

BKM Management Limited

Appendix 4E

Year ended 30 June 2018

Name of entity:	BKM Management Limited
ABN:	61 009 146 543
Year ended:	30 June 2018
Previous period:	30 June 2017

Results for announcement to the market

				\$
Revenue for ordinary activities	Down	21.2%	to	1,083,297
Net loss after tax (from ordinary activities) for the period attributable to members	Down	30.4%	to	(341,281)
Net loss after tax for the period attributable to members	Down	30.4%	to	(341,281)

Net tangible assets per security

	30 June 2018	30 June 2017 (restated)
	Cents	Cents
Net tangible asset backing (per share)	(0.03)	(0.01)

Explanation of results

BKM Management Limited (BKM), has reported a loss for the full year of \$341,281 (2017: \$490,685), which is lower than the previous period. As at 30 June 2018 the group had cash reserves of \$167,949 (2017: \$497,923).

Revenue slipped 21 percent as market conditions for BKM's modelling business, Scene Model Management (Scene), continued to be challenging with digital marketing and online media eroding the traditional business. Despite the challenging times, Scene is showing signs of improvement due to its reduced operating costs. This turn-around has come on the back of the consolidation of operations out of the Perth branch and an increased focus on Scene's actor management agency, 'Now Actors', which is heavily dependent on its online presence. The decreased focus on modelling towards actors' management acknowledges the decline in the traditional modelling sector and places Scene in a strong position to take advantage of market trends towards digital marketing and online media. This change in strategy was reported in our previous report and the board of BKM and Scene's management are continuing to position the business to respond to the new challenges posed.

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

At the corporate level, the board has been actively working with the management team at IGC Asia (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.

Distributions

No dividends have been paid or declared by the company for the current financial year. No dividends were paid for the previous financial year.

Changes in controlled entities

There have been no changes in controlled entities during the year ended 30 June 2018.

Other information required by Listing Rule 4.3A

a. Details of individual and total dividends or distributions and dividend or distribution payments:	N/A
b. Details of any dividend or distribution reinvestment plans:	N/A
c. Details of associates and joint venture entities:	N/A
d. Other information	N/A

Audit

The financial statements are currently in the process of being audited by the group's independent auditor. Consequently, no audit opinion is expressed.

The independent auditor's report to the members will feature an emphasis of matter in relation to the prior period restatement and a material uncertainty related to going concern.

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BKM Management Limited

ABN 61 009 146 543

**Preliminary final report
for the year ended 30 June 2018**

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

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

		Consolidated entity	
		30 June	30 June
		2018	2017
	Notes	\$	(restated) \$
Revenue		1,083,297	1,374,995
Model and talent costs		(776,636)	(850,435)
Corporate administration expenses		(175,469)	(171,369)
Due diligence expenses		(126,854)	-
Employment and consulting fees		(297,765)	(352,437)
Finance costs		(9,016)	(9,000)
Occupancy costs		(38,838)	(64,683)
Impairment losses		-	(417,756)
Operating loss		(341,281)	(490,685)
Loss before income tax		(341,281)	(490,685)
Income tax expense	2	-	-
Loss for the year		(341,281)	(490,685)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(341,281)	(490,685)
Loss is attributable to:			
Owners of BKM Management Limited		(341,088)	(489,485)
Non-controlling interests		(193)	(1,200)
		(341,281)	(490,685)
Total comprehensive loss for the year is attributable to:			
Owners of BKM Management Limited		(341,088)	(489,485)
Non-controlling interests		(193)	(1,200)
		(341,281)	(490,685)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share	10	(0.019)	(0.030)
Diluted loss per share	10	(0.019)	(0.030)

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

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

		Consolidated entity	
		30 June	30 June
		2018	2017
Notes		\$	(restated) \$
ASSETS			
Current assets			
		167,949	497,923
	Cash and cash equivalents		
3	Trade and other receivables	45,345	85,591
	Prepayments	5,722	3,193
	Total current assets	<u>219,016</u>	<u>586,707</u>
Non-current assets			
	Intangible assets	49,878	49,878
	Total non-current assets	<u>49,878</u>	<u>49,878</u>
	Total assets	<u>268,894</u>	<u>636,585</u>
LIABILITIES			
Current liabilities			
	Trade and other payables	591,605	570,864
4	Borrowings	95,039	95,039
5	Deferred revenue	-	42,870
6	Employee benefit obligations	9,962	16,201
	Total current liabilities	<u>696,606</u>	<u>724,974</u>
Non-current liabilities			
	Employee benefit obligations	41,243	39,285
7	Total non-current liabilities	<u>41,243</u>	<u>39,285</u>
	Total liabilities	<u>737,849</u>	<u>764,259</u>
	Net (deficiency of) assets	<u>(468,955)</u>	<u>(127,674)</u>
EQUITY			
	Share capital	28,138,393	28,138,393
8(a)	Accumulated losses	(28,547,021)	(28,205,933)
	Parent entity interest	(408,628)	(67,540)
	Non-controlling interests	(60,327)	(60,134)
	Total equity	<u>(468,955)</u>	<u>(127,674)</u>

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

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

Consolidated entity	Attributable to owners of BKM Management Limited		Non-controlling interests \$	Total equity \$
	Share capital \$	Accumulated losses \$		
Balance at 1 July 2016	27,782,040	(27,716,448)	(58,934)	6,658
Loss for the year	-	(489,485)	(1,200)	(490,685)
Total comprehensive loss for the year	-	(489,485)	(1,200)	(490,685)
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 (restated)	28,138,393	(28,205,933)	(60,134)	(127,674)
Balance at 1 July 2017 (restated)	28,138,393	(28,205,933)	(60,134)	(127,674)
Profit/(loss) for the year	-	(341,088)	(193)	(341,281)
Total comprehensive profit/(loss) for the year	-	(341,088)	(193)	(341,281)
Transactions with owners in their capacity as owners:				
	-	-	-	-
Balance at 30 June 2018	28,138,393	(28,547,021)	(60,327)	(468,955)

