

ASX Announcement

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ABN 23 106 719 868

28 August 2014

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Re: Notice of AGM, Proxy Form and 2014 Annual Report

BKI Investment Company Pty Limited (ASX: BKI) has today dispatched to its shareholders its 2014 Annual Report, together with a Notice of Annual General Meeting and Voting Proxy Form.

A copy of each document has been attached to this letter. A copy of the 2014 Annual Report will also be placed on BKI's website.

Yours sincerely



Jaime Pinto
Company Secretary

Annual Report 2014

for year ended 30 June 2014



**BKI INVESTMENT
COMPANY LIMITED**

ABN 23 106 719 868

CORPORATE DIRECTORY

Directors

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall, AM	Non-Executive Director
Alexander James Payne	Non-Executive Director
Ian Thomas Huntley	Non-Executive Director

Chief Executive Officer

Thomas Charles Dobson Millner

Company Secretaries

Jaime Perry Pinto
Larina Tcherkezian (Alternate)

Registered Office

Level 2
160 Pitt Street Mall,
Sydney NSW 2000
Telephone: (02) 9210 7000
Facsimile: (02) 9210 7099

Postal Address:
GPO Box 5015,
Sydney NSW 2001

Auditors

Ruwald & Evans
5th Floor, 6 O'Connell Street,
Sydney NSW 2000

Share Registry

Advanced Share Registry Services Limited
150 Stirling Highway,
Nedlands, WA 6009
Telephone: (08) 9389 8033

Australian Stock Exchange Code

Ordinary Shares BKI

Website

www.bkilimited.com.au

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FINANCIAL HIGHLIGHTS

				% Change	\$'000
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■ Revenue Performance:

Total Income - Ordinary	Up	20.6%	to	38,562
Total Income - Special	Down	59.3%	to	1,499
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	1,499
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	853,370
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■ Earnings Per Share:

Cents

Basic Earnings Per Share before special dividend income	Up	5.0%	to	7.15
Basic Earnings Per Share after special dividend income	Down	2.7%	to	7.45

■ Dividends:

Cents

Interim - Ordinary	Up	6.2%	to	3.45
Final - Ordinary	Up	2.9%	to	3.50
Full Year Total - Ordinary	Up	4.5%		6.95
Full Year Total Dividends	Down	11.2%		6.95

■ Net Tangible Asset (NTA) History:

30 June	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NTA Before Tax	\$1.08	\$1.28	\$1.43	\$1.69	\$1.52	\$1.22	\$1.32	\$1.42	\$1.30	\$1.52	\$1.63
NTA After Tax	\$1.06	\$1.20	\$1.32	\$1.51	\$1.41	\$1.19	\$1.27	\$1.34	\$1.26	\$1.42	\$1.51

■ Dividend History (cents per share):

30 June	2004*	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Interim	-	2.10	2.50	2.60	3.00	3.00	2.50	3.00	3.20	3.25	3.45
Final	2.00	2.20	2.50	2.70	3.00	3.00	2.75	3.00	3.20	3.40	3.50
Special	-	-	1.00	-	-	-	1.00	1.00	-	0.50	-
Total	2.00	4.30	6.00	5.30	6.00	6.00	6.25	7.00	6.40	7.15	6.95

* The Company listed on the ASX on 12 December 2003, no interim dividend is applicable for this financial year.

All ordinary and special dividends paid by BKI Investment Company Limited ("BKI") since listing on the Australian Stock Exchange have been fully franked.

FINANCIAL HIGHLIGHTS (continued)

Securities Held and their Market value as at 30 June 2014

Stock	Shares Held	Market Value (\$'000)	Portfolio Weight %
Financials			
Commonwealth Bank of Australia Limited	1,006,400	81,398	9.54%
National Australia Bank Limited	2,320,000	76,050	8.91%
Westpac Banking Corporation Limited	2,033,656	68,880	8.07%
Australia & New Zealand Banking Group Limited	1,234,000	41,129	4.82%
Insurance Australia Group Limited	2,527,370	14,760	1.73%
Suncorp Group Limited	883,000	11,956	1.40%
Bendigo and Adelaide Bank Limited	838,000	10,223	1.20%
Bank of Queensland Limited	810,000	9,866	1.16%
Milton Corporation Limited	2,055,810	9,333	1.09%
Perpetual Limited	179,310	8,496	1.00%
ASX Limited	215,500	7,674	0.90%
AMP Limited	1,314,813	6,968	0.82%
Macquarie Group Limited	80,223	4,784	0.56%
IOOF Holdings Limited	563,594	4,728	0.55%
Equity Trustees Limited	77,836	1,596	0.19%
BKI Investment Company Limited	160,000	263	0.03%
		358,104	41.96%
Energy			
New Hope Corporation Limited	14,810,452	39,248	4.60%
Woodside Petroleum Limited	432,084	17,746	2.08%
Caltex Australia Limited	91,950	1,983	0.23%
Santos Limited	134,000	1,911	0.22%
		60,888	7.14%
Industrials			
ALS Limited	1,995,822	17,663	2.07%
Transurban Group	1,503,205	11,109	1.30%
Brambles Limited	785,576	7,219	0.85%
Seek Limited	400,000	6,332	0.74%
Toll Holdings Limited	1,120,000	5,712	0.67%
Qube Holdings Limited	1,717,076	3,898	0.46%
GWA Group Limited	1,310,000	3,432	0.40%
MaxiTRANS Industries Limited	2,800,000	2,716	0.32%
UGL Limited	403,500	2,756	0.32%
Lindsay Australia Limited	6,820,829	2,285	0.27%
Salmat Limited	1,089,951	1,766	0.21%
Sydney Airport	778,297	3,276	0.38%
Skilled Group Limited	644,826	1,483	0.17%
		69,647	8.16%
Consumer Discretionary			
ARB Corporation Limited	873,600	10,693	1.25%
Invocare Limited	1,019,000	10,302	1.21%
Tatts Group Limited	1,909,000	6,204	0.73%
Crown Resorts Limited	150,574	2,277	0.27%
Fairfax Media Limited	2,100,000	1,900	0.22%
Seven West Media Limited	372,458	700	0.08%
		32,076	3.76%

