

# **BKM Management Limited**

ABN 61 009 146 543

## **Annual report for the year ended 30 June 2018**

**BKM Management Limited** ABN 61 009 146 543  
**Annual report - 30 June 2018**

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## **Directors' report**

The directors present their report, together with the financial statements, on the consolidated entity (referred to also as the 'group') consisting of BKM Management Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

### **Directors and company secretary**

The following persons held office as directors of BKM Management Limited during the financial year:

Mr Alvin Tan, Non-Executive Chairman  
Mr Evan McGregor, Non-Executive Director  
Mr Benjamin Song, Non-Executive Director  
Mr Dennis Yong, Non-Executive Director (appointed 18 October 2017)

The following person held office as company secretary of BKM Management Limited during the financial year:

Mr Phillip Hains

### **Principal activities**

During the year the principal continuing activities of the group consisted of:

- The operation of modelling agencies in Australia, and
- Investment in an oil trading business in Singapore

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

### **Dividends**

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

### **Review of operations**

BKM Management Limited (BKM), has reported a loss for the year of \$341,281 (2017: \$490,685), with net (deficiency of) assets decreasing to \$468,955 (2017: \$127,674). As at 30 June 2018 the group had cash reserves of \$167,949 (2017: \$497,923).

Revenue slipped 22 percent as market conditions for BKM's modelling business, Scene Model Management (Scene), continued to be challenging with digital marketing and online media eroding the traditional business. Despite the challenging times, Scene is showing signs of improvement due to its reduced operating costs. This turn-around has come on the back of the consolidation of operations out of the Perth branch and an increased focus on Scene's actor management agency, 'Now Actors', which is heavily dependent on its online presence. The decreased focus on modelling towards actors' management acknowledges the decline in the traditional modelling sector and places Scene in a strong position to take advantage of market trends towards digital marketing and online media. The board of BKM and Scene's management are continuing to position the business to respond to the new challenges posed.

Following the announcement on 28 July 2017 concerning the potential reverse acquisition of Zenith Agro Group (ZAG) Limited, the board has been working with ZAG, the ASX and the group's advisers to conclude the transaction. ZAG is involved with developing an Agarwood project in Cambodia. A number of issues have been flagged which indicate that the project may have difficulty in being acquired under the original terms agreed between the parties. As such, the board is reviewing its position in relation to this transaction.

At the corporate level, the board has been actively working with the management team at IGC Asia Pte Ltd (an investment of BKM) at their request to identify additional investment opportunities in primary industry and resource sectors.

The principals of IGC have flagged their intention to involve BKM to a greater extent in IGC's asset selection and due diligence process. IGC is based in Singapore, and is ideally placed to source and deliver quality assets in the Southeast Asian region. With IGC's on the ground knowledge and expertise, combined with BKM's corporate experience, your board is looking forward to being involved in some revenue generating projects in the years ahead. As highlighted in previous reports to shareholders, the focus is primarily on revenue generating assets in the agricultural sector in Asia.

IGC has informed the BKM board that the investment structure for any assets to be acquired will most likely involve an Australian incorporated special purpose vehicle, and will require the board to utilise its experience and professional relationships to assist in implementation.

### **Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the group during the financial year.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2018 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

**Environmental regulation**

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

**Information on directors**

The names of directors in office at any time during or since the end of the financial year are:

<b>Mr Alvin Tan</b> <i>Non-Executive Chairman</i>		
Experience and expertise	Alvin has a wide range of experience in investment markets in Australia and overseas. He has worked with KPMG Peat Marwick in Kuala Lumpur and has been an investment advisor in the Asia-Pacific equity markets for DJ Carmichael Pty Ltd.	
Qualifications	Bachelor of Commerce (with honors)	
Other current directorships	Advanced Share Registry Limited (ASX: ASW), since 2007 South Pacific Resources Limited (ASX: SPB), since 2000	
Former directorships in last 3 years	None	
Committees	Audit committee chairman	
Interests in shares and options	Ordinary shares	24,100,000
	Options	-

<b>Mr Evan McGregor</b> <i>Non-Executive Director</i>		
Experience and expertise	Evan has a wide range and depth of business development skills from his many years of involvement with small emerging listed companies. He has worked at a senior level in large organisations and his specialties include strategic analysis, negotiations and corporate and financial management.	
Qualifications	Bachelor of Economics Bachelor of Science	
Other current directorships	Stargroup Limited (ASX: STL), since 25 August 2016	
Former directorships in last 3 years	None	
Committees	Audit committee member	
Interests in shares and options	Ordinary shares	73,160,753
	Options	-

**Information on directors (continued)**

<b>Mr Benjamin Song</b> <i>Non-Executive Director</i>		
Experience and expertise	Mr Song has more than 17 years' experience in managing and running companies. He had worked in a consultancy firm where he handled many projects. From 2006 to 2009, Benjamin was a director and a manager of FX1 Capital Pte Ltd, where he managed funds for high net worth clients. He now sits on board with a property developing company, Bakken Development LLC developing projects in North Dakota. Benjamin is also involved in commodity trading including gold, oil, coal and other precious metals since 2009, working with both buyers and sellers in the international arena.	
Qualifications	Degree in Civil and Structural Engineering (with honors)	
Other current directorships	None	
Former directorships in last 3 years	None	
Committees	Audit committee member	
Interests in shares and options	Ordinary shares	-
	Options	-
<b>Mr Dennis Yong</b> <i>Non-Executive Director</i>		
Experience and expertise	Mr Yong has more than 25 years' experience in managing and running companies. Dennis was appointed in 2016 as Chief Consultant to Amber Skyline Pte Ltd, a branding and marketing consultancy company. He is also the Chief Consultant of d'Brain Singapore - an investment company focusing on global property development and investment, as well as providing business solutions, fund raising and marketing consultancy services.  He was the founder of GPS Alliance real estate service provider in 2010 and had been the Group's CEO since. Dennis started his career in the real estate industry in 1999 and has managed two other real estate companies as Executive Director and COO. Under his leadership at GPS, he successfully listed GPS Alliance Holdings Limited on the ASX in July 2013.	
Qualifications	Bachelor of Science in Real Estate Management (Heriot-Watt University) Diploma in Building (Singapore Polytechnic)	
Other current directorships	None	
Former directorships in last 3 years	GPS Alliance Holdings Limited (ASX: GPS)	
Committees	None	
Interests in shares and options	Ordinary shares	-
	Options	-

**Information on officers**

The names of officers in office at any time during or since the end of the year are:

<b>Mr Phillip Hains</b> <i>Company Secretary</i>		
Experience and expertise	Phillip Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'. The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Phillip serves the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting.	
Qualifications	Masters of Business Administration from RMIT and a Public Practice Certificate from Chartered Accountants Australia and New Zealand.	
Committees	N/A	
Interests in shares and options	Ordinary shares	10,858,315
	Options	-

**Meetings of directors**

	Full meetings of directors		Audit and risk committee	
	Attended	Held	Attended	Held
Mr Alvin Tan	6	6	6	6
Mr Evan McGregor	6	6	6	6
Mr Benjamin Song	6	6	6	6
Mr Dennis Yong**	4	4	-	-

\*\* = Not a member of the relevant committee

**Remuneration report (audited)**

The directors present the BKM Management Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information
- F Additional disclosures relating to key management personal
- G Other transactions with directors and other key management personnel

**(A) Principles used to determine the nature and amount of remuneration**

Remuneration of all executive and non-executive directors, officers and employees is determined by the board of directors ('board').

