BKM Management Limited

ABN 61 009 146 543

Annual report
for the year ended 30 June 2017

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Annual report - 30 June 2017

Contents

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 2017.

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 year unless otherwise stated.

Mr Alvin Tan, chairman
Mr Evan McGregor, non-executive director
Mr Benjamin Song Young Hua, non-executive director

Principal activities

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

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

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

Dividends

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

Review of operations

BKM Management Limited (BKM), has reported a loss for the full year of $72,929 (2016: $309,717), with net assets increasing by $283,424 (2016: $711) to $290,082 (2016: $6,658). As at 30 June 2017 the group had cash reserves of $497,923 (2016: $305,763).

Services revenue slipped 1.5%, as market conditions for BKM’s modelling business, Scene Model Management (Scene), continued to be challenging with digital marketing and online media eroding the traditional business. This trend is expected to continue for the foreseeable future. However, overall revenue of BKM increased 12.9% as a consequence of writing back a substantial portion of unpresented model payments highly unlikely to be claimed. This decision by management was made despite persistent efforts by Scene over several years to track down the recipients.

The board of BKM and the management of Scene, have been examining ways to better position the business in this enhanced digital and social media oriented business environment. Despite this, the board wishes to acknowledge the dedication and hard work put in by Scene’s management team, who have done very well given the market conditions.

Although services revenue was down overall, the board has been able to exercise further restraint over costs for the company, with corporate and overhead costs declining by approximately $34,000.

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

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 28 July 2017, BKM Management Limited announced that it has entered into a non-binding term sheet to acquire 100% of Zenith Agro Group Pte Ltd (ZAG), an agricultural company focused on Agarwood tree plantation production and technology, with assets based in Southeast Asia. The consideration for the acquisition will be fulfilled by the issue of new BKM shares. Upon the release of this announcement, BKM was suspended from official quotation immediately. Due diligence on this acquisition is expected to be completed in October 2017, with a further market announcement expected then.

There have been no other 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 the 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 consolidation of operations out of the Perth branch is underway. This change reflects an increased focus on Scene’s actor management agency, ‘Now Actors’, which is heavily dependent on its online presence. The decreased focus on modelling towards actors’ management acknowledges the decline in the traditional modelling sector and places Scene in a strong position to take advantage of market trends towards digital marketing and online media.

Environmental regulation

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

Information on directors

<table>
<tr><td colspan="3">Mr Alvin Tan Director</td></tr>
<tr><td>Experience and expertise</td><td colspan="2">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.</td></tr>
<tr><td>Qualifications</td><td colspan="2">Bachelor of Commerce (with honors)</td></tr>
<tr><td>Former directorships in last 3 years</td><td colspan="2">Mr Tan is also a director of South Pacific Resources Limited (formally Coral Sea Petroleum since 2000) and Advanced Share Registry Limited (since 2007).</td></tr>
<tr><td>Committees</td><td colspan="2">Audit committee chairman</td></tr>
<tr><td rowspan="2">Interests in shares and options</td><td>Shares</td><td>24,100,000 ordinary shares</td></tr>
<tr><td>Options</td><td>Nil</td></tr>
</table>

Information on directors (continued)

Mr Evan McGregor *Non-executive director*		
Experience and expertise	Evan has a wide range and depth of business development skills from his many years of involvement with small emerging listed companies. He has worked at a senior level in large organisations and his specialties include strategic analysis, negotiations and corporate and financial management.	
Qualifications	B.Sc and B.Econ	
Former directorships in last 3 years	Non-executive director of Stargroup Limited (ASX: STL) (since 25 August 2016).	
Committees	Audit committee member	
Interests in shares and options	Shares	73,160,753 ordinary shares
	Options	Nil

Mr Benjamin Song Young Hua *Non-executive director*		
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. Benjamin is also involved in commodity trading including gold, oil, coal and other precious metals since 2009, working with both buyers and sellers in the international arena.	
Qualifications	Degree in Civil and Structural engineering (with honors)	
Former directorships in last 3 years	None.	
Committees	Audit committee member	
Interests in shares and options	Shares	Nil
	Options	Nil

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

Information on directors (continued)

Meetings of directors

The number of meetings of the company's board of directors and it's committees held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full board		Audit committee	
	Held	**Attended**	**Held**	**Attended**
Alvin Tan	8	8	8	8
Evan McGregor	8	8	8	8
Benjamin Song Young Hua	8	8	8	8

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

Remuneration report

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
G Other transactions with directors and other key management personnel

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

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

The 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. 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.

Non-executive directors are remunerated at a level that is consistent with industry standards rather than company performance.

The current non-executive director pool allocation is being considered by the board at the next annual general meeting.