FINANCIAL HIGHLIGHTS (continued)

Securities Held (continued):

Stock	Shares Held	Market Value (\$'000)	Portfolio Weight %
Consumer Staples			
Wesfarmers Limited	893,634	37,389	4.38%
Woolworths Limited	881,000	31,029	3.64%
Coca-Cola Amatil Limited	1,046,000	9,885	1.16%
GrainCorp Limited	93,444	784	0.09%
		79,087	9.27%
Health Care			
Ramsay Health Care Limited	189,000	8,599	1.01%
Sonic Healthcare Limited	457,167	7,918	0.93%
Primary Health Care Limited	1,622,000	7,348	0.86%
		23,865	2.80%
Materials			
BHP Billiton Limited	1,429,443	51,303	6.01%
Brickworks Limited	436,209	5,954	0.70%
Rio Tinto Limited	49,562	2,939	0.34%
Arrium Limited	800,000	636	0.07%
Alumina Limited	370,000	498	0.06%
		61,330	7.19%
Property Trusts			
Westfield Corporation	233,157	1,667	0.20%
Scentre Group	290,514	927	0.11%
		2,594	0.30%
Telecommunications Services			
Telstra Corporation Limited	8,740,000	45,535	5.34%
TPG Telecom Limited	4,420,000	24,354	2.85%
		69,889	8.19%
Utilities			
APA Group	2,854,452	19,667	2.30%
AGL Energy Limited	1,247,207	19,307	2.26%
DUET Group	3,427,353	8,294	0.97%
Origin Energy Limited	12,000	175	0.02%
		47,443	5.56%
TOTAL PORTFOLIO		804,923	94.32%
Cash and dividends receivable		48,447	5.68%
TOTAL PORTFOLIO INCLUDING CASH AND RECEIVABLES		853,370	100.00%

The Group is not a substantial shareholder in accordance with the Corporations Act 2001 in any of the investee corporations as each equity investment represents less than 5% of the issued capital of the investee corporation.

GROUP PROFILE

BKI Investment Company Limited (“BKI” or “the Group”) is a Listed Investment Company on the Australian Stock Exchange. The Group invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

BKI shares were listed on the Australian Stock Exchange Limited from 12 December 2003.

Corporate Objectives

The Group aims to generate an increasing income stream for distribution to shareholders as fully franked dividends to the extent of available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth.

Investment Strategy

The Group is a research driven, long term manager focusing on well managed companies, with a profitable history and that offer attractive dividend yields. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

Dividend Policy

With respect to prudent business practices, and ensuring the business retains sufficient working capital to allow the achievement of the Corporate Objectives and Business Strategy, the Group will pay the maximum amount of realised profits after tax for that year to shareholders as fully franked dividends to the extent permitted by the Corporations Act and the Income Tax Assessment Act .

Ordinary dividends will be declared by the Board of Directors out of the Company’s Net Operating Result, after tax but before special investment revenue.

When the Group accumulates sufficient special investment revenue, special fully franked dividends will be declared by the Board to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

Where the Group generates sufficient qualifying capital gains, LIC Gains will be distributed to shareholders to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

Management

The Group has an internalised portfolio management function headed by the CEO, Mr Tom Millner. In November 2013 the Company strengthened its portfolio management resources with the appointment of Mr William Culbert as Senior Investment Analyst. Mr Culbert has over 15 years experience in the investment industry, bringing with him a great breadth and depth of technical capability and analytical experience.

The Group also engages Corporate & Administrative Services Pty Ltd to provide accounting and group secretarial services. These services are overseen by the BKI Company Secretary, Mr Jaime Pinto.

CHAIRMAN'S ADDRESS

Dear Shareholders,

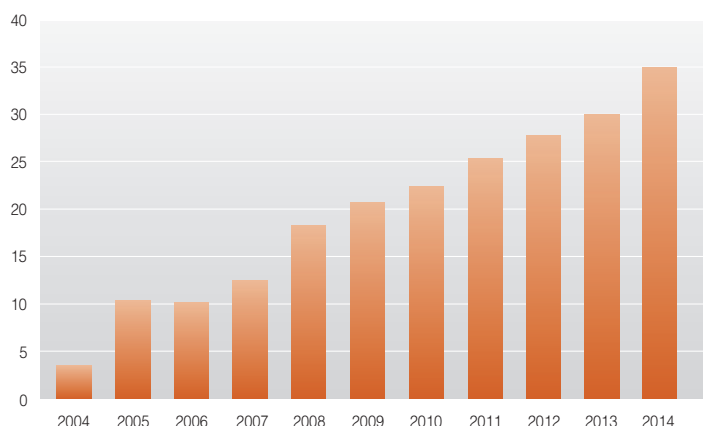
I am pleased to enclose the 11th Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2014.

Result Highlights

Your Board and Management have delivered to shareholders another solid result with Ordinary Dividend and Distribution Income up 21% to \$38.6m, Net Operating Result before special dividend income increased 20% to \$35.9m and Basic Earnings per Share before special dividend income increased 5% to 7.15cps.

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, partly offset by lower contributions from UGL Limited, GWA International and ALS Limited.