The group 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. Director remuneration 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 group. The group has not engaged independent remuneration consultants to review key management personnel (KMP) remuneration.

There was no performance based remuneration under the employment contracts of directors and key management personnel paid during the financial year (2017: nil).

**(B) Details of remuneration**

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

The following person was considered other KMP of BKM Management Limited during the financial year:

- Anthony Harden, state manager (Western Australia)

2018	Short-term benefits			Post employment benefits	Long-term benefits	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	
	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>						
Mr Evan McGregor	41,000	-	-	-	-	41,000
Mr Benjamin Song	-	-	-	-	-	-
Mr Dennis Yong	-	-	-	-	-	-
<b>Executive directors</b>						
Mr Alvin Tan	42,000	-	-	-	-	42,000
<b>Other KMP</b>						
Anthony Harden	73,000	-	-	6,935	1,381	81,316
<b>Total KMP compensation</b>	<b>156,000</b>	<b>-</b>	<b>-</b>	<b>6,935</b>	<b>1,381</b>	<b>164,316</b>

**Remuneration report (audited) (continued)**

**(B) Details of remuneration (continued)**

2017	Short-term benefits			Post employment benefits	Long-term benefits	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave	
	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>						
Mr Evan McGregor	36,000	-	-	-	-	36,000
Mr Benjamin Song	-	-	-	-	-	-
<b>Executive directors</b>						
Mr Alvin Tan	42,000	-	-	-	-	42,000
<b>Other KMP</b>						
Anthony Harden	70,000	-	-	6,650	1,381	78,031
Total KMP compensation	148,000	-	-	6,650	1,381	156,031

**(C) Service agreements**

Name: Anthony Harden  
Title: State manager  
Agreement commenced: 2002  
Term of agreement: Standard rolling agreement (no fixed term)  
Details: Base salary for the year ending 30 June 2018 of \$73,000 plus superannuation to be reviewed annually by the board. 3 month termination notice by either party.

**(D) Share-based compensation**

*(i) Options*

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2018.

*(ii) Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

**(E) Additional information**

The tables below set out summary information about the group's earnings and movement in shareholder wealth for the five years to 30 June 2018:

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$
Revenue from services	1,063,157	1,191,528	1,209,208	1,424,547	1,355,757
Net profit/(loss) before tax	(341,281)	(490,685)	(309,717)	(261,330)	(386,916)
Net profit/(loss) after tax	(341,281)	(490,685)	(309,717)	(261,330)	(386,916)

The group envisages its performance in terms of earnings will remain negative whilst the group continues to focus on the acquisition of new investment opportunities and streamlining or enhancing the existing investments held. Accordingly, there was no performance based remuneration paid during the financial year.

No dividends have been paid for the five years to 30 June 2018.



**Remuneration report (audited) (continued)**

**(E) Additional information (continued)**

	30 June 2018 Cents	30 June 2017 Cents	30 June 2016 Cents	30 June 2015 Cents	30 June 2014 Cents
Share price at start of year	0.10	0.10	0.10	0.10	0.20
Share price at end of year	0.20	0.10	0.10	0.10	0.10
Basic earnings/(loss) per share	(0.019)	(0.030)	(0.023)	(0.021)	(0.034)
Diluted earnings/(loss) per share	(0.019)	(0.030)	(0.023)	(0.021)	(0.034)

**(F) Additional disclosures relating to key management personnel**

**Share holdings**

The number of shares in the parent entity held during the financial years ended 30 June 2018 and 30 June 2017 by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

2018	Balance at the start of the year <sup>1</sup>	Granted as remuneration	Received on exercise of options	Other changes <sup>2</sup>	Balance at the end of the year <sup>3</sup>
<b>Ordinary shares</b>					
Mr Alvin Tan	24,100,000	-	-	-	24,100,000
Mr Evan McGregor	73,160,753	-	-	-	73,160,753
Mr Benjamin Song	-	-	-	-	-
Mr Dennis Yong	-	-	-	-	-
Mr Anthony Harden	2,000,000	-	-	-	2,000,000
	<b>99,260,753</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,260,753</b>

<sup>1</sup> Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the year, the balance is as at the date they became KMP.

<sup>2</sup> Other changes incorporates changes resulting from the sale of shares.

<sup>3</sup> For former KMP, the balance is as at the date they cease being KMP.

**(G) Other transactions with directors and other key management personnel**

*(i) Transactions with key management personnel*

The following transactions occurred with related parties:

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
<i>Payment for other expenses:</i>		
Share registry services to Advanced Share Registry (a company in which Alvin Tan is a director).	5,259	10,598

*(ii) Receivable from and payable to related parties*

There were no trade receivables from related parties. The trade and other payables balance as at 30 June 2018 contains accrued directors' fees of \$69,060 (2017: \$69,060) and related party payables for director controlled entities of \$148,787 (2017: \$141,050).

The directors' fees balance comprises \$23,060 and \$46,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively. The director-controlled entities balance comprises directors' fees of \$25,237 and \$79,500 payable to Mr Alvin Tan and Mr Evan McGregor, respectively; and consulting fees of \$39,050 and \$5,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively.

**Remuneration report (audited) (continued)**

**(G) Other transactions with directors and other key management personnel (continued)**

*(iii) Loans to/from related parties*

There were no balances outstanding at the end of the reporting period in relation to loans with related parties.

*(iv) Terms and conditions*

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

**[This concludes the remuneration report, which has been audited]**

**Shares under option**

There were no options outstanding as at 30 June 2018.

**Shares issued on the exercise of options**

There were no shares of BKM Management Limited issued on the exercise of options during the year ended 30 June 2018.

**Insurance of officers and indemnities**

*(i) Insurance of officers*

The group has entered into an officer's protection deed with each director to indemnify each of them against any liability that may be incurred in relation to their duties as an officer of the group to the extent permitted by the law. This indemnification continues for seven years after termination of the directorship.

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

*(ii) Indemnity of auditors*

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

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

**Proceedings on behalf of the group**

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

**Non-audit services**

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

**Officers of the group who are former audit partners of William Buck Audit (VIC) Pty Ltd**

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

**Auditor's independence declaration**

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors.

Mr Alvin Tan  
Non-Executive Chairman



Melbourne  
28 September 2018

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018  
there have been:

- no contraventions of the auditor independence requirements as set out in the  
Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the  
audit.

*William Buck*

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

A handwritten signature in blue ink, appearing to read 'N. S. Benbow'.

**N. S. Benbow**  
Director

Dated this *28<sup>th</sup>* day of September 2018

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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## Corporate governance statement

The group is committed to implementing the highest standards of corporate governance. In determining what those standards should involve, the group has considered the ASX Corporate Governance Council's ('the council') Corporate Governance Principles and Recommendations.

A review of the group's 'corporate governance framework' is performed on a periodic basis to ensure that it is relevant and effective in light of changing legal and regulatory requirements. The board of directors ('the board') continues to adopt a set of corporate governance practices and a code of conduct appropriate for the size, complexity and operations of the group and its subsidiaries.

Where the group's corporate governance practices do not correlate with the practices recommended by the council, the group states that fact and has set out a mandate for future compliance when the size of the group and the scale of its operations warrants the introduction of those recommendations. All charters and policies are available from the group's website.

### Principle 1: Lay solid foundations for management and oversight

#### Role of the board and management

The board's role is to govern the group rather than to manage it. In governing the group, the directors must act in the best interest of the group as a whole. It is the role of senior management to manage the group 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.

In general, the board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the group.

