IGC Asia Pte Ltd from the original percentage of 12% to 14.23% following further negotiations between the parties. The purchase consideration for the 14.23% interest was \$800,000 being a direct cash injection into the IGC business for working capital and expansion purposes.

DIRECTORS' DECLARATION

The directors' of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 11:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

(b) give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.

2. 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.



Mr. Evan McGregor
Managing Director
BKM Management Limited

Dated: Friday 29 February 2008.

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AUDIT REPORT



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

ABN 61 009 146 543

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of BKM Management Limited and the entities it controlled during the period, which comprises the balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Director's Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us to believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of BKM Management Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Webb Audit Pty Ltd
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INDEPENDENT AUDITOR'S REVIEW 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.

Conclusion

Based upon our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of BKM Management Limited and the entities it controlled during the period is not in accordance with:

- a. the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory financial reporting requirements in Australia.

Jeffrey Luckins
Director
Webb Audit Pty Ltd

Dated in Melbourne on this 29th day of February 2008

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