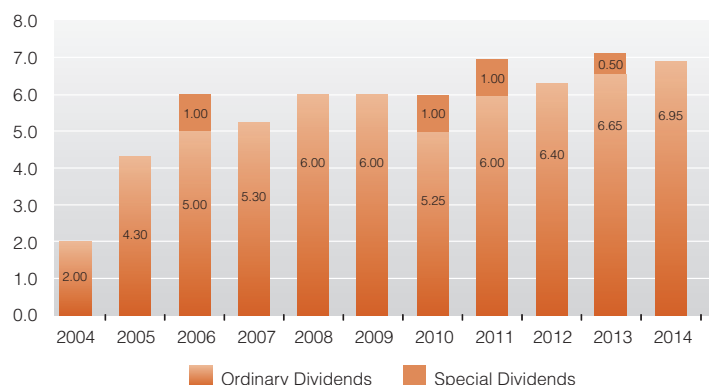
BKI also received special dividend income from Westpac Bank, New Hope Corporation, Milton Corporation, Coca-Cola Amatil and Suncorp Group. These special dividends helped lift the Net Profit attributable to shareholders by 11% to \$37.4m.



Above: Net Operating Result by financial year end 30 June (\$millions)

Dividends

The improved headline numbers enabled the BKI Board to lift the Final fully franked Ordinary Dividend from 3.40cps to 3.50cps. We are conscious that many BKI shareholders live on dividends that we provide and it remains our aim to continue to provide a growing income stream each year. Full Year Dividends have grown by an average of 16% a year from FY2005 to FY2014. BKI has also paid fully franked Special Dividends in 4 of the 10 years since listing, as noted below.



Above: Fully franked Interim and Final dividends declared (cents per share)

CHAIRMAN'S ADDRESS (continued)

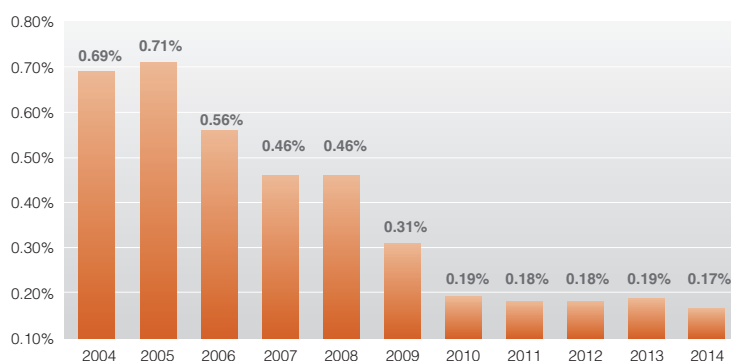
Dividend Reinvestment Plan (DRP)

BKI's DRP is maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP was not offered at a discount. The DRP price was calculated using the average of the daily volume weighted average sale price of BKI's shares sold in the ordinary course of trading on the ASX during the 5 trading days after, but not including, the Record Date (14 August 2014).

The last day for shareholders to nominate for their participation in the DRP was Friday 15 August 2014.

Operating Expenses and MER

BKI continues to focus on minimizing operating costs. Shareholders are not charged an external portfolio management or performance fee, and BKI continues to be debt free. BKI's Management Expense Ratio (MER) as at 30 June 2014 was 0.17%. This all provides a solid foundation for long term portfolio management with a real focus on lifting dividend distributions to shareholders.



BKI is internally managed and does not charge Shareholders an external management fee or performance fees.

Above: Historical MER achieved by BKI.

10 Year Milestone

In December 2013 BKI reached a significant milestone, recording 10 years of listing on the ASX. BKI has come a long way during this time with the Board and Management dedicated to addressing those issues that come with starting a smaller LIC. Some of those issues, and the progress achieved, include:

Issue	Action
Size and Liquidity	The shareholder base has grown from 7,832 in 2003 to over 13,000 in 2014; while the Portfolio Valuation increased from \$171m at listing to over \$850m in 2014.
Cost and Structure	Internalised Management helped reduce the MER from 0.69% in 2003 to 0.17% in 2014.
Discount to NTA	BKI's discount to NTA improved 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 awareness and profile of BKI with Advisors, Brokers and SMSF's. Won the 2011 LIC of the Year Award.

CHAIRMAN'S ADDRESS (continued)

Acquisition of Unlisted Investment Company

In April 2014, BKI completed the acquisition of an unlisted investment company with net assets of approximately \$4 million. Consideration was satisfied with the issue of BKI shares. The private company has been a long term investor for 50 years, and developed a quality portfolio of investments that was complementary to our existing portfolio. The vendors now enjoy the benefits of an actively managed, diversified investment portfolio without the administrative burden and we welcome them to the BKI register.

This is the first transaction of this nature completed by BKI, which will benefit existing BKI shareholders by increasing the size of BKI's portfolio in a cost-effective manner. The BKI Board looks forward to engaging in similar transactions in the future.

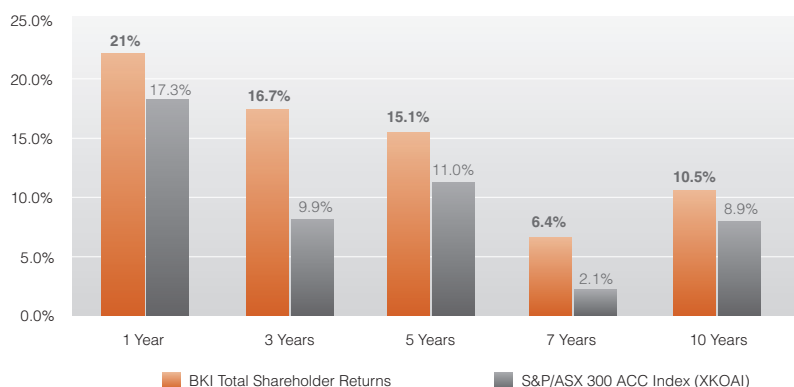
Capital Raising

BKI successfully completed a Placement to sophisticated and professional investors and a non-renounceable Entitlement Offer to existing shareholders. BKI raised gross proceeds of \$59m at \$1.48 per share in the Placement, and the Entitlement Offer (at \$1.48 per share) closed over-subscribed, raising a further \$48.1m.

Performance

BKI's Total Shareholder Returns (including the reinvestment of dividends) for the year to 30 June 2014 was 21.0%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 3.7%.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2014 was 11.2%, compared to the S&P/ASX 300 Accumulation Index which returned 17.3% over the same period.