Without intending to limit this general role of the board, the principal functions and responsibilities of the board include the following:

- (1) *Leadership of the organisation:* overseeing the group and establishing codes that reflect the values of the group and guide the conduct of the board, management and employees.
- (2) *Strategy formulation:* to set and review the overall strategy and goals for the group and ensure that there are policies in place to govern the operation of the group.
- (3) *Overseeing planning activities:* overseeing the development of the group's strategic plan and approving that plan as well as the annual and long term budgets.
- (4) *Shareholder liaison:* ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings.
- (5) *Monitoring, compliance and risk management:* overseeing the development of the group's risk management, compliance, control and accountability systems and monitoring and directing the financial and operation performance of the group.
- (6) *Group finances:* approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- (7) *Human resources:* appointing, and, where appropriate, removing the executive officers as well as reviewing the performance of management and monitoring the performance of senior management in their implementation of group's strategy.
- (8) *Ensuring the health, safety and well-being of employees:* in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the group's occupational health and safety systems to ensure the well-being of all employees.
- (9) *Delegation of authority:* delegating appropriate powers to executives of the group to ensure the effective day-to-day management of the group and establishing and determining the powers and functions of the committees of the board.
- (10) *Audit, risk and compliance policy:* assisting the board in fulfilling its responsibilities in respect of establishing an oversight and management of risk within the group.
- (11) *Remuneration and nomination policy:* assisting the board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and achieve a structured board that adds value to the group by ensuring an appropriate mix of skills are present in directors on the board at all times.

## **Principle 1: Lay solid foundations for management and oversight (continued)**

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

### **Board appointments**

The group undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The group provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing.

### **The company secretary**

The company secretary is accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board, including agendas, board papers and minutes, advising the board and its committees (as applicable) on governance matters, monitoring that the board and committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

The terms of the appointment of a company secretary are agreed upon and set out in writing.

### **Diversity**

The group values the differences between its personnel and the valuable contribution that these differences can make to the group. The group has not set any gender specific diversity targets as the group is an equal opportunity employer that aims to recruit staff from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience. Executives, employees and consultants are engaged by the group based on the right person for the job regardless of their gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability or appearance.

The following table demonstrates the group's gender diversity as at the date of this report:

	<b>Number of males</b>	<b>Number of females</b>
Directors	4	-
Key management personnel	1	-
Other employees/consultants	3	2

### **Performance review**

A 'performance evaluation policy' has been established to evaluate the performance of the KMP, board, individual directors and executive officers of the group. The board is responsible for conducting evaluations on an annual basis in line with these policy guidelines.

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

### **Independent advice**

The board collectively and each director has the right to seek independent professional advice at the group's expense, up to specified limits to be determined by the board if required, to assist them to carry out their responsibilities.

## **Principle 2: Structure the board to add value**

### **Composition of the board**

To add value to the group, the board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the directors and their qualifications and experience are stated in the under the section headed 'Information on directors' along with the term of office held by each of the directors.

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

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

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

The group determines whether a director is independent in accordance with the independence guidelines set out in the ASX Governance Recommendations. The board consists of a majority of independent directors. Evan McGregor, Benjamin Song and Dennis Yong are all considered to be independent.

## **Principle 2: Structure the board to add value (continued)**

The board is responsible for the nomination and selection of directors. Due to the size of the board and the group and the scope of the group's operations, it is deemed appropriate for the board to act as the remuneration and nomination committee. The nomination duties include devising criteria for board membership, regularly reviewing the structure of the board and identifying specific individuals for nomination/removal as directors for review by the board. Further responsibilities include overseeing management succession plans and their direct reports and evaluation of the board's performance.

Directors are appointed based on the specific skills required to effectively govern the group. The board periodically assesses the competencies and experience of each board member and the experiences and skills required at board level to meet its operational objectives. The board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

### **Induction of new directors and ongoing development**

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

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

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

## **Principle 3: Promote ethical and responsible decision making**

### **Code of conduct**

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

### **Responsibilities to shareholders and the financial community generally**

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

### **Responsibilities to clients, customers and consumers**

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

### **Employment practices**

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

### **Obligations relative to fair trading and dealing**

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

### **Responsibilities to the community and to individuals**

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

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

## **Principle 3: Promote ethical and responsible decision making (continued)**

### **Conflicts of interest**

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

### **How the group complies with legislation affecting its operations**

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

### **How the group monitors and ensures compliance with its code**

The board, management and all employees of the group are committed to implementing this code of conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the code.

### **Trading in the group's shares**

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

## **Principle 4: Safeguard integrity in corporate reporting**

### **Audit committee**

Due to the size of the board and the group and the scope of the group's operations, it is deemed to be more efficient to have the full board act as the audit, risk and compliance committee (audit committee) rather than establishing a separate committee. As a result the board performs the roles of the audit committee as set out in the audit committee charter.

The role of an audit, risk and compliance committee is to fulfilling its responsibilities in respect of establishing an oversight and management of risk within the group.

The audit committee reviews the audited annual and half-yearly financial statements and any reports, which accompany published financial statements before submission to the board and recommends their approval.

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

As the board acts as the audit committee, the audit committee does not meet all of the council's composition recommendations.

The audit committee is also responsible for establishing policies on risk oversight and management.

### **CFO declarations**

The CFO has provided the board with a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### **External auditor**

The group's external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

Prior approval of the board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

## **Principle 5: Make timely and balanced disclosures**

The group is committed to ensuring all investors have equal and timely access to material information concerning the group.

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 communicating with the ASX.

In accordance with ASX Listing Rules, the group immediately notifies the ASX of information concerning the group:

- That a reasonable person would or may expect to have a material effect on the price or value of the group's securities; and,



## **Principle 5: Make timely and balanced disclosures (continued)**

- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the group's securities.

The information disclosed will be factual and presented in a clear and balanced way that allows investors to assess the impact of the information when making investment decisions.

## **Principle 6: Respect the rights of shareholders**

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

- communicating effectively with shareholders through releases to the market via ASX, the group website, information mailed to shareholders, annual and half-year financial statements and the general meetings of the group;
- giving shareholders ready access to balanced and understandable information about the group and corporate proposals; and
- making it easy for shareholders to participate in general meetings of the group.

The group also makes available a telephone number and email address for shareholders to make enquiries of the group. These contact details are available on group ASX announcements and on the group's website.

## **Principle 7: Recognise and manage risk**

The board has established a policy for risk oversight and management within the group. This is periodically reviewed and updated. Management reports to the board on the effectiveness of the group's management of its material business risks. In addition, the board undertakes a review of all major activities to assess risk and the effectiveness of strategies implemented to manage risk. During the reporting period, management has reported to the board as to the effectiveness of the group's management of its material business risks. The group does not have an internal audit function.

The group faces risks inherent to its business, including economic risks, which may materially impact the group's ability to create or preserve value for security holders over the short, medium or long term. The group has in place policies and procedures, including a risk management framework (as described in the group's risk management policy), which is developed and updated to help manage these risks. The board does not consider that the group currently has any material exposure to environmental or social sustainability risks.

## **Principle 8: Remunerate fairly and responsibly**

### **Remuneration committee**

Due to the size of the board and the group and the scope of the group's operations, it is deemed appropriate for the board to act as the remuneration and nomination committee. As a result the board performs the obligations of the remuneration and nomination committee as set out in the committees charter.

The role of a remuneration and nomination committee ('remuneration committee') is to fulfil its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and achieve a structured board that adds value to the group by ensuring an appropriate mix of skills are present in directors on the board at all times.

