# BKM MANAGEMENT LIMITED

## Annual Financial Report

### For The Year Ended 30 June 2015

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## Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of BKM Management Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2015.

**Directors**
The following persons were directors of BKM Management Limited during the financial year and up to the date of this report. Directors were in office for the entire period unless otherwise stated.

| Name | Position |
|---|---|
| Mr. Alvin Tan | Chairman |
| Mr. Evan McGregor | Non-Executive Director |
| Mr. Benjamin Song Young Hua | Non-Executive Director |

**Principal activities**
During the financial year the principal activities of the consolidated entity consisted of:

- The operation of modeling agencies in Australia
- Investment in an oil trading business in Singapore

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

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

**Review of operations**

The 2015 financial year has shown an improvement in business conditions. This has resulted in an operating loss which is significantly lower than the previous year. Corporate overheads have been kept to a minimum in order to preserve funds for the future.

The Scene business managed to improve marginally from last year with turnover increasing from $1.36m to $1.43m. During the year, the Perth office continued to operate satisfactorily, while transitional issues from the previous year with the Melbourne branch continued to put financial pressure on the overall performance of the group. Encouraging improvement has occurred, and the new Melbourne management is working on new initiatives to further increase revenue. The outlook for the Perth operations for the coming year is somewhat uncertain, due to staff movements and increasingly difficult market conditions. So although Scene has experienced higher turnover, and the Melbourne office revenue decline has been turned around, the overall picture for the forthcoming period suggests a challenging year ahead. The BKM board is most appreciative of the way Scene has continued to be managed during such changeable business conditions.

In relation to the Company's investment in the Singapore based trading entity IGC, the BKM board has been working closely with local management with a view to expand the IGC's involvement in soft commodity projects. Both IGC and BKM have identified this area as potentially an area of great interest. This is especially so in view of the increasing global demand for these products particularly within the Asian region, which is one reason IGC is well placed to review opportunities and provide expert advice on future investments. Although in its early stages, this process should gather pace in the year ahead, as we work on finding ways to add value to the Company, and build on the excellent connections with IGC and its affiliates.

The Board also acknowledges the support and patience from all of our shareholders as we explore growth opportunities for BKM.

We look forward to the year ahead.

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

**Matters subsequent to the end of the financial year**
There have not been any matters or circumstances that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of BKM Management Limited, the results of those operations or the state of affairs of BKM Management Limited in future financial years.

**Business Strategy and Future Developments**
The consolidated entity continues to look towards growth opportunities in various sectors, particularly in the energy sector as well as resource sector in general.

The consolidated entity has been rebuilding its capital base as well as securing a stable and supportive shareholder base, which will allow the consolidated entity in future to look towards leveraging its strong relationships in Asia and connections in the energy and resource sector.

With respect to the Scene Models business, the rebuilding of the Melbourne branch has begun and steps are being taken to re-establish a Sydney footprint once again, to bring Scene back as a National business in Australia. On this strength, management has plans to utilize its links with Asia to expand opportunities for its modeling client base.

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

## Information on directors

| | |
|---|---|
| Name: | Mr. Alvin Tan |
| Title: | Director |
| Appointed Director: | 5th February 2002 |
| Re-elected as Director: | 27th November 2013 |
| Qualifications: | Bachelor of Commerce (with honors) |
| 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. |
| Former Directorships (last 3 years): | Mr Tan is also a director of South Pacific Resources Limited (formally Coral Sea Petroleum since 2000) and Advanced Share Registry Limited (since 2007). |
| Committees: | Audit Committee Chairman |
| Interest in Shares: | 11,600,000 Ordinary Shares |
| Interest in Options: | Nil |

| | |
|---|---|
| Name: | Mr. Evan McGregor |
| Title: | Non-Executive Director |
| Appointed to the Board: | 7th March 2002 |
| Re-elected to the Board: | 25th November 2011 |
| Qualifications: | B.Sc and B.Econ |
| Experience and expertise: | Evan has a wide range and depth of business development skills from his many years of involvement with small emerging listed companies. He has worked at a senior level in large organisations and his specialties include strategic analysis, negotiations and corporate and financial management. |
| Former Directorships (last 3 years): | None |
| Committees: | Audit Committee Member |
| Interest in Shares: | 60,660,753 Ordinary Shares |
| Interest in Options: | Nil |

| | |
|---|---|
| Name: | Mr. Benjamin Song Young Hua |
| Title: | Non-Executive Director |
| Appointed to the Board: | 25th June 2014 |
| Re-elected to the Board: | N/A |
| Qualifications: | Degree in Civil and Structural engineering (with honors) |
| Experience and expertise: | Mr Song has more than 13 years of 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.<br><br>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. |
| Former Directorships (last 3 years): | None |
| Committees: | None |
| Interest in Shares: | Nil |
| Interest in Options: | Nil |

| | |
|---|---|
| Name: | Mr. Phillip Hains |
| Title: | Company Secretary |
| Qualifications: | Masters of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants. |
| 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. |
| Interest in Shares: | 10,858,315 Ordinary Shares |
| Interest in Options: | Nil |

**Company secretary**
Phillip Hains

Refer to information on directors, page 5 for details.

**Meetings of directors**
The number of meetings of the company's Board of Directors held during the year ended 30 June 2015, and the number of meetings attended by each director were:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| | **Held** | **Attended** | **Held** | **Attended** |
| Alvin Tan | 6 | 6 | 6 | 6 |
| Evan McGregor | 6 | 6 | 6 | 6 |
| Benjamin Song Young Hua | 6 | 6 | 6 | 6 |

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

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

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional Information
F Additional Disclosures relating to Key Management Personal

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

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

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

Non-Executive directors are remunerated at a level that is consistent with industry standards rather than company performance. 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 Company.
The current non-executive director pool allocation is being considered by the board at the next annual general meeting.

*Remuneration policy versus financial performance*
The consolidated entity's primary focus is the acquisition of new investment opportunities and streamlining or enhancing the existing investments held.

The consolidated entity envisages its performance in terms of earnings will remain negative whilst the consolidated entity continues this transformation process. Accordingly the consolidated entity has yet to establish a performance based remuneration policy.

*Performance based remuneration as a proportion of total remuneration*
All executives are eligible to receive incentives whether through employment contracts or by the recommendation of the Board. Their performance payments are based on a set monetary value, set number of shares or options or as a portion of base salary. Therefore there is no fixed proportion between incentive and non-incentive remuneration as the payment of performance income is discretionary.

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

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

There was no performance based remuneration under the employment contracts of Directors and Key Management Personnel paid during the financial year (2014: Nil).