**Total Shareholder Returns
exclude the benefit of franking
credits being passed on from
BKI to shareholders**

Above: BKI Total Shareholder Returns as at 30 June 2014.

CHAIRMAN'S ADDRESS (continued)

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 were established in Duet Group, Toll Holdings, IOOF Holdings, Maxitrans Industries and Equity Trustees.

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

Top 25 Investments as at 30 June 2014

Stock	Market Value (\$'000)	Portfolio Weight %
1 Commonwealth Bank of Australia Limited	81,398	9.5%
2 National Australia Bank Limited	76,050	8.9%
3 Westpac Banking Corporation Limited	68,880	8.1%
4 BHP Billiton Limited	51,303	6.0%
5 Telstra Corp Limited	45,535	5.3%
6 Australia & New Zealand Banking Group Limited	41,129	4.8%
7 New Hope Corporation Limited	39,248	4.6%
8 Wesfarmers Limited	37,389	4.4%
9 Woolworths Limited	31,029	3.6%
10 TPG Telecom Limited	24,354	2.9%
11 APA Group	19,667	2.3%
12 AGL Energy Limited	19,307	2.3%
13 Woodside Petroleum Limited	17,746	2.1%
14 ALS Limited	17,663	2.1%
15 Insurance Australia Group Limited	14,760	1.7%
16 Suncorp Group Limited	11,956	1.4%
17 Transurban Group	11,109	1.3%
18 ARB Corporation Limited	10,693	1.3%
19 Invocare Limited	10,302	1.2%
20 Bendigo and Adelaide Bank Limited	10,223	1.2%
21 Coca-Cola Amatil Limited	9,885	1.2%
22 Bank of Queensland Limited	9,866	1.2%
23 Milton Corporation Limited	9,333	1.1%
24 Ramsay Health Care Limited	8,599	1.0%
25 Perpetual Limited	8,496	1.0%
Cash and cash equivalents	48,447	5.7%
Total of Top 25 plus cash and cash equivalents	734,367	86.2%

CHAIRMAN'S ADDRESS (continued)

Outlook

The low interest rate environment both domestically and offshore remains, which encourages retail investors and SMSF's to continue to search for income outside of term deposits and other cash products. The Australian share market appreciated considerably over the last year with the S&P/ASX300 Accumulation Index returning 17.3%, in significant part due to this search for yield.

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 may provide a good buying opportunity should it eventuate.

BKI remains in a strong financial position with cash and cash equivalents representing 5.7% of the total portfolio and no debt.

Yours sincerely,



Robert Millner
Chairman

Sydney
12 August 2014

DIRECTORS' REPORT

The Directors of BKI Investment Company Limited ("the Company", or "BKI") present the following report on the Company and its controlled entities ("the Group") for the year to 30 June 2014.

1. Directors

The following persons were Directors since the start of the financial year and up to the date of this report:

Robert Dobson Millner, FAICD – Non-Executive Director and Chairman

Mr Millner was appointed Non-executive Chairman upon the Company's formation in October 2003. Mr Millner has over 30 years experience as a Company Director and extensive experience in the investment industry, and is currently a Director of the following ASX listed companies:

- Milton Corporation Limited
- New Hope Corporation Limited
- Washington H. Soul Pattinson and Company Limited
- TPG Telecom Limited
- Brickworks Limited
- Australian Pharmaceutical Industries Limited

During the past three years Mr Millner has also served as a Director of the following ASX listed companies:

- Souls Private Equity Limited
- Northern Energy Corporation Limited
- Exco Resources Limited

Special Responsibilities:

- Chairman of the Board
- Chairman of the Investment Committee
- Member of the Remuneration Committee
- Chairman of the Nomination Committee

David Capp Hall, AM, FCA, FAICD – Independent Non-Executive Director

A Non-executive Director since October 2003, and Chair of the Audit Committee since this time, Mr Hall is a Chartered Accountant with experience in corporate management, finance and as a Company Director, holding Directorships in other companies for more than 30 years.

Special Responsibilities:

- Chairman of the Audit Committee
- Member of the Remuneration Committee

Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM – Non-Executive Director

A Non-executive Director since October 2003, and a member of the Audit Committee since this time, Mr Payne is Chief Financial Officer of Brickworks Limited and has considerable experience in finance and investment.

Special Responsibilities:

- Member of the Audit Committee
- Member of the Investment Committee
- Chairman of the Remuneration Committee
- Member of the Nomination Committee

DIRECTORS' REPORT (continued)

Ian Thomas Huntley, BA – Independent Non-Executive Director

Mr Huntley joined the Board as a Non-executive Director in February 2009. After a career in financial journalism Mr Huntley acquired "Your Money Weekly" newsletter in 1973. Over the following 33 years, Mr Huntley built the Your Money Weekly newsletter into one of Australia's best known investment advice publications. He and partners sold the business to Morningstar Inc of the USA in mid 2006.

Special Responsibilities:

- Member of the Investment Committee
- Member of the Remuneration Committee
- Member of the Audit Committee
- Member of the Nomination Committee

2. Key Management Personnel

Thomas Charles Dobson Millner, B.Des (Industrial), GDipAppFin, F Fin, GAICD – Chief Executive Officer

Mr Millner joined the Company in December 2008 from Souls Funds Management (SFM). Mr Millner held various roles with SFM covering research, analysis and business development, and during this time was responsible for the Investment Portfolio of BKI Investment Company Limited. Prior to this Mr Millner was an investment analyst with Republic Securities Limited, manager of the Investment Portfolio of Pacific Strategic Investments. Mr Millner is also currently a director of Washington H Soul Pattinson and Company Limited and PM Capital Global Opportunities Fund Limited.

Special Responsibilities

- Member of the Investment Committee

Jaime Pinto, BComm, CA - Company Secretary

Mr Pinto is a Chartered Accountant with over 20 years experience in both professional practice and in senior commercial roles across a broad range of industries. Jaime is currently Company Secretary of Clover Corporation Limited (ASX: CLV) and Quickstep Holdings Limited (ASX:QHL), and is Company Secretary and CFO of a number of unlisted investment and industrial companies.

