

BKM Management Limited
Appendix 4D
For the half-year ended 31 December 2018

BKM Management Limited

Appendix 4D

Half-year ended 31 December 2018

Name of entity: BKM Management Limited
ABN: 61 009 146 543
Half-year ended: 31 December 2018
Previous period: 31 December 2017

Results for announcement to the market

				\$
Revenue from ordinary activities	Down	9.3%	to	517,265
Loss from ordinary activities after tax attributable to members	Down	63.9%	to	(71,736)
Net loss for the period attributable to members	Down	63.9%	to	(71,736)

Distributions

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

Explanation of results

Please refer to the review of operations on page 1 for explanation of the results.

This information should be read in conjunction with the 2018 annual report. Additional information supporting the Appendix 4D disclosure requirements can be found in the directors' report and the interim financial statements for the half-year ended 31 December 2018.

Net tangible assets per security

	31 December 2018 Cents	31 December 2017 Cents
Net tangible asset backing (per share)	(0.03)	(0.02)

Changes in controlled entities

There have been no changes in controlled entities during the half-year ended 31 December 2018.

Other information required by Listing Rule 4.2A

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

For personal use only

BKM Management Limited
Appendix 4D
For the half-year ended 31 December 2018
(continued)

Interim review

The interim financial statements have been reviewed by the group's independent auditor which includes a qualification on the valuation of goodwill and a paragraph regarding a material uncertainty relating to going concern.

For personal use only

BKM Management Limited

ABN 61 009 146 543

**Interim report
for the half-year ended 31 December
2018**

BKM Management Limited ABN 61 009 146 543
Interim report - 31 December 2018

Contents

	Page
Directors' report	1
Interim financial statements	
Condensed consolidated statement of profit or loss and other comprehensive income	4
Consolidated balance sheet	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	15
Independent auditor's review report to the members	16

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by BKM Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

For personal use only

BKM Management Limited
Directors' report
For the half-year ended 31 December 2018

Directors' report

The directors present their report, together with the interim financial statements, on the consolidated entity (referred to also as the 'group') consisting of BKM Management Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2018.

Directors

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

Mr Alvin Tan, Non-Executive Chairman
Mr Evan McGregor, Non-Executive Director
Mr Benjamin Song, Non-Executive Director
Mr Dennis Yong, Non-Executive Director

Review of operations

BKM Management Limited (BKM), has reported a loss for the period of \$71,736 (2017: \$198,671), with net (deficiency of) assets increasing to \$540,691 (30 June 2018: \$468,955). As at 31 December 2018, the group had cash reserves of \$160,448 (30 June 2018: \$167,949).

Scene Model Management

Revenue slipped 9.3 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 continues to show strong evidence of improvement due to its reduced operating costs, \$88,136 lower in the half-year ended 31 December 2018 when compared to the comparative period in 2017. The extent of this cost reduction program has resulted in the Scene subsidiary reporting a profit of \$42,434 for the half-year ended 31 December 2018.

This turn-around has come on the back of the consolidation of operations out of the Perth branch and an increased focus on Scene's actor management agency, 'Now Actors', which is heavily dependent on its online presence. The decreased focus on modelling towards actors' management acknowledges the decline in the traditional modelling sector and places Scene in a strong position to take advantage of market trends towards digital marketing and online media. The board of BKM and Scene's management are continuing to position the business to respond to the new challenges posed.

There are also a number of new business initiatives which have been identified that can be rolled out in the future under the Scene banner to derive more revenue for the group. Further information is contained in the section titled "likely developments and expected results of operations" below.

Zenith Agro Group Pte Ltd

On 28 July 2017, BKM advised that it had entered into a non-binding term sheet to acquire 100 percent of Zenith Agro Group Pte Ltd (ZAG), an agricultural company focused on Agarwood tree plantation development in Cambodia. Subsequently, the group indicated that the project may have difficulty in being acquired under the original terms agreed between the parties and the board was reviewing its position in relation to this transaction. During the half-year ended 31 December 2018, ZAG due diligence costs declined substantially to \$500, versus \$104,079 during the same period in 2017. This reflects the cessation of formal due diligence work by external consultants and advisors; the board instead sought to restructure aspects of the deal with ZAG's management and executive team.

On 30 November 2018, the group announced that, "after extensive due diligence and negotiations, the parties have mutually agreed not to proceed at this time." The board wishes to advise that the main reasons for the group to walk away from the transaction were the inability of the proposed transaction to satisfy the rigorous requirements for reinstatement, and of the vendor party to provide the necessary information on a timely basis. Consequently, the board decided not to proceed.