**B Details of remuneration**

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

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

- Anthony Harden - State Manager - Western Australia

| 2015 | Cash Salary and Fees | Bonus | Non-Monetary | Super-annuation | Long Service Leave | Total |
|---|---|---|---|---|---|---|
| | Short term Benefits | | | Post-Employment benefits | Long Term Benefits | |
| | $ | $ | $ | $ | $ | $ |
| Directors: | | | | | | |
| Mr. Alvin Tan | 36,000 | - | - | - | - | 36,000 |
| Mr. Evan McGregor | 36,000 | - | - | - | - | 36,000 |
| Mr. Benjamin Song Young Hua | - | - | - | - | - | - |
| Other Key Management: | | | | | - | |
| Mr. Anthony Harden | 70,000 | - | - | 6,650 | 1,164 | 77,814 |
| | **142,000** | **-** | **-** | **6,650** | **1,164** | **149,814** |

| 2014 | Cash Salary and Fees | Bonus | Non-Monetary | Super-annuation | Long Service Leave | Total |
|---|---|---|---|---|---|---|
| | Short term Benefits | | | Post-Employment Benefits | Long Term Benefits | |
| | $ | $ | $ | $ | $ | $ |
| Directors: | | | | | | |
| Mr. Alvin Tan | 36,000 | - | - | - | - | 36,000 |
| Mr. Evan McGregor | 36,000 | - | - | - | - | 36,000 |
| Mr. Phillip Hains | 90,000 | | - | | - | 90,000 |
| Mr. Benjamin Song Young Hua | 500 | - | - | - | - | 500 |
| Other Key Management: | | | | | | |
| Mr. Anthony Harden | 70,000 | - | - | 6,650 | 1,164 | 77,814 |
| | **232,500** | **-** | **-** | **6,650** | **1,164** | **240,314** |

*Phillip Hains resigned as Non-Executive director on 25th June 2014
**2014 Remuneration amended to include superannuation

**C Service agreements**

With the exception of Anthony Harden all Key Management Personnel and Directors are not under a written employment contract.

| | |
|---|---|
| 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 2015 of $70,000 plus superannuation to be reviewed annually by the Board. 3 month termination notice by either party. |

**D Share-based compensation**

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2015.

*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 2015.

**E Additional Information**

The earning of the consolidated entity for the five years to 30 June 2015 are summarised below:

| | 30-Jun-2015 $ | 30-Jun-2014 $ | 30-Jun-2013 $ | 30-Jun-2012 $ | 30-Jun-2011 $ |
|---|---|---|---|---|---|
| Sales Revenue | 1,424,547 | 1,355,757 | 1,354,468 | 2,046,130 | 1,637,864 |
| Profit/(Loss) before income tax | (261,329) | (386,916) | (498,674) | (691,654) | (1,287,857) |
| Profit/(Loss) after income tax | (261,329) | (386,916) | (498,674) | (691,654) | (1,287,857) |

The consolidated entity envisages its performance in terms of earnings will remain negative whilst the consolidated entity 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 2015

| | 30-Jun-2015 $ | 30-Jun-2014 $ | 30-Jun-2013 $ | 30-Jun-2012 $ | 30-Jun-2011 $ |
|---|---|---|---|---|---|
| Share price at financial year end | $0.001 | $0.001 | $0.002 | $0.003 | $0.004 |
| Total dividends declared (cents) | - | - | - | - | - |
| Basic loss per share (cents) | (0.021) | (0.034) | (0.053) | (0.023) | (0.209) |

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

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

| 2015 | Balance at start of year | Received as compensation | Options exercised | Additions/ Disposal | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr. Alvin Tan | 11,600,000 | - | - | - | 11,600,000 |
| Mr. Evan McGregor | 60,660,753 | - | - | - | 60,660,753 |
| Mr. Benjamin Song Young Hua | - | - | - | - | - |
| | **72,260,753** | **-** | **-** | **-** | **72,260,753** |
| Mr. Anthony Harden | 2,000,000 | - | - | - | 2,000,000 |
| **TOTAL** | **2,000,000** | **-** | **-** | **-** | **2,000,000** |
| **TOTAL** | **74,260,753** | **-** | **-** | **-** | **74,260,753** |

| 2014 | Balance at start of year | Received as compensation | Options exercised | Additions/ Disposal | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr. Alvin Tan | 11,600,000 | - | - | - | 11,600,000 |
| Mr. Evan McGregor | 60,660,753 | - | - | - | 60,660,753 |
| Mr. Benjamin Song Young Hua | - | - | - | - | - |
| Mr. Phillip Hains | 10,858,315 | - | - | - | 10,858,315 |
| | **83,119,068** | **-** | **-** | **-** | **83,119,068** |
| Mr. Anthony Harden | 2,000,000 | - | - | - | 2,000,000 |
| **TOTAL** | **2,000,000** | **-** | **-** | **-** | **2,000,000** |
| **TOTAL** | **85,119,068** | **-** | **-** | **-** | **85,119,068** |

*Option holding*

No key management personnel, including their personally related entities, held options during 2015 or 2014.

**Other transactions with Directors and Other Key Management Personnel**

*Transactions with key management personnel*
The following transactions occurred with related parties:

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Payment for other expenses:<br>Share registry services to Advanced Share Registry (as Company in which Alvin Tan is a director) | 5,447 | 6,184 |

*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 2015 contains accrued directors fees of $69,060 (June 2014:$69,560) and related party payables for director controlled entities of $124,850 (June 2014: $99,000).

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

*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 2015.

**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 2015.

**Indemnity and insurance of officers**
The company has entered into an Officer's Protection Deed with each of the directors to indemnify each of them against any liability that may be incurred in relation to their duties as an officer of the company to the extent permitted by the law. This indemnification continues for 7 years after termination of the directorship.

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

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

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

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

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

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

**Rounding of amounts**
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**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
Wednesday, 30th September 2015

William Buck

**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 2015 there have been:

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

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

William Buck

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

**J. C. Luckins**
Director

Dated this 30th day of September 2015

**CHARTERED ACCOUNTANTS & ADVISORS**

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Melbourne VIC 3000

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Hawthorn East VIC 3123

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## Corporate Governance Statement

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

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

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the company has states that fact and has set out a mandate for future compliance when the size of the consolidated entity and the scale of its operations warrants the introduction of those recommendations. All Charters and Policies are available from the Company'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 Company rather than to manage it. In governing the Company, the Directors must act in the best interest of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

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

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

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

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

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

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

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

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

7. *Human Resources:* appointing, and, where appropriate, removing the Executive Officers as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of Company's strategy.

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

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

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

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

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

**Board Appointments**

The Company 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 Company 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 non-executive director, executive directors and senior executives are agreed upon and set out in writing.

**Diversity**

The Company values the differences between its personnel and the valuable contribution that these differences can make to the Company. The Company has not set any gender specific diversity targets as the Company 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 Company 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 Company's gender diversity as at the date of this report:

| | Number of Males | Number of Females |
|---|---|---|
| Directors | 3 | - |
| Key Management Personnel | 1 | - |
| Other Company Employees/Consultants | 1 | 1 |

**Performance Review**

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

During the reporting period, the Board conducted individual and group performance evaluations on an informal basis which provided the Board 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 Company's expense, up to specified limits, 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 Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report under the section headed 'Information on Directors' along with the term of office held by each of the Directors.

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

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

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Further, the Company also recognises the importance of Independent Directors in ensuring shareholders that the Board is properly fulfilling its role.