There was no performance based remuneration under the employment contracts of directors and key management personnel paid during the financial year (2016: 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)

Remuneration report (continued)

(B) Details of remuneration (continued)

	Short-term benefits			Post-employment benefits	Long-term benefits	
2017	**Cash salary and fees**	**Bonus**	**Non-monetary**	**Superannuation**	**Long service leave**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Directors:						
Alvin Tan	42,000	-	-	-	-	42,000
Evan McGregor	36,000	-	-	-	-	36,000
Benjamin Song Young Hua	-	-	-	-	-	-
Other key management personnel:						
Anthony Harden	70,000	-	-	6,650	1,381	78,031
Total	**148,000**	**-**	**-**	**6,650**	**1,381**	**156,031**

	Short-term benefits			Post-employment benefits	Long-term benefits	
2016	**Cash salary and fees**	**Bonus**	**Non-monetary**	**Superannuation**	**Long service leave**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Directors:						
Alvin Tan	41,750	-	-	-	-	41,750
Evan McGregor	36,000	-	-	-	-	36,000
Benjamin Song Young Hua	-	-	-	-	-	-
Other key management personnel:						
Anthony Harden	70,000	-	-	6,637	1,167	77,804
Total	**147,750**	**-**	**-**	**6,637**	**1,167**	**155,554**

(C) Service agreements

Name:	Anthony Harden
Title:	State manager
Agreement commenced:	2002
Term of agreement:	Standard rolling agreement (no fixed term)
Details:	Base salary for the year ending 30 June 2017 of $70,000 plus superannuation to be reviewed annually by the board. 3 month termination notice by either party.

(D) Share-based compensation

(i) Options

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

(ii) Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Remuneration report (continued)

(E) Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014	30-Jun-2013
Sales revenue	1,191,528	1,209,208	1,424,547	1,355,757	1,354,468
Profit/(loss) before income tax	(72,929)	(309,717)	(261,329)	(386,916)	(498,674)
Profit/(loss) after income tax	(72,929)	(309,717)	(261,329)	(386,916)	(498,674)

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 2017.

	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014	30-Jun-2013
Share price at financial year end (cents)	0.10	0.10	0.10	0.10	0.20
Total dividends declared (cents)	-	-	-	-	-
Basic loss per share (cents)	(0.005)	(0.023)	(0.021)	(0.034)	(0.053)

(F) Additional disclosures relating to key management personnel

(i) Shareholding

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 2017.

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:

2017	Balance at start of year	Received as compensation	Options exercised	Additions/ disposals	Balance at the end of the year
Directors:					
Mr Alvin Tan	24,100,000	-	-	-	24,100,000
Mr Evan McGregor	73,160,753	-	-	-	73,160,753
Mr Benjamin Song Young Hua	-	-	-	-	-
Total directors	*97,260,753*	-	-	-	*97,260,753*
Other key management personnel:					
Mr Anthony Harden	2,000,000	-	-	-	2,000,000
Total KMP	*2,000,000*	-	-	-	*2,000,000*
Grand total	**99,260,753**	**-**	**-**	**-**	**99,260,753**

(ii) Option holding

No key management personnel, including their personally related entities, held options during 2017 or 2016.

Remuneration report (continued)

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

(i) Transactions with key management personnel

The following transactions occurred with related parties:

	30-June-2017	**30-June-2016**
Payment for other expenses:		
Share registry services to Advanced Share Registry (a company in which Alvin Tan is a director).	10,598	5,855

(ii) Receivable from and payable to related parties

There were no trade receivables from related parties. The trade and other payables balance as at 30 June 2017 contains accrued directors' fees of $69,060 (2016: $69,060) and related party payables for director controlled entities of $141,050 (2016: $117,650).

The directors' fees balance comprises $23,060 and $46,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively. The director controlled entities balance comprises directors' fees of $28,200 and $80,400 payable to Mr Alvin Tan and Mr Evan McGregor, respectively; and consulting fees of $32,450 payable to Mr Alvin Tan.

(iii) Loans to/ from related parties

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

(iv) Terms and conditions

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

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

Shares under option

There were no options outstanding as at 30 June 2017.

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 2017.

Insurance of officers and indemnities

(i) 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 seven 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*.

(ii) Indemnity of auditors

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

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

Proceedings on behalf of the company

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

Non-audit services

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

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

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

Auditor's independence declaration

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

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
Director
Melbourne
28 September 2017

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 2017 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

N. S. Benbow
Director

Dated this 28th day of September 2017

CHARTERED ACCOUNTANTS & ADVISORS

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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 CEO 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.

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

(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 company secretary 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	2	-

Performance review
A 'performance evaluation policy' has been established to evaluate the performance of the KMP, board, individual directors and executive officers of the 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: Promote ethical and responsible decision making

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.

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

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 and 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: Make timely and balanced disclosures

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.

Principle 5: Make timely and balanced disclosures (continued)

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

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

Principle 8: Remunerate fairly and responsibly (continued)

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.

BKM Management Limited ABN 61 009 146 543
Annual report - 30 June 2017

Contents

BKM Management Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2017

		Consolidated entity Year ended	
	notes	**30 June 2017 $**	30 June 2016 $
Revenue	4	**1,374,995**	1,217,601
Model and talent costs		**(850,435)**	(869,071)
Corporate administration expenses	5	**(171,369)**	(205,339)
Employment and consulting fees	5	**(352,437)**	(377,390)
Finance costs		**(9,000)**	(9,000)
Occupancy costs	5	**(64,683)**	(66,518)
Operating loss		**(72,929)**	(309,717)
Loss before income tax		**(72,929)**	(309,717)
Income tax expense	6	**-**	-
Loss for the year		**(72,929)**	(309,717)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive loss for the year		**(72,929)**	(309,717)
Loss is attributable to:			
Owners of BKM Management Limited		**(71,729)**	(298,606)
Non-controlling interests		**(1,200)**	(11,111)
		(72,929)	(309,717)
Total comprehensive loss for the year is attributable to:			
Owners of BKM Management Limited		**(71,729)**	(298,606)
Non-controlling interests		**(1,200)**	(11,111)
		(72,929)	(309,717)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	26	**(0.005)**	(0.023)
Diluted loss per share	26	**(0.005)**	(0.023)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BKM Management Limited
Consolidated statement of financial position
As at 30 June 2017

