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ASX Appendix 4E

Preliminary Final Report

30 June 2014

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The reporting period is the year ended 30 June 2014 with the previous corresponding period being the year ended 30 June 2013

BKI Investment Company Limited

Year ended 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | % Change | | | \$'000 |
|--|----------|--------|----|--------------|
| Revenue Performance: | | | | |
| Total Income - Ordinary | Up | 20.6% | to | 38,562 |
| Total Income - Special | Down | 59.3% | to | <u>1,499</u> |
| Total Revenue from Ordinary Activities | Up | 12.4% | to | 40,061 |
| Profits: | | | | |
| Net Operating Result before special dividend income | Up | 20.1% | to | 35,940 |
| Dividend Income - Special | Down | 59.3% | to | <u>1,499</u> |
| Net Profit from ordinary activities after tax attributable to shareholders | Up | 11.4% | to | 37,439 |
| Net Profit attributable to shareholders | Up | 11.4% | to | 37,439 |
| Portfolio: | | | | |
| Total Portfolio Value (including cash) | Up | 26.1% | to | 853,371 |
| Earnings Per Share: | | | | Cents |
| Basic Earnings Per Share <u>before</u> special dividend income | Up | 5.0% | to | 7.15 |
| Basic Earnings Per Share <u>after</u> special dividend income | Down | 2.7% | to | 7.45 |
| Dividends: | | | | |
| Interim - Ordinary | Up | 6.2% | to | 3.45 |
| Final - Ordinary | Up | 2.9% | to | <u>3.50</u> |
| Full Year Total - Ordinary | Up | 4.5% | | 6.95 |
| Full Year Total - Specials | Down | 100.0% | to | <u>-</u> |
| Full Year Total Dividends | Down | 11.2% | | 6.95 |

BKI Investment Company Limited

Year ended 30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET- Continued

Explanation of Operating Results

BKI's Net Operating Result before special dividend income increased 20.3% to \$36.0m. The result highlights the advantages of holding a long term, diversified portfolio of companies in varying sectors. BKI's improved result was driven by higher dividend distributions from Woodside Petroleum, Suncorp Group, BHP Billiton, TPG Telecom, ANZ Bank, National Australia Bank, Westpac Bank and Commonwealth Bank. BKI also received special dividend income from Westpac Bank, New Hope Corporation, Milton Corporation, Coca-Cola Amatil and Suncorp Group. These special dividends helped lift the Net Profit attributable to shareholders by 11% to \$37.4m..

NTA Backing

| | 30 June 2014 | 30 June 2013 |
|--|---------------------|---------------------|
| Net Tangible Asset backing per ordinary share before tax | \$1.63 | \$1.52 |
| Net Tangible Asset backing per ordinary share after tax | \$1.51 | \$1.44 |

Additional Dividend Information

A final dividend of 3.5 cents per share fully franked at the tax rate of 30% will be paid on 28th August 2014. The Record date for determining entitlements to the dividend will be Monday 18th August 2014.

The Company has a Dividend Reinvestment Plan in operation offering shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. No discount will apply to the Dividend Reinvestment Plan.

The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is Tuesday 19th August 2014.

Shareholders can update their election notices electronically by following the link on the Share Registry page of the BKI Investment Company Limited website. (www.bkilimited.com.au)

Other Information

This report is based on accounts which have been audited.



**BKI INVESTMENT
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**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014**

BKI Investment Company Limited
Year ended 30 June 2014

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Consolidated 2014 \$ '000 | 2013 \$ '000 |
|--|-------------|--|-------------------------|
| Revenue from investment portfolio | 2 (a) | 36,539 | 30,312 |
| Revenue from bank deposits | 2 (c) | 1,791 | 1,463 |
| Other Gains | 2 (d) | 232 | 196 |
| Income from operating activities before special investment revenue | | 38,562 | 31,971 |
| Operating Expenses | 3 | (1,251) | (1,156) |
| Expenses associated with acquisition of controlled entity | | (75) | - |
| Operating Result before income tax expense and special investment revenue | | 37,236 | 30,815 |
| Income Tax Expense | | (1,296) | (888) |
| Net Operating Result before special investment revenue | | 35,940 | 29,927 |
| Special Investment Revenue | 2 (b) | 1,499 | 3,685 |
| Net Operating Profit | | 37,439 | 33,612 |
| Profit for the year attributable to members of the Company | | 37,439 | 33,612 |
| | | 2014 Cents | 2013 Cents |
| Basic and diluted Earnings Per Share before special dividend income | 4 | 7.15 | 6.81 |
| Basic and diluted earnings per share after special dividend income | | 7.45 | 7.65 |

This Income Statement should be read in conjunction with the accompanying notes.