The Company 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. Alvin Tan (Chairman), Evan McGregor and Benjamin Song are all considered to be independent.

The Board is responsible for the nomination and selection of directors. Due to the size of the Board and the Company and the scope of the Company'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 including the CEO and their direct reports and evaluation of the Board's performance.

Directors are appointed based on the specific skills required to effectively govern the company. 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 Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

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

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

**Principle 3: Act ethically and responsibly**

**Code of Conduct**

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

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

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

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

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

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

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

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

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

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

**Trading in the Consolidated Entity's Shares**

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

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

**Audit Committee**

Due to the size of the Board and the Company and the scope of the Company'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 & Compliance Committee is to fulfilling its responsibilities in respect of establishing an oversight and management of risk within the Company.

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.

**CEO and CFO Declarations**

The CEO and CFO have 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 Company'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: Making timely and balanced disclosure**

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

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 Company immediately notifies the ASX of information concerning the Company:

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

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

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

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

**Principle 7: Recognise and managing risk**

The Board has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated. Management reports to the Board on the effectiveness of the Company's management of its material business risks. In addition, the Board undertakes a review of all major activities to asses 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 Company's management of its material business risks. The Company does not have an internal audit function.

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

The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company 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 Company and the scope of the Company'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 Company 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 the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive and making recommendations to the Board on any proposed changes and undertake a review of the CEO's performance, including, setting with the CEO goals for the coming year and reviewing progress in achieving those goals.

**Remuneration Policy**

The Remuneration Report includes further details on the Company's remuneration policy and its relationship to the Company'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 Company'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 Company's securities to any other person.

**Senior Executive Remuneration Policy**

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

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

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

**Non-Executive Director Remuneration Policy**

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

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

| | Note | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|---|
| Revenue from Ordinary Activities | 4 | 1,430,008 | 1,366,642 |
| Model and Talent Costs | | (981,747) | (975,442) |
| Corporate Administration Expenses | 5 | (217,573) | (244,669) |
| Due Diligence Transaction Costs | | - | (60,523) |
| Employment and Consulting Fees | 5 | (394,545) | (419,666) |
| Finance Costs | | (8,883) | (7,081) |
| Occupancy Costs | | (88,589) | (78,582) |
| **Loss Before Income Tax** | | **(261,329)** | **(419,321)** |
| Income Tax Expense | 6 | - | - |
| **Loss After Income Tax for the Period** | | **(261,329)** | **(419,321)** |
| Other Comprehensive income for the Period, Net of Tax | | - | - |
| **Total Comprehensive Loss for the Period** | | **(261,329)** | **(419,321)** |
| **Loss for the Period is Attributable to:** | | | |
| Owners of the BKM Management Limited | | (257,902) | (405,878) |
| Non-Controlling Interests | | (3,427) | (13,443) |
| | | **(261,329)** | **(419,321)** |
| **Total Comprehensive Loss Attributable to:** | | | |
| Owners of the BKM Management Limited | | (257,902) | (405,878) |
| Non-Controlling Interests | | (3,427) | (13,443) |
| | | **(261,329)** | **(419,321)** |

| | | Cents | Cents |
|---|---|---|---|
| **Loss per share for loss from attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 28 | (0.021) | (0.036) |
| Diluted earnings per share | 28 | (0.021) | (0.036) |

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

## Consolidated Statement of Financial Position as at 30 June 2015

| | Note | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | 7 | 261,707 | 516,286 |
| Trade and Other Receivables | 8 | 141,194 | 91,906 |
| Other | 9 | 1,352 | 1,815 |
| **Total Current Assets** | | **404,253** | **610,007** |
| **Non-Current Assets** | | | |
| Other Financial Assets | 12 | 417,756 | 417,756 |
| Plant and Equipment | 10 | 1,235 | 5,459 |
| Intangibles | 11 | 49,878 | 49,878 |
| **Total Non-Current Assets** | | **468,869** | **473,093** |
| **TOTAL ASSETS** | | **873,122** | **1,083,100** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and Other Payables | 13 | 719,016 | 656,985 |
| Borrowings | 14 | 95,039 | 95,039 |
| Employee Benefits | 15 | 19,438 | 22,476 |
| **Total Current Liabilities** | | **833,493** | **774,500** |
| **Non-Current Liabilities** | | | |
| Employee Benefits | 16 | 33,682 | 41,325 |
| **Total Non-Current Liabilities** | | **33,682** | **41,325** |
| **TOTAL LIABILITIES** | | **867,175** | **815,825** |
| **NET ASSETS/(LIABILITIES)** | | **5,947** | **267,275** |
| **Equity** | | | |
| Issued Capital | 17 | 27,471,612 | 27,471,612 |
| Retained Earnings | | (27,454,341) | (27,159,941) |
| Parent Entity Interest | | 53,771 | 311,671 |
| Non-Controlling Interest | | (47,824) | (44,396) |
| **TOTAL EQUITY** | | **5,947** | **267,275** |

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

## Consolidated Statement of Changes in Equity for the year ended 30 June 2015

| Economic Entity | Share capital $ | Retained Earnings $ | Non-controlling interests $ | Total $ |
|---|---|---|---|---|
| **Balance as 30 June 2013** | **26,667,747** | **(26,754,062)** | **(30,953)** | **(117,268)** |
| Profit/(Loss) for the period | - | (405,878) | (13,443) | (419,321) |
| **Total comprehensive loss for the period** | - | **(405,878)** | **(13,443)** | **(419,321)** |
| *Transactions with owners in their capacity as owners:* | | | | |
| Shares issued net of costs | 803,865 | - | - | 803,865 |
| **Balance at 30 June 2014** | **27,471,612** | **(27,159,940)** | **(44,396)** | **267,276** |
| Profit/(Loss) for the period | | (257,902) | (3,427) | (261,329) |
| **Total comprehensive loss for the period** | - | **(257,902)** | **(3,427)** | **(261,329)** |
| **Balance at 30 June 2015** | **27,471,612** | **(27,417,842)** | **(47,823)** | **5,947** |

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

## Consolidated Statement of Cash Flows for the year ended 30 June 2015

| | Note | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|---|
| **Cash Flows Related To Operating Activities** | | | |
| Receipts from Customers | | 1,383,683 | 1,370,671 |
| Payments to Suppliers and Employees | | (1,643,773) | (1,903,640) |
| Interest Received | | 5,461 | 6,042 |
| **NET OPERATING CASH OUTFLOWS** | 27 | **(254,579)** | **(526,927)** |
| **Cash Flows Related to Investing Activities** | | | |
| Payment for purchases of plant and equipment | | - | - |
| **NET INVESTING CASH OUTFLOWS** | | **-** | **-** |
| **Cash Flows Related to Financing Activities** | | | |
| Proceeds from issues of securities | | - | 810,000 |
| Capital raising costs | | - | (6,135) |
| Repayment of borrowings | | - | (28,931) |
| **NET FINANCING CASH INFLOWS** | | **-** | **774,934** |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | | (254,579) | 248,007 |
| Cash and Cash Equivalents at the Beginning of the year | | 516,286 | 268,279 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 7 | **261,707** | **516,286** |

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

## Notes to the Financial Statements

### Note 1: Significant Accounting Policies

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

**Going concern**

As at 30 June 2015, the consolidated entity incurred an operating loss of $261,329 (2014:$ $419,321) and net assets were $5,947 (2014: net assets $267,275). The consolidated entity's cash position has decreased to $261,707 from $516,286 at June 2015.