	notes	Consolidated entity **30 June 2017 $**	30 June 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**497,923**	305,763
Trade and other receivables	8	**85,591**	78,157
Prepayments		**3,193**	1,873
Total current assets		**586,707**	385,793
Non-current assets			
Other financial assets	10	**417,756**	417,756
Intangible assets	9	**49,878**	49,878
Total non-current assets		**467,634**	467,634
Total assets		**1,054,341**	853,427
LIABILITIES			
Current liabilities			
Trade and other payables	11	**570,864**	696,713
Borrowings	12	**95,039**	95,039
Deferred revenue		**42,870**	-
Employee benefit obligations	13	**16,201**	18,538
Total current liabilities		**724,974**	810,290
Non-current liabilities			
Employee benefit obligations	14	**39,285**	36,479
Total non-current liabilities		**39,285**	36,479
Total liabilities		**764,259**	846,769
Net assets		**290,082**	6,658
EQUITY			
Share capital	15(a)	**28,138,393**	27,782,040
Accumulated losses		**(27,788,177)**	(27,716,448)
Parent entity interest		**350,216**	65,592
Non-controlling interests	23(b)	**(60,134)**	(58,934)
Total equity		**290,082**	6,658

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

BKM Management Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

Consolidated entity	Attributable to owners of BKM Management Limited			
	Share capital $	Accumulated losses $	Non- controlling interests $	Total equity $
Balance at 1 July 2015	27,471,612	(27,417,842)	(47,823)	5,947
Profit/(loss) for the year	-	(298,606)	(11,111)	(309,717)
Total comprehensive profit/(loss) for the year	**-**	**(298,606)**	**(11,111)**	**(309,717)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	310,428	-	-	310,428
Balance at 30 June 2016	**27,782,040**	**(27,716,448)**	**(58,934)**	**6,658**
Balance at 1 July 2016	27,782,040	(27,716,448)	(58,934)	6,658
Profit/(loss) for the year	-	(71,729)	(1,200)	(72,929)
Total comprehensive profit/(loss) for the year	**-**	**(71,729)**	**(1,200)**	**(72,929)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	356,353	-	-	356,353
Balance at 30 June 2017	**28,138,393**	**(27,788,177)**	**(60,134)**	**290,082**

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

BKM Management Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

	notes	**Consolidated entity Year ended 30 June 2017 $**	30 June 2016 $
Cash flows from operating activities			
Receipts from customers		**1,231,156**	1,258,110
Payments to suppliers and employees		**(1,386,999)**	(1,517,703)
Interest received		**650**	2,221
Net cash (outflow) from operating activities	25	**(155,193)**	(257,372)
Net cash inflow (outflow) from investing activities		**-**	-
Cash flows from financing activities			
Proceeds from issues of shares		**359,400**	321,500
Capital raising costs		**(3,047)**	(11,072)
Interest paid		**(9,000)**	(9,000)
Net cash inflow from financing activities		**347,353**	301,428
Net increase in cash and cash equivalents		**192,160**	44,056
Cash and cash equivalents at the beginning of the financial year		**305,763**	261,707
Cash and cash equivalents at end of year	7	**497,923**	305,763

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

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

(a) Going concern

As at 30 June 2017, the consolidated entity incurred an operating loss of $72,929 (2016: $309,717) and net assets were $290,082 (2016: $6,658). The consolidated entity's cash position has increased to $497,923 at 30 June 2017 (2016: $305,763), as a consequence of the $359,400 capital raising in May 2017.

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 2017 contains accrued directors' fees of $69,060 (2016: $69,060), substantial creditors and related party payables for director controlled entities of $363,290 (2016: $266,166). These amounts are subject to an undertaking which has been provided to the consolidated entity that repayments of these amounts, and future directors' fees, will not be demanded for a period of at least 12 months from the date of this report unless the 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 convertible note holding of $90,000 has been rolled over to 18 December 2017. Further details of this borrowing are outlined in note 12.
- The directors have the capacity to issue additional securities without shareholder approval through private placement;
- If required, the company has received letters of support from the directors confirming that they will provide financial support, if required, to ensure that the consolidated entity has sufficient working capital to pay its debts as they fall due and payable, for a period of at least 12 months from the date of this financial report.

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

(b) Basis of preparation

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

The financial statements were authorised for issue on 28 September 2017 by the directors of the company.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BKM Management Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. BKM Management Limited and its subsidiaries together are referred to in these financial statements as the '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.

1 Summary of significant accounting policies (continued)

(c) Principles of consolidation (continued)

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.

(d) 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.

(i) Rendering of services

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

(ii) Interest

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

(e) Income tax

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand.

(g) Trade receivables

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

1 Summary of significant accounting policies (continued)

(g) Trade receivables (continued)

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.