BKI Investment Company Limited
Year ended 30 June 2014

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated | |
|--|---------------------|----------|
| | 2014 | 2013 |
| | \$ '000 | \$ '000 |
| Profit for the year attributable to members of the Company | 37,439 | 33,612 |
| Other Comprehensive Income | | |
| Unrealised gains on investment portfolio | 73,069 | 95,396 |
| Deferred tax expense on unrealised gains on investment portfolio | (21,921) | (28,619) |
| Realised losses on investment portfolio | (15,694) | (2,537) |
| Tax benefit relating to realised losses on investment portfolio | 4,708 | 761 |
| Total Other Comprehensive Income | 40,162 | 65,001 |
| Total Comprehensive Income | 77,601 | 98,613 |

This Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

BKI Investment Company Limited
Year ended 30 June 2014

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

| | Note | Consolidated 2014 \$ '000 | 2013 \$ '000 |
|--------------------------------------|------|---------------------------------|-----------------|
| Current Assets | | | |
| Cash and cash equivalents | | 40,960 | 36,230 |
| Trade and other receivables | | 7,488 | 6,232 |
| Trading portfolio | 5 | 761 | - |
| Prepayments | | 20 | 25 |
| Total Current Assets | | 49,229 | 42,625 |
| Non-Current Assets | | | |
| Investment portfolio | 5 | 804,162 | 634,123 |
| Property, plant & equipment | | 11 | 4 |
| Deferred tax assets | | 10,352 | 4,966 |
| Total Non-Current Assets | | 814,525 | 639,093 |
| Total Assets | | 863,754 | 681,718 |
| Current Liabilities | | | |
| Trade and other payables | | 291 | 385 |
| Current tax liabilities | | 230 | - |
| Employee benefits | | 18 | 15 |
| Total Current Liabilities | | 539 | 400 |
| Non-Current Liabilities | | | |
| Deferred tax liabilities | | 71,769 | 49,286 |
| Total Non-Current Liabilities | | 71,769 | 49,286 |
| Total Liabilities | | 72,308 | 49,686 |
| Net Assets | | 791,446 | 632,032 |
| Equity | | | |
| Share capital | 6 | 599,124 | 484,198 |
| Revaluation reserve | | 164,646 | 113,498 |
| Realised capital gains reserve | | (12,237) | (1,251) |
| Retained profits | | 39,913 | 35,587 |
| Total Equity | | 791,446 | 632,032 |

This Balance Sheet should be read in conjunction with the accompanying notes.

BKI Investment Company Limited
Year ended 30 June 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

| | Share Capital \$ '000 | Revaluation Reserve \$ '000 | Realised Capital Gains Reserve \$ '000 | Retained Profits \$ '000 | Total Equity \$ '000 |
|--|-----------------------------|-----------------------------------|--|--------------------------------|----------------------------|
| Total equity at 1 July 2012 | 460,080 | 46,721 | 525 | 32,313 | 539,639 |
| Issue of shares, net of cost | 24,118 | - | - | - | 24,118 |
| Dividends paid or provided for | - | - | - | (30,338) | (30,338) |
| Revaluation of investment portfolio | - | 95,396 | - | - | 95,396 |
| Provision for tax on unrealised gains | - | (28,619) | - | - | (28,619) |
| Profit for the year | - | - | - | 33,612 | 33,612 |
| Net realised losses through other comprehensive income | - | - | (1,776) | - | (1,776) |
| Total equity at 30 June 2013 | 484,198 | 113,498 | (1,251) | 35,587 | 632,032 |
| Total equity at 1 July 2013 | 484,198 | 113,498 | (1,251) | 35,587 | 632,032 |
| Issue of shares, net of cost | 114,926 | - | - | - | 114,926 |
| Dividends paid or provided for | - | - | - | (33,113) | (33,113) |
| Revaluation of investment portfolio | - | 73,069 | - | - | 73,069 |
| Provision for tax on unrealised gains | - | (21,921) | - | - | (21,921) |
| Profit for the year | - | - | - | 37,439 | 37,439 |
| Net realised losses through other comprehensive income | - | - | (10,986) | - | (10,986) |
| Total equity at 30 June 2014 | 599,124 | 164,646 | (12,237) | 39,913 | 791,446 |

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BKI Investment Company Limited
Year ended 30 June 2014