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

- The trade and other payables balance as at 30 June 2015 contains accrued directors fees of $69,060 (June 2014:$ 69,560) and related party payables for director controlled entities of $124,850 (June 2014: $99,000). These amounts are subject to an undertaking which has been provided to the consolidated entity by the directors that repayments of these amounts, and future director fees, will only be demanded in the event that the consolidated entity has sufficient cash flows available;
- The consolidated entity has the ability to scale down its operations sufficiently should the above not occur.
- The Directors have the capacity to issue additional securities without shareholder approval through private placement,

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

**Basis of preparation**

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

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through profit or loss.

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

**Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BKM Management Ltd ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. BKM Management ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. 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.

**Operating segments**

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

**Revenue recognition**

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

*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.

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

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

**Income tax**

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

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

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

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

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

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

**Cash and cash equivalents**

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

**Trade and other receivables**

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

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

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

**Investments and other financial assets**

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

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

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

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are subsequently carried at fair value, and are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch.

**Plant and equipment**

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

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

| | |
|---|---|
| Plant and equipment | 3-5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

**Leases**

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

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

**Intangible assets**

*Goodwill*
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that 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.

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.

**Trade and other payables**

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

**Borrowings**

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

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

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 the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss. It is expected that the balance of the convertible notes expiring during the next twelve may be redeemed and converted into equity.

**Finance costs**

Finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings

**Employee benefits**

*Short-term employee benefits*
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.

*Other long-term employee benefits*
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 government 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.

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

**Issued 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

**Earnings per share**

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

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

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

**Goods and Services Tax ('GST') and other similar taxes**

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

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

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

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

**New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these new and revised standards and interpretations had no material impact on the consolidated entity's position or performance.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

| Reference | Title | Summary | Application date of standard | Impact on financial report | Application date for the Group |
|---|---|---|---|---|---|
| AASB 9 | ***Financial Instruments*** | AASB 9 includes requirements for the classification and measurement of financial assets and the accounting requirements for financial liabilities.<br><br>The changes made to accounting requirements by these standards include:<br><br>➢ simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value<br><br>➢ simplifying the requirements for embedded derivatives<br><br>➢ allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument<br><br>➢ financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows<br><br>➢ amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income<br><br>➢ adding Chapter 6 Hedge Accounting which supersedes the general hedge accounting requirements as they exist in AASB 139 and the addition of new disclosure requirements. The Chapter 6 requirements include a new approach to hedge accounting, intended to more closely align hedge accounting with risk management activities.<br><br>Further, in July 2014 the International Accounting Standards Board issued IFRS 9 as a complete standard including the previously issued requirements (as per the above) and additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. | 1 Jan 2018 | The Company has not yet assessed the impact of this standard | 1 July 2018 |

| Reference | Title | Summary | Application date of standard | Impact on financial report | Application date for the Group |
|---|---|---|---|---|---|
| *AASB 15* | ***Revenue from Contracts with Customers*** | AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.<br><br>AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.<br><br>AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements | 1 July 2018 | These standards are not expected to impact the company | 1 July 2018 |

These Standards and Interpretations will be first applied in the financial report of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

## Note 2: Critical Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, 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 judgments and estimates will seldom equal the related actual results. The judgments, 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.

*Fair value and hierarchy of financial instruments*
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy. A financial instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgment is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 18 for the key assumptions employed in the fair value assessment.

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

The key assumptions used in this determination are set out in note 11.

*Investments in Associate Companies:*
In accordance with the consolidated entity's accounting policy for investments in Associate companies at 30 June 2015, the directors have made judgments and estimates in respect to the consolidated entity's investment in IGC Asia. The directors concluded that the consolidated entity did not meet the requirement of significant influence and therefore, the equity investment in IGC Asia remained carried at fair value through profit and loss. Refer to note 12 for detailed information on significant influence.

## Note 3: Operating Segments

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

The CODM reviews both adjusted earnings before interest, tax, depreciation 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.

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

| | |
|---|---|
| Modeling | Provision of management services to the modeling industry. |
| Investment | Investment in the oil industry in Singapore. |

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

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration 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.

*Major customers*
There were no significant customers in any reported segment that comprise greater than 10% of the segments aggregated revenues (2014: None)

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

*Operating segment information*

| | Modelling $ | Investment $ | Intersegment eliminations $ | Unallocated $ | Consolidated $ |
|---|---|---|---|---|---|
| | **30-June-2015** | | | | |
| **Revenue** | | | | | |
| Sales to External Customers | 1,424,547 | - | | - | 1,424,547 |
| Other Income | - | 5,461 | | - | 5,461 |
| **Total Revenue** | **1,424,547** | **5,461** | | **-** | **1,430,008** |
| **EBITDA** | (18,623) | (229,599) | | - | (284,222) |
| Depreciation and Amortisation | (4,224) | - | | - | (4,224) |
| Finance Costs | - | (8,883) | | - | (8,883) |
| **Loss Before Income Tax** | **(22,847)** | **(238,482)** | | **-** | **(261,329)** |
| Income Tax Expense | - | - | | - | - |
| **Loss after income tax expense** | **(22,847)** | **(238,482)** | | **-** | **(261,329)** |
| ***Assets*** | | | | | |
| Segment Assets | 247,647 | 977,129 | - | 42,346 | 1,267,122 |
| Intersegment Eliminations | - | - | (394,000) | - | (394,000) |
| **Total Assets** | **247,647** | **977,129** | **(394,000)** | **42,346** | **873,122** |
| *Total assets includes:* | | | | | |
| Acquisition of non-current assets | - | - | | | |
| **Liabilities** | | | | | |
| Segment Liabilities | 566,481 | 532,226 | - | (7,532) | 1,091,175 |
| Intersegment Eliminations | | | (224,000) | | (224,000) |
| **Total Liabilities** | **566,481** | **532,226** | **(224,000)** | **(7,532)** | **867,175** |
| | **30-June-2014** | | | | |
| **Revenue** | | | | | |
| Sales to External Customers | 1,355,757 | - | - | - | 1,355,757 |
| Other Income | 4,843 | 6,042 | - | - | 10,885 |
| **Total Revenue** | **1,360,600** | **6,042** | **-** | **-** | **1,366,642** |
| **EBITDA** | (83,923) | (322,618) | - | - | (406,541) |
| Depreciation and Amortisation | (5,700) | - | - | - | (5,700) |
| Finance Costs | - | (7,081) | - | - | (7,081) |
| **Loss Before Income Tax** | **(89,623)** | **(329,699)** | **-** | **-** | **(419,322)** |
| Income Tax Expense | - | - | - | - | - |
| **Loss After Income Tax** | **(89,623)** | **(329,699)** | **-** | **-** | **(419,322)** |
| ***Assets*** | | | | | |
| Segment Assets | 223,777 | 1,213,270 | - | 40,053 | 1,477,100 |
| Intersegment Eliminations | - | - | (394,000) | - | (394,000) |
| **Total Assets** | **223,777** | **1,213,270** | **(394,000)** | **40,053** | **1,083,100** |
| *Total assets includes:* | | | | | |
| Acquisition of non-current assets | - | - | - | - | **-** |
| **Liabilities** | | | | | |
| Segment Liabilities | 519,763 | 529,887 | - | (9,825) | 1,039,825 |
| Intersegment Eliminations | - | - | (224,000) | - | (224,000) |
| **Total Liabilities** | **519,763** | **529,887** | **(224,000)** | **(9,825)** | **815,825** |