(h) 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.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently carried at fair value.

(i) 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.

(j) 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.

1 Summary of significant accounting policies (continued)

(k) 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.

(l) 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.

(m) Borrowings

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

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

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

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

(n) Finance costs

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

(o) Employee benefits

(i) Short-term obligations

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

1 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) Other long-term employee benefit obligations

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

(iii) Defined contribution superannuation expense

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

(p) 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.

(q) 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.

(r) Loss per share

(i) Basic loss per share

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

(ii) Diluted loss per share

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

1 Summary of significant accounting policies (continued)

(s) Goods and services tax (GST)

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

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

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

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

(t) New and amended standards adopted by the group

The company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current year. The adoption of these standards and interpretations did not have any significant impact on the financial performance or position of the company.

(u) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group’s assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(u) New standards and interpretations not yet adopted (continued)

Title	Nature of change	Impact	Application date
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	The group has determined that there will be no material impact as revenue is booked when contracts are booked. Moreover, there are no milestones and contracts are short term. The group will implement a modified retrospective approach in the coming months.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the group: 1 July 2018.
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	The group is still determining if there will be any potential impact.	Must be applied for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018.
AASB 16 *Leases*	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $22,510, see note 21. The group expects that its operating lease commitments will be recognised on balance sheet as an asset and a liability. This standard will also have an impact on reported performance and cash flows.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

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

2 Critical accounting judgements, estimates and assumptions

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

(a) 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 judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

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

(b) 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 9.

(c) Fair value of convertible notes

Under the consolidated entity’s accounting policy for convertible notes with cash redemption features, at initial recognition an amount equal to the fair value of the convertible notes issued is recognised as a financial liability ('debt'), and the residual value, being the proceeds of consideration less the debt component recognised at fair value, is recognised in equity.

On initial recognition, the directors have assessed the terms of the convertible notes and determined that in their view the fair value of the debt component is equal to the proceeds such that there is no residual amount to be allocated to an equity component. In making this determination, the directors are of the view that the value of the consideration received, net of costs, provided reliable evidence of the fair value of the debt component of the convertible note.

(d) Investments in associate companies

In accordance with the consolidated entity’s accounting policy for investments in associate companies at 30 June 2017, the directors have made judgements 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 10 for detailed information on significant influence.

3 Operating segments

(a) Identification of reportable operating segments

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

The CODM reviews both earnings before interest, tax, depreciation and loss before income tax and the accounting policies adopted for internal reporting to the CODM are consistent with those applied in the financial statements.

The information is reported to the CODM on at least a monthly basis.

(b) Types of products and services

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

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

(c) Intersegment transactions

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

(d) Intersegment receivables, payables and loans

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

(e) Major customers

There were no significant customers in any reported segment that comprise greater than 10 percent of the segments aggregated revenues (2016: none).

(f) Geographical regions

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

(g) Segment results

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

Consolidated entity 2017	**Modelling** $	**Corporate** $	**Intersegment eliminations** $	**Unallocated** $	**Total** $
Sales to external customers	**1,191,528**	**150,000**	**-**	**-**	**1,341,528**
Other income	**167,840**	**14,977**	**-**	**-**	**182,817**
Interest received	**-**	**650**	**-**	**-**	**650**
Revenue from	**1,359,368**	**165,627**	**-**	**-**	**1,524,995**
EBITDA					
Adjusted EBITDA	**(8,002)**	**(55,927)**	**-**	**-**	**(63,929)**
Finance costs	**-**	**(9,000)**	**-**	**-**	**(9,000)**
Loss before income tax	**(8,002)**	**(64,927)**	**-**	**-**	**(72,929)**

3 Operating segments (continued)

(g) Segment results (continued)

Consolidated entity 2017	**Modelling** $	**Corporate** $	**Intersegment eliminations** $	**Unallocated** $	**Total** $
Assets					
Segment assets	**200,786**	**1,177,677**	**-**	**49,878**	**1,428,341**
Intersegmental eliminations	**-**	**-**	**(374,000)**	**-**	**(374,000)**
Total assets	**200,786**	**1,177,677**	**(374,000)**	**49,878**	**1,054,341**
Liabilities					
Segment liabilities	**601,695**	**536,564**	**-**	**-**	**1,138,259**
Intersegmental eliminations	**-**	**-**	**(374,000)**	**-**	**(374,000)**
Total liabilities	**601,695**	**536,564**	**(374,000)**	**-**	**764,259**

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2016 is as follows:

Consolidated entity 2016	**Modelling** $	**Corporate** $	**Intersegment eliminations** $	**Unallocated** $	**Total** $
Sales to external customers	1,209,208	-	-	-	1,209,208
Other income	6,172	-	-	-	6,172
Interest received	-	2,221	-	-	2,221
Revenue from external customers	1,215,380	2,221	-	-	1,217,601
Adjusted EBITDA	(72,839)	(226,643)	-	-	(299,482)
Depreciation and amortisation	(1,235)	-	-	-	(1,235)
Finance costs	-	(9,000)	-	-	(9,000)
Adjusted EBITDA	(74,074)	(235,643)	-	-	(309,717)
Assets					
Segment assets	170,253	1,034,917	-	42,257	1,247,427
Intersegmental eliminations	-	-	(394,000)	-	(394,000)
Total assets	170,253	1,034,917	(394,000)	42,257	853,427
Liabilities					
Segment liabilities	563,160	515,230	-	(7,621)	1,070,769
Intersegmental eliminations	-	-	(224,000)	-	(224,000)
Total liabilities	563,160	515,230	(224,000)	(7,621)	846,769

