

Top 25 Investments

Stock	% of Total Portfolio
1 Commonwealth Bank	9.5%
2 National Australia Bank	8.9%
3 Westpac Banking Corporation	8.1%
4 BHP Billiton	6.0%
5 Telstra Corporation	5.3%
6 ANZ Banking Corporation	4.8%
7 New Hope Corporation	4.6%
8 Wesfarmers Limited	4.4%
9 Woolworths Limited	3.6%
10 TPG Telecom Limited	2.9%
11 APA Group	2.3%
12 AGL Energy	2.3%
13 Woodside Petroleum	2.1%
14 ALS Limited	2.1%
15 Insurance Australia Group	1.7%
16 Suncorp Group	1.4%
17 Transurban Group	1.3%
18 ARB Corporation	1.3%
19 Invocare Limited	1.2%
20 Bendigo and Adelaide Bank	1.2%
21 Coca-Cola Amatil	1.2%
22 Bank of Queensland	1.2%
23 Milton Corporation	1.1%
24 Ramsay Health Care	1.0%
25 Perpetual Limited	1.0%
Cash and cash equivalents	5.7%
Total of Top 25 including cash and cash equivalents	86.2%

Acquisition of Unlisted Investment Company

In April 2014, BKI completed the acquisition of all the issued capital of an unlisted investment company with net assets of approximately \$4 million.

The private company has been a long term investor for 50 years, and has developed a portfolio of investments that was complementary to BKI's existing portfolio. The vendors now have an opportunity to enjoy the benefits of an actively managed, diversified investment portfolio without the administrative burden.

Outlook

The low interest rate environment both domestically and offshore remains, which has forced retail investors and SMSF's to continue to search for income outside of term deposits and other cash products. As such we have seen the Australian share market appreciate considerably over the last year with the S&P/ASX300 Accumulation Index returning 17.3%.

We await the upcoming reporting season with interest. Despite what many are saying about an overvalued market, for the long term investor there are currently opportunities to deploy funds in well managed, profitable, dividend paying stocks. There may also be some short term disappointment in earnings growth during this reporting season, especially from stocks within the industrial, consumer discretionary and resources space. We believe this could also provide a good buying opportunity for the broader market should it eventuate. BKI remains in a strong financial position with no debt, and cash and cash equivalents representing 5.7% of the total portfolio.

BKI Online

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BKI Investment Company

30 June 2014

BKI Investment Company - Full Year Review, 30 June 2014

Performance Highlights

- **Total Ordinary Dividend and distribution income increased 21% to \$38.6m.**
- **Net Operating Result before Special Dividend income increased 20% to \$35.9m.**
- **MER of 0.17% at 30 June 2014.**
- **Basic Earnings per Share up 5% to 7.15cps from 6.81cps.**
- **Fully Franked Final Dividend of 3.50cps, up from 3.40cps.**
- **BKI's Total Shareholder Return for the year to 30 June 2014 was 21.0%, outperforming the S&P/ASX 300 Accumulation Index by 3.7%.**



Performance Overview

Net Operating Result before special dividend income increased 20% to \$35.9m, whilst Basic Earnings per Share before special dividend income increased 5% to 7.15cps

As a result of the improved headline numbers the BKI Board was in a position to lift the Final Ordinary Dividend from 3.40cps to 3.50cps. We are conscious that many of our shareholders live on dividends that we provide and thus work extremely hard in trying to provide to them a growing income stream.

We continue to be ruthless on costs, we don't charge shareholders an external portfolio management or performance fee and we have kept BKI debt free.

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. Lower contributions from UGL Limited, GWA International and ALS Limited dragged on BKI's results. 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.

10 Year Milestone

During the year, BKI reached a significant milestone by recording 10 years of being listed on the ASX. BKI has come a long way during this time with the Board and Management working hard at addressing those issues that come with being a smaller LIC. Some of those issues, and the progress achieved, include:

Size and Liquidity - BKI's shareholder base has grown from 7,832 in 2003 to over 13,000 in 2014; whilst the Portfolio Valuation has increased from \$171m at listing to over \$850m.

Cost and Structure - Internalised Management, MER reduced from 0.69% in 2003 to 0.17% in 2014.

Discount to NTA - BKI's discount to NTA has reduced from a peak of 20% in June 2008 to a premium in June 2014.