## Note 4: Revenue

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Operating activities | | |
| Agency Fee/Rendering Services | 1,424,547 | 1,355,757 |
| **Total operating revenue** | **1,424,547** | **1,355,757** |
| Non-operating activities | | |
| Interest Received | 5,461 | 6,042 |
| Other Revenue | - | 4,843 |
| **Other non-operating activities** | **5,461** | **10,885** |
| | **1,430,008** | **1,366,642** |

## Note 5: Expenses

| | 30-Jun-15 $ | 30-Jun-14 $ |
|---|---|---|
| *Corporate Administration Expenses* | | |
| Audit and Review Fees | 32,500 | 36,550 |
| Administration and Corporate | 180,455 | 199,618 |
| Depreciation Expense | 4,224 | 4,224 |
| Other Corporate Administration Expenses | 394 | 8,501 |
| | **217,573** | **244,669** |
| *Employment and Consulting Fees* | | |
| Wages & Salaries | 296,033 | 310,568 |
| Directors Fees | 71,500 | 72,500 |
| Superannuation | 27,104 | 28,369 |
| Other Expenses | 88 | - |
| Other Employee benefits expense | (180) | 8,229 |
| | **394,545** | **419,666** |

## Note 6: Income Tax Expense

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Loss before income tax expense | (261,329) | (419,321) |
| Prima facie tax payable on loss from ordinary activities before income tax at 30% (2014: 30%) | (78,399) | (125,796) |
| Tax effect of amounts which are not deductable/(taxable) in calculating taxable income: | | |
| - Entertainment expenses | - | 88 |
| - Financial assets at fair value through profit or loss | - | - |
| - Capital raising costs | - | 1,841 |
| | (78,399) | (123,868) |
| Current year tax loss not recognised | 78,399 | 123,868 |
| Income tax expense | - | - |
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 8,500,263 | 8,238,934 |
| Potential tax benefit @ 30% | 2,550,079 | 2,471,680 |

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

Unused capital losses of $8,526,763 (2014: $8,238,934) have not been recognised.

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

### Note 7: Current Assets – Cash and Cash Equivalents

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Cash on Hand | 2 | 425 |
| Cash at bank | 261,705 | 515,861 |
| | **261,707** | **516,286** |

### Note 8: Current Assets – Trade and Other Receivables

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| *Current* | | |
| Trade receivables | 126,120 | 83,275 |
| Provision for impairment of receivables | (1,374) | (980) |
| | 124,746 | 82,295 |
| Other receivables | 16,448 | 9,611 |
| | **141,194** | **91,906** |

*Impairment of receivables*

The consolidated entity has not recognised an impairment loss in 2015 (2014: Nil impairment loss) in respect of impairment of receivables for the year ended 30 June 2015.

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

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| 1 to 30 days overdue | - | - |
| 30 to 60 days overdue | - | 262 |
| 60+ days overdue | 1,374 | 718 |
| | **1,374** | **980** |

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

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Opening Balance | 980 | 4,242 |
| Additional Provision recognised in the profit and loss | 394 | - |
| Receivables written off as uncollectable | | (3,262) |
| | **1,374** | **980** |

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to $14,006 as at 30 June 2015 ($27,211 as at 30 June 2014). The consolidated entity did not consider the aggregate balances to be impaired after reviewing agency credit information and credit terms of customers based on recent collection practices.

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

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| 1 to 30 days overdue | 9,843 | 10,024 |
| 30 to 60 days overdue | 952 | 15,010 |
| 60+ days overdue | 3,211 | 2,177 |
| | **14,006** | **27,211** |

Refer to note 18 for detailed information on financial instruments.

### Note 9: Current Assets – Other

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| *Current Assets* | | |
| Prepayments | 1,352 | 1,815 |
| | **1,352** | **1,815** |

### Note 10: Non-Current Assets – Plant & Equipment

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

| 2014 | Plant & Equipment<br>$ | Total<br>$ |
|---|---|---|
| Cost | 66,660 | 66,660 |
| Accumulated depreciation | (61,201) | (61,201) |
| **Net book amount at 30 June 2013** | **5,459** | **5,459** |
| Balance at the beginning of year | 11,159 | 11,159 |
| Additions | - | - |
| Depreciation expense | (5,700) | (5,700) |
| **Carrying amount at the end of the year** | **5,459** | **5,459** |

| 2015 | Plant & Equipment<br>$ | Total<br>$ |
|---|---|---|
| Cost | 66,659 | 66,659 |
| Accumulated depreciation | (65,424) | (65,424) |
| **Net book amount at 30 June 2014** | **1,235** | **1,235** |
| Balance at the beginning of year | 5,459 | 5,459 |
| Additions | - | - |
| Depreciation expense | (4,224) | (4,224) |
| **Carrying amount at the end of the year** | **1,235** | **1,235** |

**Note 11: Non-Current Assets – Intangibles**

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Goodwill - at cost | 483,776 | 483,776 |
| Less: Impairment | (433,898) | (433,898) |
| | **49,878** | **49,878** |

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

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Cost | 483,776 | 483,776 |
| Accumulated impairment loss | (433,898) | (433,898) |
| | **49,878** | **49,878** |
| Balance at beginning of the year | 49,878 | 49,878 |
| Adjustment on acquisition of a subsidiary | - | - |
| Impairment | - | - |
| **Carrying amount at the end of the period** | **49,878** | **49,878** |

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

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Modelling | 49,878 | 49,878 |
| | **49,878** | **49,878** |

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years 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. 10% (2014: 10%) per annum projected revenue growth rate; and
b. 4% (2014: 10%) per annum increase in operating costs and overheads.
c. 13% (2014: 13%) pre-tax discount rate;

Management believes the projected 10% revenue growth rate is justified, based on improvements in business operations.

The discount rate of 13% pre-tax reflects management’s estimate of the time value of money, with a risk premium.

Growth and rebuilding of the Melbourne branch has begun and steps are being taken to re-establish a Sydney footprint once again. Management also has plans to utilize its links with Asia to expand opportunities for its modeling client base. 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 2015 (2014: $Nil).