4 Revenue

The group derives the following types of revenue:

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Operating activities		
Services	**1,191,528**	1,209,208
Non-operating activities		
Other income	**16,973**	6,172
Reversal of model payments unpresented	**165,844**	-
Interest received	**650**	2,221
	183,467	8,393
Total revenue	**1,374,995**	1,217,601

(i) Reversal of model payments unpresented

During the period between the preliminary final report being lodged on 31 August 2017 and this annual report, management have since decided to write back 90 percent of the unpresented model payments liability. This assessment was made on the basis that these payments are highly unlikely to be claimed as at 30 June 2017. This decision was made despite persistent efforts by Scene over several years to track down the recipients. In addition to revenues increasing by $165,844 for the year ended 30 June 2017, the impact of this adjustment has flow-on effects with losses and trade and other payables also reducing by $165,844.

5 Expenses

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Corporate administration expenses		
Audit and review fees	**35,200**	33,000
Administration and corporate	**141,352**	162,174
Depreciation	**-**	1,235
Doubtful debts	**(5,183)**	4,681
Bad debts	**-**	4,249
	171,369	205,339

5 Expenses (continued)

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Employment and consulting fees		
Wages and salaries	**248,033**	264,993
Directors' fees	**63,000**	75,000
Superannuation	**23,485**	25,015
Consulting fees	**15,000**	-
Other employee benefits expense	**2,919**	12,382
	352,437	377,390

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Occupancy costs		
Lease expense	**57,066**	57,531
Other occupancy costs	**7,617**	8,987
	64,683	66,518

6 Income tax expense

(a) Income tax expense

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Income tax expense	**-**	-

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

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Loss from continuing operations before income tax expense	**(72,929)**	(309,717)
Tax at the Australian tax rate of 27.5% (2016: 30.0%)	**(20,055)**	(92,915)
Current year tax benefit not recognised	**20,055**	92,915
Income tax expense	**-**	-

6 Income tax expense (continued)

(c) Tax losses

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Unused tax losses for which no deferred tax asset has been recognised	**8,860,759**	8,798,910
Potential tax benefit @ 27.5% (2016: 30.0%)	**2,436,709**	2,639,673

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

Unused capital losses of $8,238,934 (2016: $8,238,934) have not been recognised.

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

7 Cash and cash equivalents

	Consolidated entity 30 June 2017 $	30 June 2016 $
Current assets		
Cash at bank	**497,923**	305,763

8 Trade and other receivables

	Consolidated entity 30 June 2017 $	30 June 2016 $
Trade receivables	**82,266**	78,157
Provision for impairment of receivables	**(871)**	-
	81,395	78,157
Other receivables	**4,196**	-
	85,591	78,157

(a) Impairment of receivables

The consolidated entity has recognised an impairment loss in respect of impairment of receivables for the year ended 30 June 2017 of $871 (2016: $6,054). Of this $871, amounts impaired in the current year comprise $826 (2016: $5,991), with the remaining $46 (2016: $64) a carried forward balance from the prior year.

8 Trade and other receivables (continued)

(a) Impairment of receivables (continued)

(i) Ageing of the impaired receivables

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
60+ days overdue	**871**	6,054

(ii) Movement in the provision for impairment of receivables

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
Opening balance	**6,054**	1,374
Additional provision recognised in the profit and loss	**-**	4,680
Reversal of amounts previously provided for	**(5,183)**	-
	871	6,054

(b) Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $12,019 as at 30 June 2017 (2016: $29,072). 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.

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
30 to 60 days overdue	**9,379**	10,726
60 to 90 days overdue	**-**	14,046
90+ days overdue	**2,640**	4,300
	12,019	29,072

Refer to note 16 for detailed information on financial instruments.

9 Intangible assets

(a) Intangible assets movements

Consolidated entity **Non-current assets**	**Goodwill** **$**
At 1 July 2015	
Cost	483,776
Accumulated impairment loss	(433,898)
Net book amount	49,878
Year ended 30 June 2016	
Opening net book amount	49,878
Closing net book amount	49,878
At 30 June 2016	
Cost	483,776
Accumulated impairment loss	(433,898)
Net book amount	49,878
Year ended 30 June 2017	
Opening net book amount	49,878
Closing net book amount	49,878
At 30 June 2017	
Cost	483,776
Accumulated impairment loss	(433,898)
Net book amount	49,878

(i) Impairment testing

Goodwill is allocated to the following cash-generating unit:

	Consolidated entity Year ended	
	30 June 2017 $	30 June 2016 $
Modelling	**49,878**	49,878

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

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

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

(a) 7% (2016: 10%) per annum projected revenue growth rate; and
(b) 4% (2016: 4%) per annum increase in operating costs and overheads.
(c) 13% (2016: 13%) pre-tax discount rate;

9 Intangible assets (continued)

(a) Intangible assets movements (continued)

(i) Impairment testing (continued)

Management believes the projected 7 percent revenue growth rate is justified, based on anticipated improvements in business operations.