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

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

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,177,717	1,231,156
Payments to suppliers and employees	(1,503,781)	(1,386,999)
Interest received	606	650
Net cash (outflow) from operating activities	(325,458)	(155,193)
Net cash inflow (outflow) from investing activities	-	-
Cash flows from financing activities		
Proceeds from issues of shares	-	359,400
Capital raising costs	-	(3,047)
Finance costs	(4,516)	(9,000)
Net cash (outflow) inflow from financing activities	(4,516)	347,353
Net (decrease) increase in cash and cash equivalents	(329,974)	192,160
Cash and cash equivalents at the beginning of the financial year	497,923	305,763
Cash and cash equivalents at end of year	167,949	497,923

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

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1 Correction of error

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

2 Income tax expense

(a) Income tax expense

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	(restated) \$
Income tax expense	-	-

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

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	(restated) \$
Loss from continuing operations before income tax expense	(341,281)	(490,685)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(93,852)	(134,938)
Current year tax benefit not recognised	93,852	134,938
Income tax expense	-	-

(c) Tax losses

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	(restated) \$
Unused tax losses for which no deferred tax asset has been recognised	9,202,040	8,860,759
Potential tax benefit @ 27.5%	2,530,561	2,436,709

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

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

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

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3 Trade and other receivables

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Trade receivables	46,483	82,266
Provision for impairment of receivables	(4,372)	(871)
	42,111	81,395
Other receivables	3,234	4,196
	45,345	85,591

4 Trade and other payables

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Current liabilities		
Trade payables	398,883	381,413
Accrued expenses	82,097	89,410
Accrued directors' fees	69,060	69,060
Other payables	22,634	12,554
Model payments unrepresented	18,931	18,427
	591,605	570,864

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.

5 Borrowings

	Consolidated entity	
	30 June 2018	30 June 2017
	\$	\$
Current liabilities		
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	18/9/2018	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.

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5 Borrowings (continued)

Terms of note agreement (continued)

The convertible note is renewed on a three month basis which is confirmed at each maturity date by the noteholders. On 18 June 2018, this convertible note was rolled over to 18 September 2018.

6 Employee benefits

	Consolidated entity 30 June 2018 \$	30 June 2017 \$
Annual leave	5,434	9,546
Provision for superannuation	4,528	6,655
	9,962	16,201

7 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 2018 \$	30 June 2017 \$
Long service leave	41,243	39,285
	41,243	39,285

8 Equity

(a) Share capital

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

(i) 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.

(ii) Capital risk management

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

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

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

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

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9 Contingent liabilities

There were no contingent liabilities at 30 June 2018 and 30 June 2017.

10 Loss per share

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

	Consolidated entity	
	30 June	30 June
	2018	2017
	\$	(restated) \$
<i>Basic and diluted loss per share</i>		
Loss attributable to the ordinary equity holders of the company used in calculating basic loss per share:		
Net profit/(loss)	(341,088)	(489,485)
Add back profit/(loss) attributable to non-controlling interests	(193)	(1,200)
	(341,281)	(490,685)

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

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

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

11 Critical accounting judgements, estimates and assumptions

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

(a) Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 12. 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.

(b) Fair value of convertible notes

Under the group'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.

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12 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 2018, the consolidated entity incurred an operating loss of \$341,281 (2017: \$490,685) and net (deficiency of) assets were \$468,955 (2017: \$127,674). The consolidated entity's cash position has decreased to \$167,949 at 30 June 2018 (2017: \$497,923).

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 2018 contains accrued directors' fees of \$69,060 (2017: \$69,060), substantial creditors and related party payables for director-controlled entities of \$390,833 (2017: \$363,290). These amounts are subject to an undertaking which has been provided to the group that repayments of these amounts, and future directors' fees, will not be demanded for a period of at least 13 months from the date of this report unless the group has sufficient cash flows available;
- The group has the ability to scale down its operations sufficiently should the above not occur;
- The convertible note holding of \$90,000 has been rolled over to 18 September 2018. Further details of this borrowing are outlined in note 5, and
- The directors have the capacity to issue additional securities without shareholder approval through private placement.

As a consequence of the above, the directors believe that the group will be able to continue as a going concern and, therefore these financial statements have been prepared on a going concern basis. Accordingly, the financial statements do not include any adjustments in relation to the recoverability or classification of recorded assets, or to the amounts 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 the measurement and recognition criteria of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These financial statements also comply with the measurement and recognition criteria of International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The company's preliminary financial report does not include all the notes of the type normally included in an annual financial report. The preliminary financial report has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements of Australian Accounting Standards and Interpretations and the *Corporations Act 2001*.

The financial statements were authorised for issue on by the directors of the group on 31 August 2018.

(c) Principles of consolidation

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

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

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

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

12 Summary of significant accounting policies (continued)

(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.

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.

12 Summary of significant accounting policies (continued)

(h) Investments and other financial assets (continued)

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
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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.

(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.

12 Summary of significant accounting policies (continued)

(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.

(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.

(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.

12 Summary of significant accounting policies (continued)

(s) Goods and services tax (GST) (continued)

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.

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BKM Management Limited
Directors' declaration
30 June 2018

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 14 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 12(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
31 August 2018

BKM Management Limited
Corporate directory

Directors

Mr Alvin Tan
Chairman

Mr Evan McGregor
Non-Executive Director

Mr Benjamin Song Young Hua
Non-Executive Director

Mr Dennis Yong
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

Website

www.bkmmanagement.com

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