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

### Note 12: Non-Current Assets – Financial Assets at Fair Value Through Profit or Loss

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Shares in IGC Asia Pte Ltd (Unlisted) | 417,756 | 417,756 |
| **Total Other Financial Assets** | **417,756** | **417,756** |

*Fair value of IGC Asia Pte Ltd*
The fair value of the investment in IGC Asia Pte Ltd has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years, together with a terminal value based upon a multiple of 5 (2014: 5).

The following key assumptions were used in the discounted cash flow model
a. 35% (2014: 35%) pre-tax discount rate;
b. 5% (2014: 5%) per annum projected revenue growth rate; and
c. 5% (2014: 5%) per annum increase in operating costs and overheads.

Refer to note 18 for detailed information on financial instruments.

*Significant Influence*
The company has a 26% ownership of IGC Asia Pte Ltd, this is considered as a passive investment by the company. The company does not have positon on the board as well as not having control or influence in financial and operation decision making or day to day operations, therefore not having significant influence.

### Note 13: Current Liabilities – Trade and Other Payables

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| *Current* | | |
| Trade payables | 342,509 | 326,533 |
| Accrued Director Fees | 69,060 | 69,560 |
| Model Payments Unpresented | 172,834 | 166,131 |
| Other payables and accrued expenses | 134,613 | 94,761 |
| | **719,016** | **656,985** |

Refer to note 18 for detailed information on financial instruments.

### Note 14: Current Liabilities – Borrowings

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| *Current Liabilities* | | |
| Bridging Advances | 5,039 | 5,039 |
| Convertible Notes | 90,000 | 90,000 |
| | **95,039** | **95,039** |

### Convertible Notes as at 30 June 2015

| Notes qty | Value per note | Date of Issue of Notes | Maturity date of Notes | Interest Rate |
|---|---|---|---|---|
| 90,000 | $1.00 | 18/06/2015 | 18/09/2015 | 10% |
| 90,000 | | | | |

Under the terms of the note agreement, repayment can be made through either equity or cash. The Convertible note is unsecured and interest is calculated with an interest rate of 10% p.a. payables at redemption.

### Note 15: Current Liabilities – Employee Benefits

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| *Current* | | |
| Employee entitlements: Annual Leave | 12,101 | 15,014 |
| Provision for Superannuation | 7,337 | 7,462 |
| **Total Current Provision** | **19,438** | **22,476** |

### Note 16: Non-Current Liabilities – Long Service Leave

*Amounts not expected to be settled within the next 12 months*
The liability for long service leave is not expected to be settled within 12 months of the reporting date. 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.

| **Long Service Leave** | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| *Non Current* | | |
| Employee entitlements: Long Service Leave | 33,682 | 41,325 |
| **Balance at the end of the period** | **33,682** | **41,325** |

### Note 17: Equity – Contributed

| | 30-June-2015 | | 30-June-2014 | |
|---|---|---|---|---|
| | $ | Shares | $ | Shares |
| **Fully Paid Ordinary Shares** | 27,470,848 | 1,259,619,878 | 27,470,848 | 1,259,619,878 |

Movements in Ordinary Share Capital

| Details | Date | Issue Price $ | No of Shares Quantity | Total $ |
|---|---|---|---|---|
| **Balance 30 June 2013** | **30-Jun-13** | | **989,619,878** | **26,667,748** |
| Issue of Shares - Presage | 24-Sep-13 | 0.003 | 50,000,000 | 150,000 |
| Issue of Shares - Private Placement | 21-Jan-14 | 0.003 | 220,000,000 | 660,000 |
| Capital Raising Costs | | | | (6,136) |
| **Balance 30 June 2014** | | | **1,259,619,878** | **27,471,612** |
| *No changes in equity* | | | | |
| **Balance 30 June 2015** | | | **1,259,619,878** | **27,471,612** |

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

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

*Capital risk management*
The 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 effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of return on capital (defined as total shareholders' equity attributable to members divided by number of shares on issue), distributions to shareholders and share issues.

The capital risk management policy remains unchanged from the 30 June 2014 Annual Report.

## Note 18: Financial instruments

***Financial risk management objectives***

The consolidated entity'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 Entity, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity'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 consolidated entity's implementation of that system on a regular basis.

***Market risk***

The consolidated entity has assessed that it has no significant exposure to market risk. It reassesses this on a regular basis.

***Credit risk***

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the end of the reporting period to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral. Credit risk also arises on cash deposits.

***Liquidity risk***

Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity 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.

Financial Year 2015:

| 2015 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Total $ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade payables | | 342,509 | | | 342,509 |
| Other payables | | 412,651 | | | 412,651 |
| Bridging advance | | 5,039 | | | 5,039 |
| *Interest-bearing - fixed rate* | | | | | |
| Convertible note | 10.00% | 90,321 | | | 90,321 |
| **Total non-derivatives** | | **850,520** | | | **850,520** |

Financial Year 2014:

| 2014 | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Total $ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade payables | | 326,533 | | | 326,533 |
| Other payables | | 330,452 | | | 330,452 |
| Bridging advance | | 5,039 | | | 5,039 |
| *Interest-bearing - fixed rate* | | | | | |
| Convertible note | 10.00% | 94,938 | | | 94,938 |
| **Total non-derivatives** | | **756,962** | | | **756,962** |

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

***Fair value of financial instruments***

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within level I that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| ***Consolidated 2015*** | **Level 3 $** |
|---|---|
| *Assets* | |
| Financial assets at FVTPL | 417,756 |
| **Total assets** | **417,756** |

| ***Consolidated 2014*** | **Level 3 $** |
|---|---|
| *Assets* | |
| Financial assets at FVTPL | 417,756 |
| Total assets | 417,756 |

There were no transfers between levels during the financial year.

*Movements in level 3 financial instruments*

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

| ***Consolidated 2015*** | **Fair value through profit or loss $** | **Total $** |
|---|---|---|
| Balance at 1 July 2013 | 417,756 | 417,756 |
| Fair value movement through profit or loss | - | - |
| Balance at 30 June 2014 | 417,756 | 417,756 |
| Fair value movement through profit or loss | - | - |
| **Balance at 30 June 2015** | **417,756** | **417,756** |

There was no loss for the year included in profit or loss relating to level 3 assets held at the end of the year (2014: Nil)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

| Description | Unobservable inputs | Rate | Sensitivity |
|---|---|---|---|
| Investment in Financial Assets | Bond Rate | 2.76% | 1.00% change would increase/(decrease) fair value by $4,178/ ($4,173) |
| | Discount rate | 32.01% | 1.00% change would increase/(decrease) fair value by $4,178/ ($4,173) |

The following key assumptions were used in the discounted cash flow model
a. 35% (2014: 35%) pre-tax discount rate;
b. 5% (2014: 5%) per annum projected revenue growth rate; and
c. 5% (2014: 5%) per annum increase in operating costs and overheads.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. Convertible notes are recognised at fair value on issue and subsequent carried on an amortised cost basis. All other financial liabilities are estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

## Note 19: Key management personnel disclosures

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

| Name | Position |
|---|---|
| Mr. Alvin Tan | Chairman |
| Mr. Evan McGregor | Non-Executive Director |
| Mr. Benjamin Song Young Hua | Non-Executive Director |

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

| Name | Position |
|---|---|
| Mr. Anthony Harden | State Manager- Western Australia |

**KMP Remuneration**

*Aggregate Remuneration of Key Management Personnel*

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Short-term benefits | 142,000 | 232,500 |
| Post-employment benefits | 6,650 | 6,650 |
| Termination Payments | - | - |
| Share based payments | - | - |
| | **148,650** | **239,150** |

*Transaction with Key Management Personnel*
*Transactions with key management personnel*
The following transactions occurred with related parties:

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Payment for other expenses: | | |
| Share registry services to Advanced Share Registry (as Company in which Alvin Tan is a director) | 5,447 | 6,184 |

## Note 20: Related Party Transactions

*Parent entity*
BKM Management Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 25.