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

| | Note | Consolidated 2014 \$ '000 | 2013 \$ '000 |
|--|------|---------------------------------|-----------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (1,351) | (1,314) |
| Dividends and distributions received | | 36,862 | 32,607 |
| Payments for trading portfolio | | (1,510) | (646) |
| Proceeds from sale of trading portfolio | | 2,577 | 842 |
| Interest received | | 1,743 | 1,284 |
| Interest paid | | (3) | - |
| Income tax paid | | (499) | (1,026) |
| Net cash inflow from operating activities | | 37,819 | 31,747 |
| Cash flows from investing activities | | | |
| Cash acquired on acquisition of controlled entity | | 702 | - |
| Payments for investment portfolio | | (132,324) | (21,115) |
| Proceeds from sale of investment portfolio | | 21,236 | 6,822 |
| Payments for plant and equipment | | (10) | - |
| Net cash outflow from investing activities | | (110,396) | (14,293) |
| Cash flows from financing activities | | | |
| Proceeds from issues of ordinary shares less issue costs | | 105,190 | 18,946 |
| Dividends paid | 7 | (27,882) | (25,166) |
| Net cash inflow/(outflow) from financing activities | | 77,308 | (6,220) |
| Net increase in cash held | | 4,731 | 11,234 |
| Cash at the beginning of the year | | 36,230 | 24,996 |
| Cash at the end of the year | | 40,961 | 36,230 |

This Cash Flow Statement should be read in conjunction with the accompanying notes.

BKI Investment Company Limited

Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the parent entity of BKI Investment Company Limited and controlled entities. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

(a) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies are consistent with those applied in the 30 June 2013 Annual Report.

BKI Investment Company Limited
Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

| | Consolidated | |
|---|---------------------|----------------|
| | 2014 | 2013 |
| | \$ '000 | \$ '000 |
| 2. Revenues | | |
| (a) Revenue from investment portfolio | | |
| Fully franked dividends: | 33,176 | 28,150 |
| Unfranked dividends: | 1,285 | 1,495 |
| Trust Distributions: | 2,078 | 667 |
| Total ordinary revenue from investment portfolio | 36,539 | 30,312 |
| (b) Special investment revenue | | |
| Fully franked dividends: | 1,114 | 3,655 |
| Unfranked dividends: | 385 | 30 |
| Total special revenue from investment portfolio | 1,499 | 3,685 |
| (c) Revenue from bank deposits | | |
| Interest received | 1,791 | 1,463 |
| (d) Other gains | | |
| Net realised gain on sale of investments held for trading | 234 | 196 |
| Net unrealised gain on investments held for trading | (2) | - |
| Total other gains | 232 | 196 |
| Total Income | 40,061 | 35,656 |
| 3. Operating Expenses | | |
| Administration expenses | 371 | 305 |
| Occupancy costs | 11 | 8 |
| Employment expenses | 707 | 677 |
| Professional fees | 156 | 165 |
| Depreciation | 3 | 1 |
| Interest Expense | 3 | - |
| Total operating expenses | 1,251 | 1,156 |

BKI Investment Company Limited
Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

| | Consolidated | |
|--|---------------------|------------|
| | 2014 | 2013 |
| | \$ '000 | \$ '000 |
| 4. Earnings Per Share | | |
| Net Operating Profit | <u>37,439</u> | 33,612 |
| Earnings used in calculating basic and diluted earnings per share | <u>35,940</u> | 29,982 |
| | 2014 | 2013 |
| | No. ('000) | No. ('000) |
| Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share | 502,728 | 439,281 |
| Basic and diluted earnings per share <u>before</u> special dividend income (cents) | 7.15 | 6.81 |
| Basic and diluted earnings per share <u>after</u> special dividend income (cents) | 7.45 | 7.65 |
| 5. Financial Assets - Investment Portfolio | | |
| Trading Portfolio - Current | | |
| Listed securities at fair value held for trading: | <u>761</u> | - |
| Investment Portfolio - Non-Current | | |
| Listed securities at fair value available for sale: | <u>804,162</u> | 634,123 |
| | <u>804,162</u> | 634,123 |
| Total Investment Portfolio | <u>804,923</u> | 634,123 |

BKI Investment Company Limited
Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

6. Share Capital

| | Consolidated | | | |
|--|---------------------|----------------|--------------------|----------------|
| | 2014 | 2013 | | |
| | \$ '000 | \$ '000 | | |
| (a) Issued and paid-up capital | | | | |
| 524,240,486 ordinary shares fully paid (2013: 446,139,639) | 599,124 | 484,198 | | |
| (b) Movement in ordinary shares | | | | |
| | 2014 | | 2013 | |
| | Number of | \$'000 | Number of | \$'000 |
| | Shares | | Shares | |
| Beginning of the financial year | 446,139,639 | 484,198 | 427,516,347 | 460,080 |
| Issued during the year: | | | | |
| - dividend reinvestment plan | 3,298,704 | 5,231 | 3,828,600 | 5,171 |
| - share purchase plan | - | - | 14,794,692 | 19,085 |
| - placement | 39,900,000 | 59,052 | | |
| - rights issue | 32,468,378 | 48,053 | | |
| - consideration on acquisition of subsidiary | 2,433,765 | 3,931 | - | - |
| - less net transaction costs | | (1,341) | | (138) |
| End of the financial year | 524,240,486 | 599,124 | 446,139,639 | 484,198 |