BKM Management Limited
Directors' report
For the half-year ended 31 December 2018
(continued)

Review of operations (continued)

IGC Asia Pte Ltd

BKM's 30 June 2018 annual report also stated that the group had been working with the management team at IGC Asia, in which it holds a minority interest, to identify additional investment opportunities in primary industry and resource sectors. Nothing materialised from this process and for this reason, the board has ceased discussions with IGC Asia and decided to focus on its existing modelling business, Scene.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the group's state of affairs in future financial periods.

Likely developments and expected results of operations

As stated above and separately announced on 27 February 2019, the group's implementation of changes in the operation of Scene have strengthened the business and the board has engaged additional resources to further review, develop and expand the operations in its model placement and actor management division. There are a number of new business initiatives which have been identified that can be rolled out under the Scene banner, including a modelling academy, to derive more revenue for the group. The group will announce its full strategy to develop Scene once this review has been finalised by the board.

It is the board's intention to seek additional funding to implement an expanded offering utilising the Scene brand and management and will seek reinstatement of trading on the ASX.

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 page 3.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest dollar.

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



Mr Alvin Tan
Non-Executive Chairman

Melbourne
28 February 2019

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

I declare that, to the best of my knowledge and belief during the period ended 31 December 2018 there have been:

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

William Buck

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

N. S. Benbow

N. S. Benbow
Director

Dated this 28th day of February 2019

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

For personal use only

BKM Management Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Consolidated entity	
	31 December	31 December
	2018	2017
	\$	\$
Revenue	517,265	570,406
Model and talent costs	(360,634)	(409,634)
Corporate administration expenses	(83,290)	(90,658)
Due diligence expenses	(500)	(104,079)
Employment and consulting fees	(124,737)	(137,993)
Finance costs	(4,525)	(4,541)
Occupancy expenses	(15,315)	(22,172)
Operating loss	(71,736)	(198,671)
Loss before income tax	(71,736)	(198,671)
Income tax expense	-	-
Loss for the period	(71,736)	(198,671)
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	(71,736)	(198,671)
Total loss and comprehensive loss for the period is attributable to:		
Owners of BKM Management Limited	(78,101)	(200,479)
Non-controlling interests	6,365	1,808
	(71,736)	(198,671)
	Cents	Cents
Loss per share for profit attributable to the ordinary equity holders of the company:		
Basic loss per share	(0.004)	(0.011)
Diluted loss per share	(0.004)	(0.011)

For personal use only

BKM Management Limited
Consolidated balance sheet
As at 31 December 2018

Consolidated entity
31 December 30 June
2018 2018
\$ **\$**

ASSETS

Current assets

Cash and cash equivalents	160,448	167,949
Trade and other receivables	76,620	33,481
Prepayments	19,986	5,722
Total current assets	257,054	207,152

Non-current assets

Intangible assets	49,878	49,878
Total non-current assets	49,878	49,878

Total assets

306,932	257,030
----------------	----------------

LIABILITIES

Current liabilities

Trade and other payables	700,277	579,741
Borrowings	90,000	95,039
Employee benefit obligations	57,346	51,205
Total current liabilities	847,623	725,985

Total non-current liabilities

-	-
---	---

Total liabilities

847,623	725,985
----------------	----------------

Net (deficiency of) assets

(540,691)	(468,955)
------------------	------------------

EQUITY

Share capital	28,138,393	28,138,393
Accumulated losses	(28,624,874)	(28,546,773)
Parent entity interest	(486,481)	(408,380)

Non-controlling interests

(54,210)	(60,575)
----------	----------

Total equity

(540,691)	(468,955)
------------------	------------------

For personal use only

BKM Management Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

	Attributable to owners of BKM Management Limited		Non-controlling interests	Total equity
	Share capital	Accumulated losses		
Consolidated entity	\$	\$	\$	\$
Balance at 1 July 2017	28,138,393	(28,205,933)	(60,134)	(127,674)
Profit/(loss) for the period	-	(200,479)	1,808	(198,671)
Total comprehensive income/(loss) for the period	-	(200,479)	1,808	(198,671)
Balance at 31 December 2017	28,138,393	(28,406,412)	(58,326)	(326,345)
Balance at 1 July 2018	28,138,393	(28,546,773)	(60,575)	(468,955)
Profit/(loss) for the period	-	(78,101)	6,365	(71,736)
Total comprehensive income/(loss) for the period	-	(78,101)	6,365	(71,736)
Balance at 31 December 2018	28,138,393	(28,624,874)	(54,210)	(540,691)