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

Growth in the online-focused 'Now Actors' management agency, including consolidating the physical branches into a single Perth location is underway. 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 2017 (2016: nil).

(ii) Sensitivity analysis

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

10 Other financial assets

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
Non-current assets		
Share in IGC Asia Pte Ltd	**417,756**	417,756

(a) 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 two-year projection period approved by management and extrapolated for a further three years, together with a terminal value based upon a multiple of 5 (2016: 5).

(i) 35% (2016: 35%) pre-tax discount rate;
(ii) 5% (2016: 5%) per annum projected revenue growth rate; and
(iii) 5% (2016: 5%) per annum increase in operating costs and overheads.

(b) Significant influence

The company has a 26 percent ownership of IGC Asia Pte Ltd, this is considered as a passive investment by the company. The company does not have position on the board as well as not having control or influence in financial and operation decision making or day to day operations, therefore the directors have concluded that the group does not have significant influence over the investment. This means that the investment is accounted at fair value with changes in fair value through profit or loss.

11 Trade and other payables

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
Current liabilities		
Trade payables	**381,413**	332,822
Accrued expenses	**89,410**	97,338
Accrued directors' fees	**69,060**	69,060
Other payables	**12,554**	19,910
Model payments unpresented	**18,427**	177,583
	570,864	696,713

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

12 Borrowings

	Consolidated entity	
Current liabilities	**30 June 2017 $**	30 June 2016 $
Bridging advances	**5,039**	5,039
Convertible notes	**90,000**	90,000
	95,039	95,039

Notes quantity	Value per note	Date of issue of notes	Maturity date of notes	Interest rate
90,000	1	18/12/2013	18/12/2017	10.0%

Terms of note agreement

Conversion: the noteholder may give a conversion notice to the company requiring the company to issue 1,000 shares for each three convertible notes converted, up to a maximum issue of 15 percent of its capital. Conversion is at 0.3 cents per share.

Redemption by the company: BKM may elect to redeem at any time all of the noteholder’s convertible notes for cash at $1 per note, in lieu of converting the convertible notes to shares.

If the convertible notes are not converted or redeemed before expiry date, BKM shall redeem the convertible notes on expiry date for the sum of $1 for each convertible notes.

The convertible note is unsecured and interest is calculated with an interest rate of 10 percent p.a. payable at redemption.

The convertible note is renewed on a three month basis which is confirmed at each maturity date by the noteholders. On 18 September 2017, this convertible note was rolled over to 18 December 2017.

13 Employee benefits

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
Employee entitlements: annual leave	**9,546**	11,786
Provision for superannuation	**6,655**	6,752
	16,201	18,538

14 Long service leave

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.

	Consolidated entity	
	30 June 2017 $	30 June 2016 $
Employee entitlements: long service leave	**39,285**	36,479
	39,285	36,479

15 Equity

(a) Share capital

	30 June 2017 Shares	**30 June 2017 $**	30 June 2016 Shares	30 June 2016 $
Ordinary shares				
Ordinary shares - fully paid	**1,822,036,545**	**28,138,393**	1,522,536,545	27,782,040
Total share capital	**1,822,036,545**	**28,138,393**	**1,522,536,545**	**27,782,040**

(i) Movements in ordinary shares

Details	**Number of shares**	**$**
Balance at 30 June 2015	1,259,619,878	27,471,612
Shares issued	262,916,667	321,500
Less: Transaction costs arising on share issue	-	(11,072)
Balance at 30 June 2016	**1,522,536,545**	**27,782,040**

15 Equity (continued)

(a) Share capital (continued)

(i) Movements in ordinary shares (continued)

Shares issued	**299,500,000**	**359,400**
Less: Transaction costs arising on share issue	**-**	**(3,047)**
Balance at 30 June 2017	**1,822,036,545**	**28,138,393**

(ii) Ordinary shares

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

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

(iii) Capital risk management

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

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

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

The capital risk management policy remains unchanged from the 30 June 2016 annual report.

16 Financial risk management

(a) 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.

(b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the 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 consolidated statement of financial position and notes to the consolidated financial statements. The consolidated entity does not hold any collateral. Credit risk also arises on cash deposits.

(c) 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.

16 Financial risk management (continued)

(c) Liquidity risk (continued)

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.

At 30 June 2017	Weighted average interest rate %	1 year or less $	Total $
Non-derivatives			
Trade payables	**-**	**381,413**	**381,413**
Other payables	**-**	**189,451**	**189,451**
Bridging advance	**-**	**5,039**	**5,039**
Convertible note	**10**	**90,321**	**90,321**
Total non-derivatives		**666,224**	**666,224**

At 30 June 2016	Weighted average interest rate %	1 year or less $	Total $
Non-derivatives			
Trade payables	-	332,822	332,822
Other payables	-	363,891	363,891
Bridging advance	-	5,039	5,039
Convertible note	10	90,321	90,321
Total non-derivatives		792,073	792,073

(d) 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated entity	
	Level 3 30 June 2017 $	Level 3 30 June 2016 $
Financial assets at fair value through profit or loss	**417,756**	417,756

16 Financial risk management (continued)

(d) Fair value of financial instruments (continued)

(i) Movements in level 3 financial instruments

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

	Consolidated entity Year ended	
	30 June 2017 $	30 June 2016 $
Opening balance	**417,756**	417,756
Fair value movement through profit or loss	**-**	-
	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 (2016: 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	3.76%	1.00% change would increase/(decrease) fair value by $4,178/($4,173)
	Discount rate	35.00%	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:

(b) 35% (2016: 35%) pre-tax discount rate;
(c) 5% (2016: 5%) per annum projected revenue growth rate; and
(d) 5% (2016: 5%) per annum increase in operating costs and overheads.