3. Principal Activities

Principal activities are that of a Listed Investment Company (LIC) primarily focused on long term investment in ASX listed securities. There have been no significant changes in the nature of those activities during the year.

4. Operating Results

BKI's Net Operating Result before special dividend income increased 20% to \$35.9m, while Basic Earnings per Share before special dividend income increased 5% to 7.15cps. Special dividend income for the year totalled \$1.5m, taking Basic Earnings per Share after special dividend income to 7.45cps.

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 were recorded from UGL Limited, GWA International and ALS Limited.

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 2014FY Net Profit attributable to shareholders by 11% to \$37.4m.

DIRECTORS' REPORT (continued)

5. Review of Operations

Operating expenses for the full year were \$1.25m, an increase of \$0.09m on FY2013, against a 26% increase in the Total Portfolio Value from 30 June 2013, reducing BKI's MER to 0.17% (2013: 0.19%).

BKI's Total Shareholder Return (including the reinvestment of dividends) for the year to 30 June 2014 was 21.0%, outperforming the S&P/ASX 300 Accumulation Index by 3.7%.

BKI's Net Portfolio Return (after all operating expenses, provision and payment of income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2014 was 11.2%, compared to the S&P/ASX 300 Accumulation Index which returned 17.3%.

BKI successfully completed a Placement to sophisticated and professional investors and a non-renounceable Entitlement Offer to existing shareholders. BKI raised gross proceeds of approximately \$59m at \$1.48 per share in the Placement, while the Entitlement Offer (at \$1.48 per share) closed over-subscribed, raising a further \$48.1m.

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 \$140m into the market over FY2014, while sales totalled \$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 were Duet Group, Toll Holdings, IOOF Holdings, Maxitrans Industries and Equity Trustees.

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

6. Financial Position

The net assets of the Group increased during the financial year by \$159.4 million to \$791.4 million.

This movement was driven by the \$107 million (before costs) raised in the Placement and Entitlement Offer in September/October 2013, as well as a \$52.3 million increase (net of tax) in the market value of the investment portfolio.

7. Employees

The Group has two employees as at 30 June 2014 (2013: one).

8. Significant Changes in the State of Affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Group during the reporting year.

9. Likely Developments and Expected Results

The operations of the Group will continue with planned long term investments in Australian equities and fixed interest securities. Neither the expected results of those operations nor the strategy for particular investments have been included in this report as, in the opinion of the Directors, this information would prejudice the interests of the Group if included.

DIRECTORS' REPORT (continued)

10. Significant Events after Balance Date

In August 2014 the Group successfully completed a Share Purchase Plan, raising \$47.8m from the issue of 28,879,401 shares to eligible investors.

Other than the Share Purchase Plan, the Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

- i. the operations of the Company and the entities that it controls;
- ii. the results of those operations; or
- iii. the state of affairs of the Group in subsequent years.

11. Dividends

There were two dividend payments made during the year to 30 June 2014:

- On 29 August 2013, a final total dividend of \$15,168,747 (ordinary dividend of 3.4 cents per share fully franked) was paid out of retained profits at 30 June 2013.
- On 28 February 2014, an interim total dividend of \$17,944,256 (ordinary dividend of 3.45 cents per share, fully franked) was paid out of retained profits at 31 December 2013.

In addition, the Directors declared a final ordinary dividend of 3.50 cents per share fully franked payable on 28 August 2014.

At 30 June 2014 there are \$13,122,959 of franking credits available to the Group (2013: \$12,382,100) after allowing for payment of the final, fully franked ordinary dividend.

12. Environmental Regulations

The Group's operations are not materially affected by environmental regulations.

13. Meetings of Directors

The numbers of meetings of the Board of Directors and each Board Committee held during the year to 30 June 2014, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit		Remuneration		Nomination*	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	12	12	10	10	-	-	2	2	1	1
AJ Payne	12	12	10	10	3	3	2	2	-	-
DC Hall	12	12	-	-	3	3	2	2	1	1
IT Huntley	12	12	10	10	3	3	2	2	1	1

* The sole meeting of the Nomination Committee was held in July 2013. Mr AJ Payne was not a member of the Committee at this time as he was scheduled for re-election as a Director under the Company's Director rotation policy. Subsequent to being re-elected as a Director at the 2013 AGM Mr AJ Payne was reappointed to the Nomination Committee, and Mr DC Hall resigned from the Committee as he is due for re-election as a Director at the 2014 AGM.

DIRECTORS' REPORT (continued)

14. Remuneration Report (Audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements, including performance incentives, for the Directors themselves, the Chief Executive Officer, the Senior Investment Analyst and the Company Secretary. It is the Group's objective to provide maximum shareholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and Key Executives fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

Elements of Director and Executive remuneration

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel and other Key Executives of the Group is as follows:

- The remuneration policy is developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants.
- All Key Management Personnel and other Key Executives receive a base salary or fee, superannuation and performance incentives.
- Performance incentives are only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of shares are intended to align the interests of the Key Management Personnel and other Key Executives with those of the shareholders.
- The Remuneration Committee reviews the remuneration packages of Key Management Personnel and other Key Executives annually by reference to the Group's performance, Executive performance and comparable information from industry sectors.

The performance of Key Management Personnel and other Key Executives is measured against criteria as agreed with each Executive and is based predominantly on the growth of shareholder and portfolio returns. The Board may exercise discretion in relation to approving incentives and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

All remuneration paid to Key Management Personnel and other Key Executives is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

DIRECTORS' REPORT (continued)

Performance-based Remuneration

BKI has established a Short Term and a Long Term Incentive Scheme. The participants in this scheme are the CEO, Mr Thomas Millner, the Senior Investment Analyst (SIA), Mr William Culbert, and the Company Secretary, Mr Jaime Pinto. Mr Thomas Millner and Mr Jaime Pinto are classified as Key Management Personnel, whereas Mr William Culbert is classified as an Other Key Executive.