For personal use only

BKM Management Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Consolidated entity	
	31 December	31 December
	2018	2017
	\$	\$
Cash flows from operating activities		
Receipts from customers	522,524	566,496
Payments to suppliers and employees	(530,029)	(692,454)
Transaction costs related to Zenith Agro Group acquisition	-	(57,782)
Net cash (outflow) from operating activities	(7,505)	(183,740)
Cash flows from investing activities		
Interest received	4	431
Net cash inflow from investing activities	4	431
Cash flows from financing activities		
Finance costs	-	(2,835)
Net cash (outflow) from financing activities	-	(2,835)
Net (decrease) in cash and cash equivalents	(7,501)	(186,144)
Cash and cash equivalents at the beginning of the financial year	167,949	497,923
Cash and cash equivalents at end of period	160,448	311,779

For personal use only

1 Segment information

(a) Identification of reportable operating segments

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

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

(b) Types of products and services

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

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

(c) Intersegment transactions

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

(d) Intersegment receivables, payables and loans

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

(e) Major customers

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

(f) Geographical regions

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

BKM Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2018
(continued)

1 Segment information (continued)

(g) Segment results

The segment information provided to the strategic steering committee for the reportable segments for the half-year 31 December 2018 is as follows:

Consolidated entity 2018	Modelling/ acting \$	Corporate \$	Total \$
Sales to external customers	511,396	-	511,396
Other income	826	5,039	5,865
Interest received	-	4	4
Revenue from external customers	<u>512,222</u>	<u>5,043</u>	<u>517,265</u>
Adjusted EBITDA	42,434	(109,145)	(66,711)
Due diligence costs	-	(500)	(500)
Finance costs	-	(4,525)	(4,525)
Profit/(loss) before income tax	<u>42,434</u>	<u>(114,170)</u>	<u>(71,736)</u>
Segment assets	274,639	421,293	695,932
Intersegmental eliminations	-	(389,000)	(389,000)
Total assets	<u>274,639</u>	<u>32,293</u>	<u>306,932</u>
Segment liabilities	586,175	650,448	1,236,623
Intersegmental eliminations	(389,000)	-	(389,000)
Total liabilities	<u>197,175</u>	<u>650,448</u>	<u>847,623</u>

BKM Management Limited
Notes to the consolidated financial statements
For the half-year ended 31 December 2018
(continued)

1 Segment information (continued)

(g) Segment results (continued)

The segment information provided to the strategic steering committee for the reportable segments for the half-year 31 December 2017 is as follows:

Consolidated entity 31 December 2017 (income statement) 30 June 2018 (balance sheet)	Modelling/ acting \$	Corporate \$	Total \$
Sales to external customers	568,078	-	568,078
Other income	1,897	-	1,897
Interest received	-	431	431
Revenue from external customers	569,975	431	570,406
Adjusted EBITDA	12,051	(102,102)	(90,051)
Due diligence costs	-	(104,079)	(104,079)
Finance costs	-	(4,541)	(4,541)
Profit/(loss) before income tax	12,051	(210,722)	(198,671)
Segment assets	211,196	434,834	646,030
Intersegmental eliminations	-	(389,000)	(389,000)
Total assets	211,196	45,834	257,030
Segment liabilities	565,168	549,817	1,114,985
Intersegmental eliminations	(389,000)	-	(389,000)
Total liabilities	176,168	549,817	725,985

2 Contingencies

The group had no contingent liabilities at 31 December 2018 (30 June 2018: nil).

3 Events occurring after the reporting period

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

4 Basis of preparation of half-year report

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. These interim financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by BKM Management Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

4 Basis of preparation of half-year report (continued)

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new standards effective as of 1 July 2018 outlined in notes 4(b) and 5. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Going concern

For the half-year ended 31 December 2018, the group incurred an operating loss of \$71,736 and net (deficiency of) assets as at 31 December 2018 were \$540,691. The group's cash position decreased to \$160,448 at 31 December 2018.

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 31 December 2018 contains accrued directors' fees of \$69,060, substantial creditors and related party payables for director-controlled entities of \$483,656. These amounts are subject to an undertaking which has been provided to the group that repayments of these amounts, and future directors' fees, will not be demanded for a period of at least 12 months from the date of this report unless the group has sufficient cash flows available. The net (deficiency of) current assets position after taking into account the deferred settlements is \$37,853 as at 31 December 2018;
- The group has the ability to scale down its operations sufficiently should the above not occur;
- The group's convertible note is due to mature on 18 March 2019; however, the directors are in advanced discussions with the note holder and expect to be able to either roll-over, refinance or issue equity to settle the note so that it is not due and payable for at least another 12 months;
- The directors have the capacity to issue additional securities without shareholder approval through private placement, and
- The group has received letters of support from the directors confirming that they will provide financial support, if required, to ensure that the group has sufficient working capital to pay its debts as they fall due and payable, for a period of at least 12 months from the date of this report.