17 Key management personnel compensation

	Consolidated entity Year ended	
Aggregate remuneration of key management personnel	**30 June 2017 $**	30 June 2016 $
Short-term employee benefits	**148,000**	147,750
Post-employment benefits	**6,650**	6,637
	154,650	154,387

	Consolidated entity Year ended	
	30 June 2017 $	30 June 2016 $
Payments for other expenses:		
Share registry services to Advanced Share Registry (a company in which Alvin Tan is a director)	**10,598**	5,855

18 Related party transactions

(a) Parent entities

BKM Management Limited is the parent entity.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23(a).

(c) Loans to/from related parties

There were no loans from from related parties as at 30 June 2017. All balances outstanding as at 30 June 2017 in relation to loans with related parties form part of the trade and other payables balance. This contains accrued directors' fees of $69,060 (2016: $69,060) and related party payables for director controlled entities of $141,050 (2016: $117,650).

The director's fees balance comprises $23,060 and $46,000 payable to Mr Alvin Tan and Mr Evan McGregor, respectively. The director controlled entities balance comprises directors' fees of $28,200 and $80,400 payable to Mr Alvin Tan and Mr Evan McGregor, respectively; and consulting fees of $32,450 payable to Mr Alvin Tan.

(d) Terms and conditions

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

19 Remuneration of auditors

William Buck Audit (VIC) Pty Ltd

Audit and other assurance services

	Consolidated entity Year ended 2017 $	2016 $
Audit and other assurance services		
Audit and review of financial statements	**35,200**	33,000
Total remuneration for audit and other assurance services	**35,200**	33,000

20 Contingent liabilities

There were no contingent liabilities at 30 June 2017 and 30 June 2016.

21 Commitments

Non-cancellable operating leases

	Consolidated entity 30 June 2017 $	30 June 2016 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**22,510**	69,744
Later than one year but not later than five years	**-**	83,077
	22,510	152,821

21 Commitments (continued)

Non-cancellable operating leases (continued)

The consolidated entity has two non-cancellable property leases with terms less than 12 months. The lease agreements provide for regular increases based either on CPI or market reviews.

22 Parent entity financial information

(a) Summary financial information

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

	30 June 2017 $	30 June 2016 $
Balance sheet		
Current assets	**759,921**	447,161
Non-current assets	**587,756**	587,756
Total assets	**1,347,677**	1,034,917
Current liabilities	**536,564**	515,230
Total liabilities	**536,564**	515,230
Net assets	**811,113**	519,687
Shareholders' equity		
Total equity	**-**	-
Profit/(loss) for the year	**(64,927)**	(235,645)
Total comprehensive income	**-**	-

(b) Contingent liabilities of the parent entity

The parent entity entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016. For information about guarantees given by the parent entity entity, please see above.

(c) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 (30 June 2016: nil).

(d) Determining the parent entity financial information

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

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

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

23 Interests in other entities

(a) Material subsidiaries

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
		2017 %	2016 %	**2017 %**	2016 %	
Elite Models (Aust) Pty Ltd	Australia	**100.0**	100.0	**-**	-	Modelling
Scene Model Management Pty Ltd	Australia	**85.0**	85.0	**15.0**	15.0	Modelling

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. There were no transactions with non-controlling interest during the financial year ending 30 June 2017 and 30 June 2016.

	Scene Model Management Pty Ltd	
Summarised balance sheet	**30 June 2017 $**	30 June 2016 $
Current assets	**200,786**	162,632
Current liabilities	**562,410**	519,060
Current net liabilities	**(361,624)**	(356,428)
Non-current liabilities	**39,285**	36,479
Non-current net liabilities	**(39,285)**	(36,479)
Net liabilities	**(400,909)**	(392,907)
Accumulated NCI	**60,134**	58,934

23 Interests in other entities (continued)

(b) Non-controlling interests (NCI) (continued)

	Scene Model Management Pty Ltd	
Summarised statement of comprehensive income	**30 June 2017 $**	30 June 2016 $
Revenue	**1,359,368**	1,215,380
Expenses	**(1,367,370)**	(1,289,454)
Profit/(loss) before income tax expense	**(8,002)**	(74,074)
Income tax expense	**-**	-
Profit/(loss) after income tax expense	**(8,002)**	(74,074)
Other comprehensive income	**-**	-
Total comprehensive profit/(loss)	**(8,002)**	(74,074)

	Scene Model Management Pty Ltd	
Summarised cash flows	**30 June 2017 $**	30 June 2016 $
Cash flows from operating activities	**28,568**	(12,726)
Net increases/(decrease) in cash and cash equivalents	**28,568**	(12,726)

24 Events occurring after the reporting period

On 28 July 2017, BKM Management Limited announced that it has entered into a non-binding term sheet to acquire 100% of Zenith Agro Group Pte Ltd (ZAG), an agricultural company focused on Agarwood tree plantation production and technology, with assets based in Southeast Asia. The consideration for the acquisition will be fulfilled by the issue of new BKM shares. Upon the release of this announcement, BKM was suspended from official quotation immediately. Due diligence on this acquisition is expected to be completed in October 2017, with a further market announcement expected then.