BKI Investment Company Limited
Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

| | 2014 \$ '000 | 2013 \$ '000 |
|---|-----------------|-----------------|
| 7. Dividends | | |
| (a) Dividends paid during the year | | |
| Final dividend for the year ended 30 June 2013 of 3.40 cents per share (2012 final: 3.20 cents per share) fully franked at the tax rate of 30%, paid on 30 August 2013 | 15,169 | 13,681 |
| Interim dividend for the year ended 30 June 2014 of 3.45 cents per share (2013 interim: 3.25 cents per share) fully franked at the tax rate 30%, paid on 28 February 2014 | 17,944 | 14,436 |
| Interim special dividend for the year ended 30 June 2014 of Nil cents per share (2013 interim: 0.50 cents per share fully franked at the tax rate 30%) | - | 2,221 |
| Total | 33,113 | 30,338 |
| Dividends paid in cash or invested in shares under the dividend reinvestment plan ("DRP") | | |
| Paid in cash | 27,882 | 25,166 |
| Reinvested in shares via DRP | 5,231 | 5,172 |
| Total | 33,113 | 30,338 |

(b) Dividends declared after balance date

Since the end of the financial year the Directors have declared a final ordinary dividend for the year ended 30 June 2014 of 3.50 cents per share (2013: final 3.40 cents per share) fully franked at the tax rate of 30%, payable on 28 August 2014, but not recognised as a liability at the year end.

BKI Investment Company Limited

Year ended 30 June 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

| | 2014 \$ '000 | 2013 \$ '000 |
|--|-----------------|-----------------|
| 7. Dividends (Continued) | | |
| (c) Franking Account Balance | | |
| Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables | 20,987 | 18,883 |
| Estimated* impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year | (7,864) | (6,501) |
| Net available | 13,123 | 12,382 |

On 3 July 2014 the Company announced details of a Share Purchase Plan ("SPP") - refer note 10. Shares issued under the SPP will be entitled to receive the 2014 final ordinary dividend of 3.50 cents per share declared by the directors. However, since the number of shares that will be issued under the SPP is not known, the above calculation does not take into account dividends payable in respect of shares issued under the SPP.

8. Acquisition of Controlled Entities

During the year the Company acquired 100% of the shares of an unlisted investment company for a consideration of 2,433,765 new shares in BKI Investment Company Limited (2013FY: No acquisitions were made). Based on an issue price of \$1.615 per share, the consideration for the acquisition had a fair value of \$3,930,530.

9. Contingent Liabilities

The Company has no contingent liabilities at 30 June 2014.

10. Events Subsequent to Balance Date

On 3 July 2014 the Company announced details of a Share Purchase Plan ("SPP") for eligible existing shareholders of BKI. The offer period for the SPP opened on 10 July 2014 and will close on 31 July 2014, with new shares scheduled to be issued on 8 August 2014 in satisfaction of application monies paid by investors.

Since 30 June 2014 to the date of this report, other than the SPP, there has been no event of which the Directors are aware which has had a material effect on the Company or its financial position.

11. Financial Reporting by Segments

The Company operates predominately in the securities industry in Australia and has no reportable segments.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of BKI Investment Company Limited (the company) and BKI Investment Company Limited and Controlled Entities (the consolidated entity), which comprises the statements of financial position as at 30 June 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BKI Investment Company Limited, would be in the same terms if provided to the directors as at the date of this audit report.



75 CELEBRATING
YEARS
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Liability limited by a scheme
approved under Professional
Standards legislation

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Auditor's Opinion

In our opinion:

- (a) The financial report of BKI Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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.

Auditor's Opinion

In our opinion the remuneration report of BKI Investment Company Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ruwald & Evans

RUWALD & EVANS



Martin Bocxe
Partner

Level 1, 276 Pitt Street, SYDNEY NSW 2000

22 July, 2014



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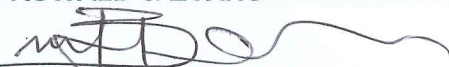
Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of BKI Investment Company Limited and Controlled Entities

I declare that to the best of my knowledge and belief, during the year ended 30 June 2014, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ruwald & Evans

RUWALD & EVANS



Martin Bocxe
Partner

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22 July, 2014

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