As a consequence of the above, the directors believe that the group will be able to continue as a going concern and, therefore these interim financial statements have been prepared on a going concern basis. Accordingly, the interim 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 group not be able to continue as a going concern.

(b) New and amended standards adopted by the group

The group applies, for the first time, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. The adoption of these new and revised standards and interpretations did not have any material impact on the amounts recognised in the financial statements of the group for the current or prior periods. However, the accounting policies have changed from that disclosed in the annual report for the year ended 30 June 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 5 below.

(c) Impact of standards issued but not yet applied by the entity

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.

4 Basis of preparation of half-year report (continued)

(c) Impact of standards issued but not yet applied by the entity (continued)

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 \$44,152. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

5 Changes in accounting policies

As explained in note 4 above, the group has adopted a number of new or revised accounting standards from 1 July 2018 that have resulted in changes in accounting policies and adjustments to the amounts recognised in the interim financial statements.

(a) AASB 9 Financial Instruments – Impact of adoption

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The adoption of this standard has not impacted the amounts disclosed in these interim financial statements.

(i) Classification and measurement

Except for certain trade receivables, under AASB 9, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the group's debt financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category comprises trade and other receivables.

The assessment of the group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. There has been no adjustment made to the amounts disclosed as a result of the application of this standard.

(ii) Impairment of financial assets

The adoption of AASB 9 has altered the group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

5 Changes in accounting policies (continued)

(a) AASB 9 Financial Instruments – Impact of adoption (continued)

(ii) Impairment of financial assets (continued)

For contract assets and trade and other receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The group has established a provision matrix that is based on the group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of AASB 9 has not resulted in any material change in impairment allowances of the group's debt financial assets.

(b) AASB 9 Financial Instruments – accounting policies applied from 1 July 2018

(i) Investments and other financial assets

Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of AASB 15 has not impacted the amounts disclosed within the financial statements.

5 Changes in accounting policies (continued)

(c) AASB 15 Revenue from Contracts with Customers – Impact of adoption (continued)

The group is in the business of providing talent in the modelling and acting industries, representing many of these industries' most successful individuals.

(d) AASB 15 Revenue from Contracts with Customers – accounting policies applied from 1 July 2018

(i) Model management services

Model management revenue is typically recognised at a point in time when the customer has access to the resulting media content. Contracts do not provide for discounts or rebates which give rise to variable consideration.

(ii) Actor management services

Actor management revenue is typically recognised over a period of time as the customer will receive the benefit of the talent throughout the filming of a television series or film. Contracts do not provide for discounts or rebates which give rise to variable consideration.

BKM Management Limited
Directors' declaration
For the half-year ended 31 December 2018

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with AASB 134 *Interim Financial Reporting*, 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 31 December 2018 and of its performance for the half-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.

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



Mr Alvin Tan
Non-Executive Chairman

Melbourne
28 February 2019

BKM Management Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Qualified Conclusion

We have reviewed the accompanying half-year financial report of BKM Management Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the effects of the matter described in the *Basis for Qualified Opinion* section of our report, we have not become aware of any matter that makes us believe that the half-year financial report of BKM Management Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Qualified Conclusion

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

BKM Management Limited holds goodwill that relates to its Scene Models cash-generating unit (CGU). Consistent with their position as at 30 June 2018, the directors of BKM continue to assess that this cash-generating unit has a recoverable value in-excess of the value of net assets attributed to that cash-generating unit. In our view, we continue to hold that goodwill should have been impaired as at 30 June 2018 and that, if done, could not be under AASB 136 revoked in further periods. As a consequence, had this impairment been recognised as at 30 June 2018 the loss result expressed in the statement of profit or loss and other comprehensive income would have increased by \$49,878 and value of net assets in the statement of financial position would have decreased by the same amount.

Material Uncertainty Related to Going Concern

We draw attention to Note 4(a) in the half-year financial report, which indicates that the consolidated entity incurred a net loss of \$71,736 during the half year ended 31 December 2018 and, as of that date, the consolidated entity's current liabilities exceeded its total assets by \$540,691. As stated in Note 4(a), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

CHARTERED ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of BKM Management Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

William Buck

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

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

N. S. Benbow
Director

Melbourne, 28 February 2019

For personal use only