On 18 September 2017, BKM Management Limited rolled over its convertible note holding of $90,000 to 18 December 2017. Further details of this borrowing are outlined in note 12.

There have been no other 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.

25 Cash flow information

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Loss for the year	**(72,929)**	(309,717)
Adjustment for		
Depreciation and amortisation	**-**	1,235
Interest on borrowings	**9,000**	9,000
Movement on accounts receivable	**(7,434)**	63,037
Movement on other current assets	**(1,320)**	(521)
Movement on accounts payable	**48,591**	(22,303)
Movement on other current liabilities	**(133,907)**	1,897
Movement on other non-current liabilities	**2,806**	-
Net cash inflow (outflow) from operating activities	**(155,193)**	(257,372)

26 Loss per share

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

	Consolidated entity Year ended 30 June 2017 $	30 June 2016 $
Basic loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share:		
Net profit/(loss) attributable to ordinary equity holders of the parent	**(71,729)**	(298,606)
Add back profit/(loss) attributable to non-controlling interests	**(1,200)**	(11,111)
	(72,929)	(309,717)

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

	Consolidated entity Year ended 2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**1,529,921,477**	1,400,013,776

In the directors' opinion:

(a) the financial statements and notes set out on pages 18 to 49 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

Mr Alvin Tan
Director
Melbourne
28 September 2017

BKM Management Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of BKM Management Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

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 2017 (2016: $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. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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

CHARTERED ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

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We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the Group incurred a net loss of $72,929 (2016: $309,717), during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its total assets by $138,267 (2016: $424,497). As stated in Note 1 (a), these events or conditions, along with other matters as set forth in Note 1 (a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In addition to the matter described in the Basis for Qualified Opinion and in the material uncertainty related to going concern sections we have determined that the matter described below to be the key audit matter to be communicated in our report.

KEY AUDIT MATTER – ASSESSMENT OF CARRYING VALUE OF GOODWILL	
Area of focus **Refer also to notes 1(m) , 2(b) and 10**	**How our audit addressed it**
In the prior years the Group expanded its activities through acquisition of modelling businesses. As a result the Group's net assets included goodwill. Given the goodwill value, and the nature of the modelling business, there is a risk that they may not trade in line with expectations and forecasts, resulting in the carrying amount of goodwill exceeding the recoverable amount and therefore requiring impairment. The recoverable amount of the cash generating unit (CGU) has been calculated based on the value-in-use model. The model uses discounted cash flow forecasts in which the Directors make judgements over certain key inputs, for example but not limited to revenue growth, discount rates applied, long term growth rates and inflation rates. Overall due to the high level of judgement involved we have determined that this is a key judgemental area that our audit concentrated on.	Our audit procedures included: — A detailed evaluation of the Group's budgeting procedures upon which the forecasts are based and testing the principles and integrity of the discounted future cash flow models; — Testing the accuracy of the calculation derived from each forecast model and we assessed key inputs in the calculations such as revenue growth, discount rates and working capital assumptions, by reference to the Board approved forecasts, data external to the Group and our own views; and — We reviewed the historical accuracy by comparing actual results with the original forecasts. We also considered the adequacy of the Group's disclosures in relation to goodwill.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

William Buck

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

N. S. Benbow
Director

Dated the 28th day of September 2017

Melbourne

The shareholder information set out below was applicable as at 25 September 2017.

A. Distribution of equity securities

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

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

B. Equity security holders

20 largest quoted equity security holders

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

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

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
SB Resources Pte Ltd	200,000,000	10.98%
Presage Resources Pte Ltd	140,000,000	7.68%
Zenith Argo Group Pte Ltd	125,000,000	6.86%
CBS Ventures Pte Ltd	101,400,000	5.57%
Peter Paul Wong Yet Cheong	100,000,000	5.49%
	666,400,000	36.58%

D. Voting rights

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

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

There are no other classes of equity securities.

BKM Management Limited
Corporate directory

Directors	Mr Alvin Tan *chairman* Mr Evan McGregor *non-executive director* Mr Benjamin Song Young Hua *non-executive director*
Secretary	Mr Phillip Hains
Principal registered office in Australia	Level 3 62 Lygon Street Carlton, Victoria 3053 +61 3 9824 5254
Share and debenture register	Advanced Share Registry 110 Stirling Highway Nedlands, Western Australia 6909 +61 8 9389 8033
Auditor	William Buck Audit (VIC) Pty Ltd Level 20 181 William Street Melbourne, Victoria 3000 +61 3 9824 8555
Solicitors	Pointon Partners Level 14 565 Bourke Street Melbourne, Victoria 3000 +61 3 9614 6676
Bankers	National Australia Bank 330 Collins Street Melbourne, Victoria 3000
Stock exchange listings	
Website	www.bkmmanagement.com