The aims of the BKI Incentive Scheme are:

1. To promote superior performance at BKI over both the short and, more importantly, long term.
2. To ensure remuneration is fair and reasonable market remuneration to reward staff.
3. To promote long term staff retention and alignment.

To achieve the objectives of BKI, the Incentive Scheme is required to include several components with separate measurement criteria.

Short Term Incentive

The Short Term Incentive is determined by reference to annual Total Portfolio Return; compared to the S&P ASX 300 Accumulation Index. BKI's Total Portfolio Returns are measured by the change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends.

The Short Term Incentive is paid by way of BKI shares purchased on market by the Company.

The value of the Short Term Incentive for the CEO is calculated as 15% of CEO Base Remuneration. The Short Term Incentive for the Company Secretary is set at 40% of the CEO Incentive. The value of the Short Term Incentive for the SIA is calculated as 10% of SIA Base Remuneration.

100% of the Short Term Incentive is initially based on the Total Portfolio Returns as follows:

BKI Total Portfolio Return Compared to S&P/ASX 300 Acc Index	% of Eligible Bonus
Less than Index	0%
Equal to Index	100%
Plus 1%	110%
Plus 2%	120%
Plus 3%	130%
Plus 4%	140%
Plus 5% or more	150%

The Short Term Incentive is subject to discretionary Board adjustment for the achievement of improved Management Expense Ratio and promotion of BKI.

The following table summarises performance for the year to 30 June 2014 against the Short Term Incentive measurement criteria:

1 Year BKI Total Portfolio Return	S&P/ASX 300 Acc Index over 1 Year	Over / (Under) Performance	% Entitlement to Eligible Bonus
11.8%	17.3%	(5.5)	nil

Given the above performance, the vesting criteria for the 2014 Financial Year Short Term Incentives were not satisfied, and the Company did not purchase shares on behalf of executives.

DIRECTORS' REPORT (continued)

Long Term Incentive

The Long Term Incentive is determined by reference to annual Total Shareholder Returns; compared to the S&P/ASX 300 Accumulation Index. Total Shareholder Returns are based on the change in BKI Share Price and include the reinvestment of dividends.

For the CEO, the Long Term Incentive is calculated on 25% of the Base Remuneration of the CEO. Incentives granted prior to 30 September 2011 will be awarded to the CEO after 3 years, provided that BKI's 3 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index over the same period. Should that test fail on the day it will be retested in Year 4 and Year 5 to reflect the longer term success of previous decisions. Incentives granted after 30 September 2011 will be awarded to the CEO after 4 years, provided that BKI's 4 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index over the same period. Should that test fail on the day it will be retested in Year 5.

For the Company Secretary, the Long Term Incentive is to be set at 40% of the CEO Long Term Incentive and subject to the same vesting conditions.

For the SIA, the Long Term Incentive is calculated on 15% of the Base Remuneration of the SIA, and subject to the same vesting conditions as the CEO Long Term Incentive.

The Long Term Incentive Scheme is to be paid by way of BKI shares purchased on market by the Company should the incentive targets be met. The Company has accrued as an expense the appropriate portion of these future costs in the 2014FY, and has included these costs in the disclosed remuneration of the CEO and Company Secretary.

The following table summarises the performance for the three year period to 30 June 2014 against the Long Term Incentive measurement criteria:

3 Year BKI Total Shareholder Return	S&P/ASX 300 Acc Index over 3 Years	Over / (Under) Performance	% Entitlement to Eligible Bonus
16.7%	9.9%	6.8%	100%

Based on the above performance, the vesting criteria for Long Term Incentives issued in the 2012 financial year were satisfied, and subsequent to 30 June 2014 the Company purchased on market 60,033 shares on behalf of executives.

Incentive Issue	Issue Date	Number of Rights Granted	Value of Initial Grant	Initial Vesting Date	Expiry Date	Number of Rights Vested/ Lapsed	Number of Rights Yet to Vest/ Lapse
T Millner 2012 LTI	1/07/2011	60,033	\$71,500	30/06/2014	30/06/2015	(60,033)	-
J Pinto 2012 LTI	13/12/2011	18,010	\$21,450	12/12/2015	11/12/2016	-	18,010
T Millner 2013 LTI	1/07/2012	64,230	\$74,250	30/06/2016	30/06/2017	-	64,230
J Pinto 2013 LTI	1/07/2012	25,692	\$29,700	30/06/2016	30/06/2017	-	25,692
T Millner 2014 LTI	1/07/2013	54,996	\$76,500	30/06/2017	30/06/2018	-	54,996
J Pinto 2014 LTI	1/07/2013	21,998	\$30,600	30/06/2017	30/06/2018	-	21,998
W Culbert 2014 LTI	1/12/2013	12,847	\$20,075	30/11/2017	30/11/2018	-	12,847

DIRECTORS' REPORT (continued)

Remuneration Details for the Year to 30 June 2014

The following disclosures detail the remuneration of the Directors and the highest remunerated Executives of the Group.

The names and positions held of group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
TCD Millner	Chief Executive Officer
JP Pinto	Company Secretary ¹

¹ Services provided under contract through Corporate & Administrative Services Pty Limited

Mr William Culbert was appointed as Senior Investment Analyst in December 2013. Mr Culbert is not considered to be a member of Key Management Personnel.

Details of the nature and amount of each Non-Executive Director's and Other Key Management Personnel's emoluments from the Parent and its controlled entities in respect of the year to 30 June were:

Directors:

	Primary	Superannuation	Total
	\$	\$	\$
2014			
RD Millner	59,598	5,513	65,111
DC Hall	46,246	4,278	50,524
AJ Payne	37,908	3,507	41,415
IT Huntley	37,908	3,507	41,415
Total	181,660	16,805	198,465
2013			
RD Millner	58,000	5,220	63,220
DC Hall	45,000	4,050	49,050
AJ Payne	37,000	3,330	40,330
IT Huntley	40,330	-	40,330
Total	180,330	12,600	192,930

The combined annual payment to all Non-Executive Directors is capped at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided among the Directors as they may determine.