The committee's responsibilities include setting policies for senior officers' remuneration, setting the terms and conditions of employment for management, reviewing and making recommendations to the board on the group's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive and making recommendations to the board on any proposed changes and undertake a review of managements' performance, including, setting goals for the coming year and reviewing progress in achieving those goals.

### **Remuneration policy**

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

Participants in any equity based remuneration scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the group's securities to any other person.

## **Principle 8: Remunerate fairly and responsibly (continued)**

### **Senior executive remuneration policy**

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

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

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

### **Non-executive director remuneration policy**

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

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

**BKM Management Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

		<b>Consolidated entity</b>	
		<b>30 June</b>	30 June
		<b>2018</b>	2017
	Notes	\$	(restated) \$
Revenue	3	<b>1,068,297</b>	1,374,995
Model and talent costs		<b>(776,636)</b>	(850,435)
Corporate administration expenses	4	<b>(175,469)</b>	(171,369)
Employment and consulting fees	4	<b>(282,765)</b>	(352,437)
Occupancy expenses	4	<b>(38,838)</b>	(64,683)
Due diligence expenses		<b>(126,854)</b>	-
Impairment losses		-	(417,756)
Finance costs		<b>(9,016)</b>	(9,000)
<b>Operating loss</b>		<b>(341,281)</b>	(490,685)
<b>Loss before income tax</b>		<b>(341,281)</b>	(490,685)
Income tax expense	5	-	-
<b>Loss for the year</b>		<b>(341,281)</b>	(490,685)
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(341,281)</b>	(490,685)
Loss is attributable to:			
Owners of BKM Management Limited		<b>(340,840)</b>	(489,485)
Non-controlling interests		<b>(441)</b>	(1,200)
		<b>(341,281)</b>	(490,685)
Total comprehensive loss for the year is attributable to:			
Owners of BKM Management Limited		<b>(340,840)</b>	(489,485)
Non-controlling interests		<b>(441)</b>	(1,200)
		<b>(341,281)</b>	(490,685)
		<b>Cents</b>	Cents
<b>Loss per share attributable to the ordinary equity holders of the company:</b>			
Basic loss per share	6	<b>(0.019)</b>	(0.030)
Diluted loss per share	6	<b>(0.019)</b>	(0.030)

Refer to note 1 for details regarding the restatement as a result of an error.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**BKM Management Limited**  
**Consolidated statement of financial position**  
**As at 30 June 2018**

	<b>Consolidated entity</b>	
Notes	<b>30 June 2018 \$</b>	30 June 2017 (restated) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8(a) 167,949	497,923
Trade and other receivables	8(b) 33,481	85,591
Prepayments	5,722	3,193
<b>Total current assets</b>	<b>207,152</b>	<b>586,707</b>
<b>Non-current assets</b>		
Intangible assets	9(a) 49,878	49,878
<b>Total non-current assets</b>	<b>49,878</b>	<b>49,878</b>
<b>Total assets</b>	<b>257,030</b>	<b>636,585</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	8(c) 579,741	570,864
Borrowings	8(d) 95,039	95,039
Deferred revenue	-	42,870
Employee benefit obligations	9(b) 51,205	55,486
<b>Total current liabilities</b>	<b>725,985</b>	<b>764,259</b>
<b>Total non-current liabilities</b>	-	-
<b>Total liabilities</b>	<b>725,985</b>	<b>764,259</b>
<b>Net (deficiency of) assets</b>	<b>(468,955)</b>	<b>(127,674)</b>
<b>EQUITY</b>		
Share capital	10(a) 28,138,393	28,138,393
Accumulated losses	(28,546,773)	(28,205,933)
Parent entity interest	(408,380)	(67,540)
Non-controlling interests	<b>(60,575)</b>	<b>(60,134)</b>
<b>Total equity</b>	<b>(468,955)</b>	<b>(127,674)</b>

Refer to note 1 for details regarding the restatement as a result of an error.

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

**BKM Management Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2018**

Consolidated entity	Notes	Attributable to owners of BKM Management Limited		Non-controlling interests	Total equity
		Share capital	Accumulated losses		
		\$	\$	\$	\$
<b>Balance at 1 July 2016</b>		27,782,040	(27,716,448)	(58,934)	6,658
Loss for the year		-	(489,485)	(1,200)	(490,685)
Total comprehensive loss for the year		-	<b>(489,485)</b>	<b>(1,200)</b>	<b>(490,685)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs and tax	10(a)	356,353	-	-	356,353
Balance at 30 June 2017 (restated)		<b>28,138,393</b>	<b>(28,205,933)</b>	<b>(60,134)</b>	<b>(127,674)</b>
<b>Balance at 1 July 2017 (restated)</b>		28,138,393	(28,205,933)	(60,134)	(127,674)
Loss for the year		-	(340,840)	(441)	(341,281)
Total comprehensive loss for the year		-	<b>(340,840)</b>	<b>(441)</b>	<b>(341,281)</b>
<b>Transactions with owners in their capacity as owners:</b>					
		-	-	-	-
<b>Balance at 30 June 2018</b>		<b>28,138,393</b>	<b>(28,546,773)</b>	<b>(60,575)</b>	<b>(468,955)</b>

Refer to note 1 for details regarding the restatement as a result of an error.

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

**BKM Management Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2018**

		<b>Consolidated entity</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
Notes		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers	1,173,671	1,231,156
	Payments to suppliers and employees	(1,372,881)	(1,386,999)
	Transactions costs related to Zenith Agro Group acquisition	(126,854)	-
	<b>Net cash (outflow) from operating activities</b>	<b>(326,064)</b>	<b>(155,843)</b>
7			
<b>Cash flows from investing activities</b>			
	Interest received	606	650
	<b>Net cash inflow from investing activities</b>	<b>606</b>	<b>650</b>
<b>Cash flows from financing activities</b>			
	Proceeds from issue of shares	-	359,400
	Capital raising costs	-	(3,047)
	Finance costs	(4,516)	(9,000)
	<b>Net cash (outflow) inflow from financing activities</b>	<b>(4,516)</b>	<b>347,353</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(329,974)</b>	<b>192,160</b>
	Cash and cash equivalents at the beginning of the financial year	497,923	305,763
	<b>Cash and cash equivalents at end of year</b>	<b>167,949</b>	<b>497,923</b>
8(a)			

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

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## **1 Correction of error**

Subsequent to the issue of the 30 June 2017 financial statements signed on 28 September 2017, the directors determined that an error had been made in relation to the assessment of the valuation of the group's investment in IGC Asia Pte Ltd, an oil trading business based in Singapore. The investment, classified as a financial asset, was previously reported at \$417,756. In these financial statements, the comparative financial position for the year ended 30 June 2017 in respect of this investment has been adjusted to reflect that investment had a nil value and the comparative statement of profit or loss and other comprehensive income and accumulated loss result also adjusted down by \$417,756 to reflect this fair value adjustment.

## **2 Segment information**

### **(a) Identification of reportable operating segments**

The group is organised into two operating segments: modelling/acting and corporate. These operating segments are based on the internal reports that are reviewed and used by the board of directors, identified as the chief operating decision makers (CODM), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both earnings before interest, tax, depreciation and amortisation (EBITDA) and loss before income tax and the accounting policies adopted for internal reporting to the CODM are consistent with those applied in the financial statements. The information is reported to the CODM on at least a monthly basis.

### **(b) Types of products and services**

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

Modelling/acting	Provision of management services to the modelling industry
Corporate	Management of an investment in the primary and resources industry

### **(c) Intersegment transactions**

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

### **(d) Intersegment receivables, payables and loans**

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

### **(e) Major customers**

There were no significant customers in any reported segment that comprise greater than 10 percent of the segments aggregated revenues (2017: none).