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

*Terms and conditions*

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

### Note 21: Remuneration of Auditors

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

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| - Audit and review services *William Buck Audit (VIC Pty Ltd)* | 32,500 | 36,550 |
| **Total Remuneration for Auditor** | **32,500** | **36,550** |

### Note 22: Contingent Liabilities

There were no contingent liabilities at 30 June 2015 and 30 June 2014.

### Note 23: Commitments for Expenditure

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| **Operating lease commitments** | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments | | |
| - not later than 12 months | 58,590 | 69,474 |
| - between 12 months and 5 years | 53,743 | 25,040 |
| | **112,333** | **94,514** |

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

## Note 24: Parent entity information

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

***Statement of profit or loss and other comprehensive income***

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| Loss after income tax | (238,482) | (329,699) |
| **Total Loss** | **(238,482)** | **(329,699)** |

***Statement of financial position***

| | 30-June-2015 $ | 30-June-2014 $ |
|---|---|---|
| **Assets** | | |
| Non-current assets | 587,756 | 587,756 |
| Current Assets | 389,373 | 625,514 |
| **Total Assets** | **977,129** | **1,213,270** |
| **Liabilities** | | |
| Non-current liabilities | 90,000 | 90,000 |
| Current liabilities | 442,226 | 439,887 |
| **Total Liabilities** | **532,226** | **529,887** |
| **Net Assets** | **444,903** | **683,383** |
| **Equity** | | |
| Issued capital | 27,471,612 | 27,471,612 |
| Retained earnings | (27,026,709) | (26,788,230) |
| **Total equity** | **444,903** | **683,382** |

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

*Capital Commitments*
The parent entity had no capital commitments for Property Plant and Equipment as at 30 June 2015 (30 June 2014: Nil)

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

- Investments in subsidiaries are accounted for at cost, less any impairment in the separate financial statements of BKM Management Limited.

## Note 25: Subsidiaries

***a) Controlled Entities Consolidated***

| | Country of Incorporation | Percentage Owned (%)* 30-June-2015 | Percentage Owned (%)* 30-June-2014 | Ownership interest held by non-controlling interests (%) 30-June-2015 | Ownership interest held by non-controlling interests (%) 30-June-2014 | Principal Activities |
|---|---|---|---|---|---|---|
| *Parent Entity:* | | | | | | |
| *Subsidiaries of BKM Management Limited:* | | | | | | |
| Elite Models (Aust) Pty Ltd | Australia | 100% | 100% | 0% | 0% | Modelling |
| Scene Model Management Pty Ltd | Australia | 85% | 85% | 15% | 15% | Modelling |

* Percentage of voting power is in proportion to ownership

***b) Non-Controlling Interests (NCI)***

| Summarised Balance Sheet | Scene Model Management Pty Ltd 30-June-2015 $ | Scene Model Management Pty Ltd 30-June-2014 $ |
|---|---|---|
| Current assets | 238,880 | 208,493 |
| Current liabilities | 525,267 | 468,613 |
| Current net assets | (286,387) | (260,120) |
| Non-current assets | 1,235 | 5,459 |
| Non-current liabilities | 33,682 | 41,325 |
| Non-current net liabilities | (32,447) | (35,866) |
| **Net Liabilities** | **(318,834)** | **(295,986)** |
| Accumulated NCI | 47,824 | 44,396 |

| Summarised Statement of Profit or Loss and Other Comprehensive Loss | Scene Model Management Pty Ltd 30-June-2015 $ | Scene Model Management Pty Ltd 30-June-2014 $ |
|---|---|---|
| Revenue | 1,424,458 | 1,360,601 |
| Expenses | (1,447,305) | (1,450,224) |
| **Loss before income tax expense** | **(22,847)** | **(89,623)** |
| Income Tax Expense | - | - |
| **Loss after income tax expense** | **(22,847)** | **(89,623)** |
| Other comprehensive income | - | - |
| **Total comprehensive Loss** | **(22,847)** | **(89,623)** |

| Summarised Cash Flows | Scene Model Management Pty Ltd 30-June-2015 $ | Scene Model Management Pty Ltd 30-June-2014 $ |
|---|---|---|
| Cash Flows from Operating Activities | (18,659) | (47,590) |
| Cash Flows from Investing Activities | - | - |
| Cash Flows from Financing Activities | - | - |
| **Net increase/(decrease) in cash and cash equivalents** | **(18,659)** | **(47,590)** |

***a) Transactions with Non-Controlling Interest***

There were no transactions with non-controlling interest during the Financial Year ending 30 June 2015 and 30 June 2014.

### Note 26: Events occurring after the reporting period

There have not been any matters or circumstances in the financial statements or notes thereto, that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### Note 27: Reconciliation of loss after income tax to net cash used in operating activities

| | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|
| **Reconciliation of cash flow from operations with loss after income tax** | | |
| Loss for the period | (261,329) | (419,321) |
| Add back depreciation expense | 4,224 | 5,700 |
| Add back interest on borrowings | 8,883 | 7,080 |
| (Increases)/Decreases in Accounts Receivable | (49,288) | (928) |
| (Increases)/Decreases in Other Current Assets | 463 | 840 |
| Increases/(Decreases) in Accounts Payable | 53,148 | (120,190) |
| Increases/(Decreases) in Other Current Liabilities | (10,681) | (108) |
| **Cash flow from operations** | **(254,580)** | **(526,927)** |

### Note 28: Earnings per share

| | | 30-June-2015<br>$ | 30-June-2014<br>$ |
|---|---|---|---|
| **a)** | Reconciliation of earnings to profit/loss | | |
| | Net loss attributable to ordinary equity holders of the parent | (261,329) | (419,321) |
| | Add back loss attributable to non-controlling interests | 3,427 | 13,443 |
| | Earnings used to calculate basic EPS | (257,902) | (405,878) |

| | | No. | No. |
|---|---|---|---|
| **b)** | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 1,256,168,865 | 1,121,566,125 |
| | Weighted average number of options outstanding * | - | - |
| | Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 1,256,168,865 | 1,121,566,125 |
| | * - Includes instruments with dilutive impact on EPS only | | |

| | | Cents | Cents |
|---|---|---|---|
| **c)** | Basic earnings/loss per share | (0.021) | (0.036) |
| **d)** | Diluted earnings/loss per share | (0.021) | (0.036) |

### Note 29: Other

The financial report was authorised for issue, in accordance with a resolution of directors, on Wednesday, 30th September 2015. The directors have the power to amend and reissue the financial report.