DIRECTORS' REPORT (continued)

Other Key Management Personnel:

	Salary	Superannuation	Share based performance related remuneration		Total Remuneration	Proportion of Remuneration Performance Related
	\$	\$	STI	LTI	\$	
2014						
TCD Millner	288,225	17,775	-	101,051	407,051	24.8%
JP Pinto	-	-	-	24,169	24,169	100.0%
Total	288,225	17,775	-	125,220	431,220	
2013						
TCD Millner	285,030	16,470	45,900	65,313	412,713	26.9%
JP Pinto	-	-	18,360	12,787	31,147	100.0%
Total	285,030	16,470	64,260	78,100	443,860	

The value included in the preceding table for share based performance related remuneration (STI and LTI) is the portion of the estimated value of the performance rights allocated as an expense in each relevant reporting period. There were no retirement allowances provided for the retirement of Non-Executive Directors or Other Key Management Personnel.

Contract of Employment

Mr TCD Millner is employed by the Company under a contract of employment. This is an open ended contract with a notice period of one month required to terminate employment. Base Remuneration is currently \$306,000 per annum inclusive of superannuation.

Mr JP Pinto provides Company Secretarial services under contract through Corporate & Administrative Services Pty Limited. This is an open ended contract with a notice period of one month required to terminate.

15. Beneficial and Relevant Interest of Directors and Other Key Management Personnel in Shares

As at the date of this report, details of Directors and Other Key Management Personnel who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

	Number of Shares
RD Millner *	8,472,043
DC Hall	277,970
AJ Payne	286,194
IT Huntley	11,224,980
TCD Millner *	7,597,492
JP Pinto	38,340

* Common to RD Millner and TCD Millner are 7,231,771 shares (2013: 6,348,572) held in related companies and trusts in which both hold beneficial interests.

DIRECTORS' REPORT (continued)

16. Directors' and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by the Corporations Act.

During the year to 30 June 2014, the Group has paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities.

17. Proceedings on Behalf of the Group

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

18. Non-audit Services

No non-audit services were provided by and no fees for non-audit services were paid to the external auditor, Ruwald & Evans, during the year to 30 June 2014.

19. Auditor Rotation

In accordance with section 324DAA of the Corporations Act 2001 ("the Act") and the recommendation of the BKI Audit Committee, the Board of BKI has granted approval for Martin Boxce of Ruwald + Evans to play a significant role in the audit of BKI for an additional 2 successive financial years to 30 June 2015.

Approval is so granted as the BKI Board is satisfied that retaining Ruwald + Evans will maintain the quality of the audit provided to the company; and will not give rise to a conflict of interest situation (as defined in section 324CD of the Act). Reasons supporting this decision include:

- BKI will retain the right to reassess the appointment at any time;
- Ruwald + Evans has recently merged with another firm, resulting in an additional three independent registered auditors being available to undertake the audit of BKI;
- Ruwald + Evans does not provide any services to BKI other than audit services;
- The existing independence and service metrics put in place by Ruwald + Evans and BKI are sufficient to ensure that auditor independence will not be diminished by such an extension.

20. Auditor's Independence Declaration

The Auditor's Independence Declaration for the year to 30 June 2014 is on page 58.

This report is made in accordance with a resolution of the Directors.



Robert D Millner
Director
Sydney, 12 August 2014

CORPORATE GOVERNANCE

The Board of BKI Investment Company Limited (the Company) are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, during the reporting year the Company has followed the *Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition)* set by the ASX Corporate Governance Council. The Company intends to follow the *Corporate Governance Principles and Recommendations (3rd Edition)*, set by the ASX Corporate Governance Council, for the 2015FY.

This report summarises the Company's application of the 8 Corporate Governance Principles and Recommendations, together with an explanation of the Company's policy concerning trading in company securities.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions

The Board of Directors (hereinafter referred to as the Board) is responsible for the corporate governance of the Company and its controlled entities. The Directors of the Company are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Role of the Board

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans and financial plans
- ensuring regulatory compliance
- ensuring adequate risk management processes
- monitoring the Board composition, Director selection and Board processes and performance
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives
 - compliance with the Group's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Group's auditors
- appointment and contributing to the performance assessment of the Chief Executive Officer and external service providers
- enhancing and protecting the reputation of the Group
- reporting to shareholders.

Role of Senior Executives

The responsibilities of Senior Executives include:

- organisation and monitoring of the investment portfolio
- managing organisational performance and the achievement of the Group's strategic goals and objectives
- management of financial performance
- management of internal controls
- appointment, management and assessing the performance assessment of other Executives and staff

CORPORATE GOVERNANCE (continued)

Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives.

Performance of Senior Executives is measured against relative market indices and financial and strategic goals approved by the Board. Performance is measured on an ongoing basis using management reporting tools.

Principle 2 – Structure the Board to add value

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are Independent Directors
- Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience
- the Board seeks to ensure that:
 - at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective
 - the size of the Board is conducive to effective discussion and efficient decision making.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Directors' report under the heading "Directors".

Recommendation 2.1: A majority of the Board should be Independent Directors

Recommendation 2.2: The Chair should be an Independent Director

The Company has not followed recommendation 2.1 or recommendation 2.2 as the Board currently comprises two independent Non-Executive Directors and two Non-Executive Directors and the Chair is not an Independent Director.

Of the members of the Board, Mr Hall and Mr Huntley are considered independent. Mr Hall is defined as independent despite being a BKI director for over ten years. During this time Mr Hall has never been engaged in an executive capacity nor has he partaken in any management activities of the company, and his interaction with current BKI management has always been at a governance level. Mr Huntley is defined as independent as his shareholding in the Company at less than 5% of issued capital is not considered substantial.