### **(f) Geographical regions**

During the current financial year the group operated its activities in one geographical location, Australia.



## 2 Segment information (continued)

### (g) Segment results

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2018 is as follows:

<b>Consolidated entity 2018</b>	<b>Modelling/ acting \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Sales to external customers	1,064,067	-	1,064,067
Other income	3,624	-	3,624
Interest received	-	606	606
<b>Revenue from external customers</b>	<b>1,067,691</b>	<b>606</b>	<b>1,068,297</b>
Adjusted EBITDA	(2,941)	(329,324)	(332,265)
Finance costs	-	(9,016)	(9,016)
<b>Loss before income tax</b>	<b>(2,941)</b>	<b>(338,340)</b>	<b>(341,281)</b>
Segment assets	211,196	434,834	646,030
Intersegmental eliminations	-	(389,000)	(389,000)
<b>Total assets</b>	<b>211,196</b>	<b>45,834</b>	<b>257,030</b>
Segment liabilities	565,168	549,817	1,114,985
Intersegmental eliminations	(389,000)	-	(389,000)
<b>Total liabilities</b>	<b>176,168</b>	<b>549,817</b>	<b>725,985</b>

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2017 is as follows:

<b>Consolidated entity 2017 (restated)</b>	<b>Modelling/ acting \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Sales to external customers	1,191,528	-	1,191,528
Other income	167,840	14,977	182,817
Interest received	-	650	650
<b>Revenue from external customers</b>	<b>1,359,368</b>	<b>15,627</b>	<b>1,374,995</b>
Adjusted EBITDA	(8,002)	(473,683)	(481,685)
Finance costs	-	(9,000)	(9,000)
<b>Loss before income tax</b>	<b>(8,002)</b>	<b>(482,683)</b>	<b>(490,685)</b>
Segment assets	250,664	759,921	1,010,585
Intersegmental eliminations	-	(374,000)	(374,000)
<b>Total assets</b>	<b>250,664</b>	<b>385,921</b>	<b>636,585</b>
Segment liabilities	601,695	536,564	1,138,259
Intersegmental eliminations	(374,000)	-	(374,000)
<b>Total liabilities</b>	<b>227,695</b>	<b>536,564</b>	<b>764,259</b>

### 3 Revenue

The group derives the following types of revenue:

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Services	1,063,157	1,191,528
Reversal of model payments unrepresented	4,534	165,844
	<b>1,067,691</b>	<b>1,357,372</b>
<b>Non-operating activities</b>		
Interest income	606	650
Other income	-	16,973
	<b>606</b>	<b>17,623</b>
<b>Total revenue</b>	<b>1,068,297</b>	<b>1,374,995</b>

### 4 Material profit or loss items

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Corporate administration expenses</b>		
Audit and review fees	35,420	35,200
Administration and corporate	136,548	141,352
Doubtful debts	3,501	(5,183)
	<b>175,469</b>	<b>171,369</b>

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
Wages and salaries	182,890	248,033
Directors' fees	72,000	72,000
Superannuation	17,375	23,485
Consulting and other employee benefits expenses	10,500	8,919
	<b>282,765</b>	<b>352,437</b>

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Occupancy expenses</b>		
Lease expense	35,473	57,066
Other occupancy costs	3,365	7,617
	<b>38,838</b>	<b>64,683</b>

## 5 Income tax expense

### (a) Income tax expense

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Income tax expense</b>	-	-

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	(restated) \$
Loss from continuing operations before income tax expense	(341,281)	(490,685)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(93,852)	(134,938)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Accrued expenses	18,452	24,588
Capital raising costs	-	(3,047)
Leave provision	12,836	13,429
Prepaid expenses	(1,574)	(878)
Superannuation liability	1,245	1,830
	(62,893)	(99,016)
Current year tax benefit not recognised	62,893	99,016
Income tax expense	-	-

### (c) Tax losses

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	(restated) \$
Unused tax losses for which no deferred tax asset has been recognised	9,387,672	9,158,970
Potential tax benefit @ 27.5%	2,581,610	2,518,717

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

Unused capital losses of \$8,238,934 (2017: \$8,238,934) have not been recognised.

The above potential tax benefit has not been recognised in the consolidated statement of financial position as the recovery of this benefit is uncertain.

## 6 Loss per share

### (a) Reconciliation of loss used in calculating loss per share

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	(restated) \$
<i>Basic and diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating loss per share:		
Net profit/(loss)	<b>(340,840)</b>	(489,485)
Add back profit/(loss) attributable to non-controlling interests	<b>(441)</b>	(1,200)
	<b>(341,281)</b>	(490,685)

### (b) Weighted average number of shares used as the denominator

	<b>Consolidated entity</b>	
	<b>2018</b>	2017
	<b>Number</b>	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b>1,822,036,545</b>	1,529,921,477

The convertible note borrowings as at 30 June 2018 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

## 7 Cash flow information

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	(restated) \$
Loss for the period	<b>(341,281)</b>	(490,685)
Adjustment for		
Impairment losses	-	417,756
Interest income	<b>(606)</b>	(650)
Finance costs	<b>4,516</b>	9,000
Movement in trade and other receivables	<b>52,110</b>	(7,434)
Movement in other operating assets	<b>(2,529)</b>	(1,320)
Movement in trade and other payables	<b>8,877</b>	48,591
Movement in other operating liabilities	<b>(47,151)</b>	(131,101)
<b>Net cash (outflow) from operating activities</b>	<b>(326,064)</b>	(155,843)

## 8 Financial assets and financial liabilities

### (a) Cash and cash equivalents

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	\$	\$
<b>Current assets</b>		
Cash at bank	167,949	497,923
Other cash and cash equivalents	-	-
	<u>167,949</u>	<u>497,923</u>

#### (i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	\$	\$
Balances as above	167,949	497,923
Balances per consolidated statement of cash flows	<u>167,949</u>	<u>497,923</u>

### (b) Trade and other receivables

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	Current	Current
	\$	\$
Trade receivables	34,623	82,270
Provision for impairment of receivables (see note 11(b))	<u>(4,372)</u>	<u>(871)</u>
	30,251	81,399
Other receivables	3,230	4,192
	<u>33,481</u>	<u>85,591</u>

#### (i) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the group's exposure to credit risk and liquidity risk can be found in notes 11(b) and 11(c).

## 8 Financial assets and financial liabilities (continued)

### (c) Trade and other payables

	<b>Consolidated entity</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>Current \$</b>	<b>Current \$</b>
Trade payables (i)	402,019	381,413
Accrued expenses	67,097	89,410
Accrued directors' fees (i)	69,060	69,060
Model payments unrepresented	18,931	18,427
Other payables	22,634	12,554
	<u>579,741</u>	<u>570,864</u>

Note 16(d) outlines the portion of trade and other payables owing to related parties.

(i) Amounts payable to parties with agreements to defer settlement for at least 12 months

BKM Management Limited has agreements with various parties to defer settlement of \$398,692 (2017: \$366,649) of the trade payables balance and the \$69,060 (2017: \$69,060) accrued directors' fees. These deferrals outline that if sufficient working capital is not available to settle the liabilities, payment will not be expected for a period of at least 12 months from the signing of the annual report for the year ended 30 June 2018 (2017: at least 12 months from the signing of the annual report for the year ended 30 June 2017).