## Director's Declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Mr. Alvin Tan
Non-Executive Chairman

Wednesday, 30th September 2015

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

**Report on the Financial Report**

We have audited the accompanying consolidated financial report of comprising BKM Management Limited (the Company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity) on pages 16 to 43. The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other 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 other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

William Buck

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

*Basis for Qualified Opinion*

BKM Management Limited's investment in IGC Asia Pte Ltd, an oil trading business based in Singapore, is carried at $417,756 on the statement of financial position as at 30 June 2015 (2015: $417,756). As in the prior year, we remain unable to obtain sufficient appropriate evidence to satisfy ourselves in respect of the carrying amount of BKM Management Limited's investment in IGC Asia Pte Ltd.

*Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph:

a) the financial report of the consolidated entity on pages 16 to 43 is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

*Emphasis of Matter*

Without further qualification to the opinion expressed above, we draw attention to Note 1 to the financial report, which indicates the consolidated entity incurred a net loss of $261,329 (2014: $419,321), the current liabilities exceeded the current assets (working capital) by $429,240 (2014: $164,493), the consolidated entity recorded a $63,278 (4.6%) increase in revenues to $1,429,920 and had net cash outflows from operating activities of $254,579 (2014: $526,927) during the year ended 30 June 2015. At 30 June 2015 the consolidated entity had net assets of $5,947 (2014: net liabilities of $267,725) and is reliant upon the continued commitment of Directors and related parties to continue to support the going concern basis of the consolidated entity. These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2015. 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

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

*Auditor's Opinion*

In our opinion, the Remuneration Report of BKM Management Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

*Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report of BKM Management Limited for the year ended 30 June 2015 included on BKM Management Limited's web site. The company's directors are responsible for the integrity of the BKM Management Limited's web site. We have not been engaged to report on the integrity of the BKM Management Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck.

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

**J.C. Luckins**
Director

Dated this 30th day of September, 2015

## Shareholder Information

The shareholder information set out below was applicable as at 14th September 2015

### Distribution of equitable securities

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

**Share Spread**

| Range | Holders | Units | Percentage |
|---|---|---|---|
| 1 - 1,000 | 392 | 205,724 | 0.016% |
| 1,001 - 5,000 | 425 | 1,218,802 | 0.097% |
| 5,001 - 10,000 | 190 | 1,573,329 | 0.125% |
| 10,001 - 100,000 | 397 | 13,609,244 | 1.080% |
| > 100,000 | 199 | 1,243,012,779 | 98.682% |
| **Total** | **1,616** | **1,259,619,878** | **100.00%** |

### Equity security holders

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

| Rank | Shareholder | Units | % of units |
|---|---|---|---|
| 1 | SB Resources Pte Ltd | 200,000,000 | 15.88 |
| 2 | Presage Resources Pte Ltd | 140,000,000 | 11.11 |
| 3 | CBS Ventures Pte Ltd | 101,400,000 | 8.05 |
| 4 | Brooklyn International Inc | 84,784,838 | 6.73 |
| 5 | Ong Sau Yin | 67,892,146 | 5.39 |
| 6 | Nerac Capital Holdings Limited | 56,421,918 | 4.48 |
| 7 | Slade Technologies Pty Ltd | 54,000,000 | 4.29 |
| 8 | World Star Pte Ltd | 51,308,403 | 4.07 |
| 9 | Innovation Marketing & Finance Pty Ltd | 49,900,000 | 3.96 |
| 10 | Cudgen Superannuation Services Pty Ltd | 30,600,000 | 2.43 |
| 11 | Coastal Inc | 28,469,178 | 2.26 |
| 12 | J P Morgan Nominees Australia Limited | 20,087,386 | 1.59 |
| 13 | Scintilla Strategic Investments Limited | 15,000,000 | 1.19 |
| 14 | Medan Financial Limited | 15,000,000 | 1.19 |
| 15 | Uob Kay Hian Private Limited | 14,899,214 | 1.18 |
| 16 | Cudgen Superannuation Services Pty Limited | 14,400,000 | 1.14 |
| 17 | Trayburn Pty Ltd | 12,000,000 | 0.95 |
| 18 | Northbridge Business Services Pty Ltd | 11,300,000 | 0.9 |
| 19 | Innovation Marketing + Finance Pty Ltd | 10,665,753 | 0.85 |
| 20 | Mr Kazek Wlodarczyk | 10,000,000 | 0.79 |
| **Totals: Top 20 holders of BKM Ordinary Fully Paid** | | **988,578,836** | **78.45** |
| **Total Remaining Holders Balance** | | **271,041,042** | **21.55** |
| **Total Holders Balance** | | **1,259,619,878** | **100** |

*Unquoted equity securities*
There are no unquoted equity securities.

### Substantial holders

Substantial holders in the company are set out below:

| Holder | Shareholding | % of total shares issued |
|---|---|---|
| SB Resources Pte Ltd | 200,000,000 | 15.88 |
| Presage Resources Pte Ltd | 140,000,000 | 11.11 |
| CBS Ventures Pte Ltd | 101,400,000 | 8.05 |
| Brooklyn International Inc | 84,784,838 | 6.73 |
| Ong Sau Yin | 67,892,146 | 5.39 |
| **Total Substantial holders** | **594,076,984** | **47.16** |

**Voting rights**

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

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

There are no other classes of equity securities.

## Corporate Directory

| | |
|---|---|
| Directors | Mr. Alvin Tan<br>Mr. Evan McGregor<br>Mr. Benjamin Song Young Hua |
| Company Secretary | Mr. Phillip Hains |
| Registered Office | Suite 1, 1233 High Street, Armadale VIC 3143<br>Telephone: +61 3 9824 5254<br>Facsimile: +61 3 9822 7735 |
| Share Register | Advanced Share Registry Services<br>150 Stirling Highway, Nedlands, Perth WA 6909<br>Telephone: +61 8 9389 8033<br>Facsimile: +61 8 9389 7871 |
| Auditor | William Buck Audit (VIC) Pty Ltd<br>Level 20, 181 William Street, Melbourne VIC 3000<br>Telephone: +61 3 9824 8555<br>Facsimile: +61 3 9824 8580 |
| Solicitors | Pointon Partners<br>14/565 Bourke Street, Melbourne VIC 3000 |
| Bankers | National Australia Bank (NAB)<br>330 Collins Street,<br>Melbourne, Victoria, 3000<br>Australia |
| Stock Exchange Listing | BKM Management Limited shares are listed on the Australian Securities Exchange (ASX Code: BKM) |
| Website | www.bkmmanagement.com |