Dividend History - As at FY2014, Full Year Dividends have grown by an average of 16% a year from FY2005. BKI has also paid 5 Fully Franked Special Dividends since listing.

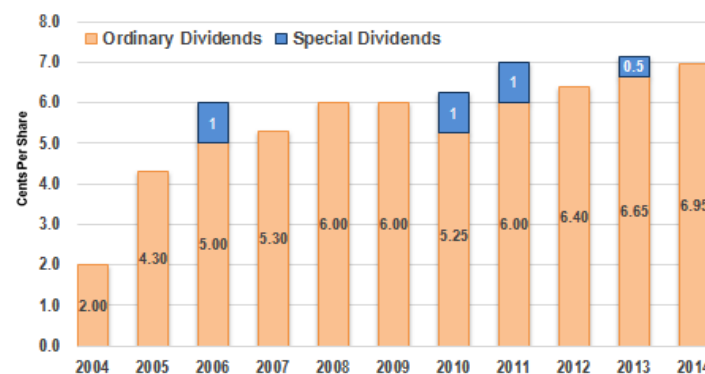
Company Awareness and Profile - Lifted the company awareness and profile of BKI to Advisors, Brokers and SMSF's. Won the 2011 LIC of the Year Award.

Dividends

BKI has declared a Final Dividend of 3.50cps, up from 3.40cps last year. The Final Dividend will be fully franked and will be paid on 28 August 2014. The ex-dividend date is 12 August 2014 with the record date 18 August 2014. **The last trading day to be eligible for the Final Dividend is 11 August 2014.**

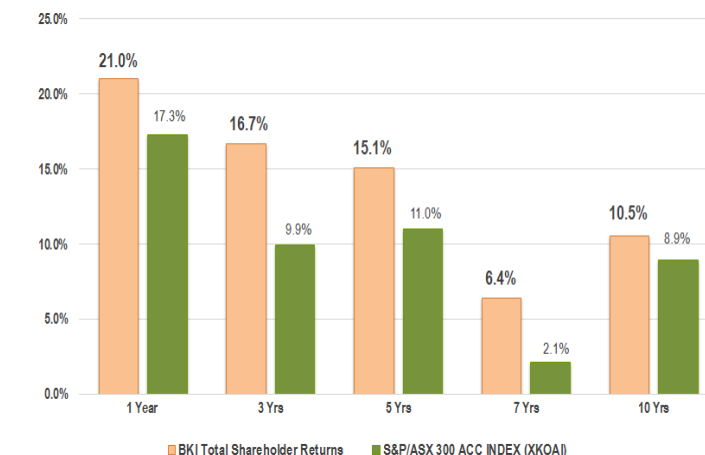
BKI's Dividend Reinvestment Plan (DRP) will be maintained. The DRP will be offered at a nil discount. The last date to participate in the DRP is 19 August 2014.

The chart below shows BKI's history of paying both Ordinary Dividends and Special Dividend.



Performance

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 30 June 2014 was 21.0%, 3.7% ahead of the S&P/ASX 300 Accumulation Index.



Management Expense Ratio (MER)

BKI's MER continues to be very competitive within the funds management industry. BKI does not charge shareholders a performance fee.



Capital Raising

In September 2013, BKI successfully completed a Placement to sophisticated and professional investors that saw the Company raise gross proceeds of \$59m at \$1.48 per share. In October 2013, BKI offered eligible shareholders the opportunity to participate in a non-renounceable 1:15 entitlement offer at \$1.48 per share. BKI also offered shareholders a Top-Up Facility. Applications for shares under the Entitlement Offer and associated Top-Up Facility closed over-subscribed, raising a further \$48m.

Portfolio Movements

The capital raising was a great opportunity to increase BKI's exposure to the market and take advantage of dividend income and franking credits on offer by many stocks within the local market. BKI deployed funds of approximately \$140m into the market over FY2014; whilst sales totalled approximately \$25m.

Major investments during the year included ANZ Banking Corporation, Westpac Banking Corporation, Primary Health Care, APA Group, Telstra Corporation, Insurance Australia Group and Transurban Group. New positions in Duet Group, Toll Holdings, IOOF Holdings, Maxitans Industries and Equity Trustees were established.

Disposals included Metcash Limited, Gazal Corporation, Tabcorp Holdings, Fleetwood Corporation, Recall Holdings and the balance of the QBE Insurance Group position.