### (d) Borrowings

	<b>Consolidated entity</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>Current \$</b>	<b>Current \$</b>
<b>Unsecured</b>		
Bridging advances	5,039	5,039
Convertible notes (i)	90,000	90,000
Total unsecured borrowings	<u>95,039</u>	<u>95,039</u>

(i) Convertible notes

The parent entity issued 90,000 convertible notes to an entity related to IGC Asia Pte Ltd for \$1 per note on 18 December 2013. BKM Management Limited has a 26 percent ownership of IGC Asia Pte Ltd as at 30 June 2018. Each convertible note is unsecured and interest is calculated at 10 percent p.a. payable at redemption. The notes are convertible into 1,000 ordinary shares of the parent entity for each three convertible notes held, up to a maximum issue of 15 percent of its capital. Conversion is at 0.1 cents per share.

BKM Management Limited may elect to redeem at any time all of the noteholder's convertible notes for cash at \$1 per note, in lieu of converting the convertible notes to shares. If the convertible notes are not converted or redeemed before expiry date, the parent entity shall redeem the convertible notes on expiry date for \$1 per note.

The convertible notes are renewed on a three-month basis, confirmed at each maturity date by the noteholders. On 18 September 2018, the convertible notes were rolled over to 18 December 2018.

Quantity	Value per note (\$)	Initial date of issue	Maturity date	Interest rate
90,000	1	18 December 2013	18 December 2018	10.0%

## 9 Non-financial assets and liabilities

### (a) Intangible assets

<b>Consolidated entity</b>	<b>Goodwill</b>
<b>Non-current assets</b>	<b>\$</b>
<b>At 1 July 2016</b>	
Fair value	483,776
Accumulated impairment loss	(433,898)
Net book amount	<u>49,878</u>
<b>Year ended 30 June 2017</b>	
Opening net book amount	<u>49,878</u>
Closing net book amount	<u>49,878</u>
<b>At 30 June 2017</b>	
Fair value	483,776
Accumulated impairment loss	(433,898)
Net book amount	<u>49,878</u>
<b>Year ended 30 June 2018</b>	
Opening net book amount	<u>49,878</u>
Closing net book amount	<u>49,878</u>
<b>At 30 June 2018</b>	
Cost	483,776
Accumulated impairment loss	(433,898)
Net book amount	<u>49,878</u>

#### (i) Impairment testing

Goodwill is allocated to the following cash-generating unit:

	<b>Consolidated entity</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Modelling	<b>49,878</b>	49,878

The recoverable amount of the group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a two-year projection period approved by management and extrapolated for a further three years using a steady rate, together with a terminal value.

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

The following key assumptions were used in the discounted cash flow model:

- (a) 5% (2017: 7%) per annum projected revenue growth rate,
- (b) 3% (2017: 4%) per annum increase in operating costs/overheads, and
- (c) 12% (2017: 13%) pre-tax discount rate.

Management believes the projected 5 percent revenue growth rate is justified, based on anticipated improvements in business operations.

The discount rate of 12 percent pre-tax reflects managements' estimate of the time value of money, with a risk premium.

## 9 Non-financial assets and liabilities (continued)

### (a) Intangible assets (continued)

#### (i) Impairment testing (continued)

Growth in the online-focused 'Now Actors' management agency is anticipated and overheads have been consistently reduced for several years. Aiding this cost reduction has been the consolidation of physical branches into a single Perth location in late 2017. On this basis, management believes after assessment that there is to be no impairment on the carrying value of goodwill. No impairment has been recognised for the year ended 30 June 2018 (2017: nil).

#### (ii) Sensitivity analysis

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

### (b) Employee benefit obligations

	Consolidated entity	
	30 June 2018	30 June 2017
	Current \$	Current \$
Leave obligations (i)	46,677	48,831
Superannuation	4,528	6,655
Total employee benefit obligations	<b>51,205</b>	<b>55,486</b>

#### (i) Leave obligations

The leave obligations cover the group's liability for annual leave and long service leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$46,677 (2017: \$48,831) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

## 10 Equity

### (a) Share capital

	30 June 2018 Shares	30 June 2018 \$	30 June 2017 Shares	30 June 2017 \$
Ordinary shares				
Ordinary shares - fully paid	<b>1,822,036,545</b>	<b>28,138,393</b>	1,822,036,545	28,138,393



## 10 Equity (continued)

### (a) Share capital (continued)

#### (i) Movements in ordinary shares

Details	Number of shares	\$
<b>Balance at 1 July 2016</b>	<b>1,522,536,545</b>	<b>27,782,040</b>
Shares issued at \$0.0012 each to sophisticated investors	299,500,000	359,400
Less: Transaction costs arising on share issue	-	(3,047)
<b>Balance at 30 June 2017</b>	<b>1,822,036,545</b>	<b>28,138,393</b>
Shares issued	-	-
<b>Balance at 30 June 2018</b>	<b>1,822,036,545</b>	<b>28,138,393</b>

#### (ii) Ordinary shares

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

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

#### (iii) Capital risk management

The group's objectives and policies are to maintain a strong and flexible capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The group's capital is made up of only ordinary shares. There are no externally imposed capital requirements.

Management continuously manages the group's financial risks in response to changes in these risks and in the market.

The capital risk management policy remains unchanged from the 30 June 2017 annual report.

## 11 Financial risk management

### (a) Financial risk management objectives

The group's activities expose it to a variety of financial risks: credit risk and liquidity risk. Management have established risk management policies to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

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

### (b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, managed through the maintenance of procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on size of the customer credit terms are normally 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

## 11 Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss as doubtful debts. Subsequent recoveries of amounts previously written off are credited against doubtful debts.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	<b>Consolidated entity</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
At 1 July	871	6,054
Provision for impairment recognised during the year	3,501	-
Receivables written off during the year as impaired trade receivables	-	-
Unused amounts reversed	-	(5,183)
At 30 June	<u>4,372</u>	<u>871</u>

#### (ii) Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$15,080 as at 30 June 2018 (2017: \$12,019). The group did not consider the aggregate balances to be impaired after reviewing agency credit information and credit terms of customers based on recent collection practices.

	<b>Consolidated entity</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Within initial trade terms	15,171	69,380
Less than 30 days overdue	6,203	9,379
31 to 60 days overdue	351	-
More than 60 days overdue	8,526	2,640
	<u>30,251</u>	<u>81,399</u>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

### (c) Liquidity risk

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

The group manages liquidity risk by maintaining adequate cash reserves, continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

## 11 Financial risk management (continued)

### (c) Liquidity risk (continued)

At 30 June 2018	Weighted average interest rate %	1 year or less \$	Total \$
<b>Non-derivatives</b>			
Trade payables and other payables	-	579,741	579,741
Bridging advance	-	5,039	5,039
Convertible notes	10	90,000	90,000
<b>Total non-derivatives</b>		<b>674,780</b>	<b>674,780</b>

  

At 30 June 2017	Weighted average interest rate %	1 year or less \$	Total \$
<b>Non-derivatives</b>			
Trade payables and other payables	-	570,864	570,864
Bridging advance	-	5,039	5,039
Convertible notes	10	90,000	90,000
<b>Total non-derivatives</b>		<b>665,903</b>	<b>665,903</b>

## 12 Interests in other entities

The group's principal subsidiaries as at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
		2018 %	2017 %	2018 %	2017 %	
Elite Models (Aust) Pty Ltd	Australia	100.0	100.0	-	-	Modelling
Scene Model Management Pty Ltd	Australia	85.0	85.0	15.0	15.0	Modelling

## 13 Contingent liabilities

The group had no contingent liabilities at 30 June 2018 (2017: nil).

## 14 Commitments

### (a) Capital commitments

The group had no capital commitments at 30 June 2018 (2017: nil).

### (b) Non-cancellable operating leases

The group leases a property under a non-cancellable operating lease, expiring in April 2020. The lease agreement provides for regular increases based either on CPI or market reviews.

## 14 Commitments (continued)

### (b) Non-cancellable operating leases (continued)

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<i>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</i>		
Within one year	<b>32,364</b>	22,510
Later than one year but not later than five years	<b>27,863</b>	-
	<b>60,227</b>	22,510

## 15 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

## 16 Related party transactions

### (a) Parent entities

BKM Management Limited is the parent entity.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 12.

### (c) Key management personnel compensation

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
<b>Aggregate remuneration of key management personnel</b>		
Short-term employee benefits	<b>156,000</b>	148,000
Post-employment benefits	<b>6,935</b>	6,650
Long-term benefits	<b>1,381</b>	1,381
	<b>164,316</b>	156,031

### Payments for other expenses:

Share registry services to Advanced Share Registry (a company in which Alvin Tan is a director)

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	<b>\$</b>	<b>\$</b>
	<b>5,259</b>	10,598

### (d) Loans to/from related parties

There were no loans from from related parties as at 30 June 2018. All balances outstanding as at 30 June 2018 in relation to loans with related parties form part of the trade and other payables balance detailed in note 8(c).

BKM Management Limited has agreements with various parties to defer settlement of \$398,692 (2017: \$366,649) of the trade payables balance and the \$69,060 (2017: \$69,060) accrued directors' fees. These deferrals outline that if sufficient working capital is not available to settle the liabilities, payment will not be expected for a period of at least 12 months from the signing of the annual report for the year ended 30 June 2018 (2017: at least 12 months from the signing of the annual report for the year ended 30 June 2017).

## 16 Related party transactions (continued)

### (d) Loans to/from related parties (continued)

The deferred settlement balance contains amounts payable to IGC Asia Pty Ltd and its related entities of \$67,723 (2017: \$63,223), plus \$182,182 (2017: \$162,376) payable to an entity related to the company secretary of BKM Management Limited, Mr Phillip Hains.

Furthermore, the deferred balance contains accrued directors' fees of \$69,060 (2017: \$69,060) and related party payables to director-controlled entities of \$148,787 (2017: \$141,050). The accrued directors' fees balance comprises \$23,060 and \$46,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively. The director-controlled entities balance comprises directors' fees of \$25,237 and \$79,500 payable to Mr Alvin Tan and Mr Evan McGregor, respectively; and consulting fees of \$39,050 and \$5,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively.

### (e) Terms and conditions

With the exception of the deferral of settlement matters noted above, all transactions were made on normal commercial terms and conditions and at market rates.

## 17 Remuneration of auditors

### William Buck Audit (VIC) Pty Ltd

	<b>Consolidated entity</b>	
	<b>30 June</b>	30 June
	<b>2018</b>	2017
	\$	\$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	35,420	35,200
Total remuneration for audit and other assurance services	35,420	35,200

## 18 Parent entity financial information

### (a) Summary financial information

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

	<b>30 June</b>	30 June
	<b>2018</b>	2017
	\$	(restated) \$
<b>Balance sheet</b>		
Current assets	434,834	759,921
Non-current assets	170,000	170,000
<b>Total assets</b>	<b>604,834</b>	929,921
Current liabilities	549,817	536,564
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>549,817</b>	536,564
<b>Net assets</b>	<b>55,017</b>	393,357
<i>Shareholders' equity</i>		
Share capital	28,138,393	28,138,393
Accumulated losses	(28,083,376)	(27,745,036)
<b>Total equity</b>	<b>55,017</b>	393,357
<b>Loss for the year</b>	<b>(338,340)</b>	(482,683)
<b>Total comprehensive income</b>	<b>(338,340)</b>	(482,683)

## **18 Parent entity financial information (continued)**

### **(b) Guarantees entered into by the parent entity**

The parent entity has not entered into any guarantees in the financial years ended 30 June 2018 or 30 June 2017 in relation to debts of its subsidiaries.

### **(c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017. For information about guarantees given by the parent entity, please see note 18(b).

### **(d) Contractual commitments for the acquisition of property, plant or equipment**

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 or 30 June 2017.

### **(e) Determining the parent entity financial information**

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *(i) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of BKM Management Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

## **19 Critical accounting judgements, estimates and assumptions**

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

### **(a) Goodwill and other indefinite life intangible assets**

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 20(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

The key assumptions used in this determination are set out in note 9(a).

### **(b) Reversal of model payments unrepresented**

The group writes back at each reporting date, the movement required to derecognise 90 percent of the unrepresented model payments liability. This assessment is made on the basis that these payments are highly unlikely to be claimed as at 30 June 2018. This decision was made despite persistent efforts by Scene over several years to track down the recipients. In addition to revenues increasing by \$4,534 for the year ended 30 June 2018, the impact of this adjustment has flow-on effects with losses and trade and other payables also reducing by \$4,534.

## **20 Summary of significant accounting policies**

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of BKM Management Limited and its subsidiaries.

### **(a) Going concern**

For the year ended 30 June 2018, the group incurred an operating loss of \$341,281 (2017: \$490,685) and net (deficiency of) assets as at 30 June 2018 were \$468,955 (2017: \$127,674). The group's cash position decreased to \$167,949 at 30 June 2018 (2017: \$497,923).

## 20 Summary of significant accounting policies (continued)

### (a) Going concern (continued)

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

- As detailed in note 16(d), the trade and other payables balance as at 30 June 2018 contains accrued directors' fees of \$69,060 (2017: \$69,060), substantial creditors and related party payables for director-controlled entities of \$398,692 (2017: \$366,649). These amounts are subject to an undertaking which has been provided to the group that repayments of these amounts, and future directors' fees, will not be demanded for a period of at least 12 months from the date of this report unless the group has sufficient cash flows available. The net (deficiency of) current assets position after taking into account the deferred settlements is \$51,081 as at 30 June 2018 (2017: net current assets position after taking into account the deferred settlements is \$258,157).
- The group has the ability to scale down its operations sufficiently should the above not occur;
- The convertible note holding of \$90,000 has been rolled over to 18 December 2018. Further details of this borrowing are outlined in note 8(d);
- The directors have a commitment from an investor for a \$100,000 equity investment into the parent entity to be completed in October 2018;
- The directors have the capacity to issue additional securities without shareholder approval through private placement, and
- If required, the group has received letters of support from the directors confirming that they will provide financial support, if required, to ensure that the group has sufficient working capital to pay its debts as they fall due and payable, for a period of at least 12 months from the date of this report.

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

### (b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). BKM Management Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors of the group on 28 September 2018.

### (c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BKM Management Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. BKM Management Limited and its subsidiaries together are referred to in these financial statements as the 'group' or 'consolidated entity'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

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

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

### (d) Revenue recognition

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

## **20 Summary of significant accounting policies (continued)**

### **(d) Revenue recognition (continued)**

#### *(i) Rendering of services*

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

#### *(ii) Interest*

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

### **(e) Income tax**

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

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

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

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

### **(f) Trade receivables**

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

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

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

### **(g) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

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

### **(h) Intangible assets**

#### *Goodwill*

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



## **20 Summary of significant accounting policies (continued)**

### **(h) Intangible assets (continued)**

#### *Goodwill (continued)*

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset goodwill belongs.

### **(i) Trade and other payables**

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

### **(j) Borrowings**

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

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

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes, AASB 139 *Financial Instruments: Recognition and Measurement* requires that convertible notes are assessed based on their characteristics and that each component of the convertible note be separated and accounted for as required. In assessing convertible notes on issue, management considers whether there are any components with equity or derivative characteristics.

### **(k) Finance costs**

Finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

### **(l) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, annual leave and long service leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

#### *(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### **(m) Share capital**

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

### **(n) Loss per share**

#### *(i) Basic loss per share*

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

## **20 Summary of significant accounting policies (continued)**

### **(n) Loss per share (continued)**

#### *(ii) Diluted loss per share*

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

### **(o) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

## 20 Summary of significant accounting policies (continued)

### (p) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title	Nature of change	Impact	Application date
AASB 9 <i>Financial Instruments</i>	The new standard introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The group performed a detailed assessment of the impact against each class of financial instrument and determined the expected impact to be nil, except for the adoption of the new expected credit loss model which will have an immaterial impact on the trade receivables balance.	Mandatory for financial years commencing on or after 1 January 2018.
AASB 15 <i>Revenue from Contracts with Customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.  The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.  The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Management has performed a preliminary assessment on the impact of AASB 15 on the recognition of revenue and concluded that there would be no material difference to how revenue has been recognised under the prevailing accounting standard.	Mandatory for financial years commencing on or after 1 January 2018.
AASB 16 <i>Leases</i>	AASB 16 requires almost all leases to be recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.  The accounting for lessors will not significantly change.	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of \$60,227, see note 14(b).  The group expects that its operating lease commitments will be recognised on balance sheet as an asset and a liability. This standard will also have an impact on reported performance and cash flows.	Mandatory for financial years commencing on or after 1 January 2019.
AASB 2016-5 <i>Classification and Measurement of Share-based Payment Transactions</i>	This AASB has amended AASB 2 <i>Share-based Payment</i> to address:  a. The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;  b. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and  c. The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	The group has determined the expected impact to be nil as the group did not:  a. Enter into cash-settled share-based payments;  b. Have withholding tax obligations on share-based payments; and  c. Modify the terms and conditions of share-based payments from cash-settled to equity-settled.	Mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**BKM Management Limited**  
**Directors' declaration**  
**30 June 2018**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 41 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 20(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Mr Alvin Tan  
Non-Executive Chairman



Melbourne  
28 September 2018

## **BKM Management Limited**

Independent auditor's report to members

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

We have audited the financial report of BKM Management Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Qualified Opinion**

##### *Assessment of impairment of goodwill in the Scene Models cash-generating unit*

BKM Management Limited holds goodwill that relates to its Scene Models cash-generating unit (CGU). The directors of BKM have assessed that this cash-generating unit has a recoverable value in-excess of the value of net assets attributed to that cash-generating unit. In our view, the value of the goodwill attributed to that cash-generating unit should be impaired to zero as the CGU continues to generate losses. Had this impairment been recognised, the loss result expressed in the statement of profit or loss and other comprehensive income would have increased by \$49,878 and value of net assets in the statement of financial position would have decreased by the same amount.

#### **CHARTERED ACCOUNTANTS & ADVISORS**

Level 20, 181 William Street  
Melbourne VIC 3000

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#### *Other matters relating to the basis of qualified audit opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 20 in the financial report, which describes that the Group incurred a net loss of \$341,281 during the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its total assets by \$518,833. These events or conditions, along with other matters as set forth in Note 20, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our qualified audit opinion is not further modified in respect of this matter.

#### **Restatement of Prior Period Error**

We draw attention to Note 1 in the financial report, which describes the correction of a prior period error in relation to the carrying amount of the Company's investment in IGC Asia Pte Ltd and the effect of this error on the comparative information presented in this financial report.

Our previously issued audit reports accompanying the financial reports prepared for the years ended 30 June 2012 – 2017 were qualified due to our inability to obtain sufficient and appropriate evidence to support the carrying amount of this investment. Our qualified audit opinion is not further modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. In our view there are no key audit matters requiring comment not otherwise discussed in the basis of qualified audit opinion above and the material uncertainty relating to the Going Concern assumption as set out above.

#### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.



## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

**William Buck Audit (Vic) Pty Ltd**

ABN: 59 116 151 136



**N. S. Benbow**

Director

Dated the 29<sup>th</sup> day of September 2018

**BKM Management Limited**  
**Shareholder information**  
**30 June 2018**

The shareholder information set out below was applicable as at 30 September 2018.

**A. Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

<b>Holding</b>	<b>Shares</b>
1 - 1000	204,928
1,001 - 5,000	1,194,502
5,001 - 10,000	1,550,829
10,001 - 100,000	13,269,744
100,001 and over	1,805,816,542
	<b>1,822,036,545</b>

**B. Equity security holders**

*20 largest quoted equity security holders*

The names of the 20 largest holders of quoted equity securities are listed below:

<b>Name</b>	<b>Number held</b>	<b>Ordinary shares Percentage of issued shares</b>
SB Resources Pte Ltd	200,000,000	10.98
Presage Resources Pte Ltd	140,000,000	7.68
Zenith Argo Group Pte Ltd	125,000,000	6.86
CBS Ventures Pte Ltd	101,400,000	5.57
Peter Paul Wong Yet Cheong	100,000,000	5.49
Brooklyn International Inc	84,784,838	4.65
Slade Technologies Pty Ltd <Embrey Family Superfund A/C>	71,500,000	3.92
Ong Sau Yin	67,892,146	3.73
Nerac Capital Holdings Limited	56,421,918	3.10
World Star Pte Ltd	51,308,403	2.82
Innovation Marketing & Finance Pty Ltd <Super Fund A/C>	49,900,000	2.74
Gavin Chan	34,000,000	1.87
Cudgen Superannuation Services Pty Ltd	30,600,000	1.68
Fond Poh Leng	30,000,000	1.65
Yew Kam Lan	29,500,000	1.62
Mr Marco Giustino Longo + Mrs Irina Longo <M&IL Super Fund A/C>	28,471,320	1.56
Coastal Inc	28,469,178	1.56
Cudgen Superannuation Services Pty Ltd	26,900,000	1.48
Chan Hock Chiew	25,500,000	1.40
J P Morgan Nominees Australia Limited	25,273,913	1.39
	<b>1,306,921,716</b>	<b>71.75</b>

**C. Substantial holders**

Substantial holders in the company are set out below:

	<b>Number held</b>	<b>Percentage</b>
SB Resources Pte Ltd	200,000,000	1.98%
Presage Resources Pte Ltd	140,000,000	7.68%
Zenith Argo Group Pte Ltd	125,000,000	6.86%
CBS Ventures Pte Ltd	101,400,000	5.57%
Peter Paul Wong Yet Cheong	100,000,000	5.49%
	<b>666,400,000</b>	<b>27.58%</b>

**D. Voting rights**

The voting rights attaching to each class of equity securities are set out below:

*Ordinary shares*

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

There are no other classes of equity securities.

**BKM Management Limited**  
**Corporate directory**

**Directors**

Mr Alvin Tan  
*Non-Executive Chairman*

Mr Evan McGregor  
*Non-Executive Director*

Mr Benjamin Song  
*Non-Executive Director*

Mr Dennis Yong  
*Non-Executive Director*

**Secretary**

Mr Phillip Hains

**Principal registered office in Australia**

Level 3  
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Carlton, Victoria 3053  
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**Share and debenture register**

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+61 8 9389 8033

**Auditor**

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**Solicitors**

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565 Bourke Street  
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**Bankers**

National Australia Bank  
330 Collins Street  
Melbourne, Victoria 3000

**Website**

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