Mr Millner although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Washington H. Soul Pattinson and Company Limited, which is a substantial shareholder of the Company.

Mr Payne although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Brickworks Limited, which is an associated entity of Washington H. Soul Pattinson and Company Limited, a substantial shareholder of the Company.

In relation to Director independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the Director's performance.

Recommendations 2.1 and 2.2 have not been followed because the Board believes that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. BKI Investment Company Limited listed on the Australian Stock exchange on 12 December 2003 to take over the investment portfolio of

CORPORATE GOVERNANCE (continued)

Brickworks Limited and given their long standing association with the BKI Portfolio the Board is satisfied that Mr Millner and Mr Payne play an important role in the continued success and performance of the Group.

In accordance with the Corporations Act 2001, any member of the Board who has an interest that could conflict with those of the Company must inform the Board. Where the Board considers that a significant conflict exists it may exercise discretion to determine whether the Director concerned may be present at any meeting while the item is considered.

Mr Millner and Mr Payne do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, however, for the reasons stated above they can be considered to be acting independently and in the best interest of the Group in the execution of their duties.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The roles of Chair and Chief Executive Officer are not occupied by the same individual.

Recommendation 2.4: The Board should establish a Nomination Committee

The Company established a Nomination Committee effective from 12 December 2003.

The Nomination Committee consists of Directors who are not up for re-election during the year. Below are the current members of the Committee, effective from the Company's 2013 Annual General Meeting.

RD Millner (Chairman)

AJ Payne

IT Huntley

The main responsibilities of the Committee are to:

- assess the membership of the Board having regard to present and future needs of the Group
- assess the independence of Directors to ensure the majority of the Board are Independent Directors
- propose candidates for Board vacancies, with consideration given to qualifications, experience, domicile, and diversity of background
- oversee Board succession
- evaluate Board performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and Individual Directors

The Board undertakes an annual self assessment of its collective performance. The self assessment:

- compares the performance of the Board with goals and objectives
- sets forth the goals and objectives of the Board for the upcoming year

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board Committee undertakes an annual self assessment on the performance of each Committee and achievement of Committee objectives.

The Chairman annually assesses the performance of individual Directors, and meets privately with each Director to discuss this assessment. The Chairman's performance is reviewed by the Board.

CORPORATE GOVERNANCE (continued)

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors, employees and external service providers. The Code is regularly reviewed to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

A signed Code has been received from the CEO, Mr TCD Millner, the Senior Investment Analyst, Mr W Culbert, and from Mr JP Pinto as a representative of Corporate & Administrative Services Pty Limited. No diversions from the Code were noted during the year.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. This includes taking into account:

- their legal obligations and the reasonable expectations of their stakeholders
- their responsibility and accountability for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them

The Company has established and disclosed on its website its Diversity Policy. The Company is committed to creating a workplace environment and culture that:

- Is free of discrimination
- Is conducive to attracting and retaining people from a broad experience base
- Rewards performance
- provides opportunities that allow individuals to reach their full potential irrespective of background or difference.
- Is understanding of each individual's personal circumstances

Recommendation 3.3: Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them

The Board of BKI is committed to appointing employees, Directors and other Officers based on merit, free from positive or negative bias on any ground including gender.

BKI currently has four Non-executive Directors, one Executive employee (the Chief Executive Officer), one employee (the Senior Investment Analyst) and two other Company Officers (Company Secretaries) appointed on a contract basis through Corporate & Administrative Services Pty Limited. This minimalist organisational structure, combined with low Director and Executive turnover, is a significant driver in the successful establishment of a business model that continues to deliver solid shareholder returns combined with low investment risk while maintaining a competitive cost structure.

Given the current organisation structure, the Board has determined that numerical gender targets are not appropriate short-term objectives for the Company. Rather, the most appropriate initial measurable objectives addressing gender diversity will be those that ensure BKI implements workplace policies and practices such that when new employees or Board members are required, the Company will recruit from a diverse pool of potential employees or Directors, all of whom have skill sets appropriate for the role in question.

CORPORATE GOVERNANCE (continued)

The following table outlines the measureable objectives the Company will initially focus on to achieve gender diversity.

Objective	Progress achieved to date
Develop and promote a Diversity Policy that promotes a corporate culture of diversity	Policy developed, displayed on corporate website, and distributed to appropriate stakeholders
Update recruitment documents, processes, and partners to ensure the company always appeals to, and targets, a diverse pool of potential employees	Performed review of existing recruitment documents and Nomination Committee policies and procedures
Update internal policies and procedures to reflect flexible work culture	Performed review of corporate leave policy.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board

Role	Female Total	Male Total	Female %	Male %
Director	Nil	4	0%	100%
Executive Employees	Nil	1	0%	100%
Other Employees	Nil	1	0%	100%
Other Officers (Contracted*)	1	1	50%	50%
Total Employees and Officers	1	7	12.5%	87.5%

* through Corporate & Administrative Services Pty Limited

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

The members of the Audit Committee at the date of this annual financial report are:

DC Hall (Chairman)

AJ Payne

IT Huntley

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

The Audit Committee consists only of Non-Executive Directors. The majority of members are independent.

CORPORATE GOVERNANCE (continued)

The Chairman of the Audit Committee is an independent, Non-Executive Director who is not Chairman of the Board. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the Audit Committee are all financially literate and have a strong understanding of the industry in which the Group operates.

Recommendation 4.3: The Audit Committee should have a formal charter

The main responsibilities of the Audit Committee as defined in the Audit Committee Charter are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Group or released to the market
- review the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Group where the auditor would have a mutual or conflicting interest with the Group; be in a position where they audit their own work; function as management of the Group; or have their independence impaired or perceived to be impaired in any way
- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the Committee's role and responsibilities

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Chairman and Company Secretary have been nominated as being the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Chairman and Chief Executive Officer are responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

CORPORATE GOVERNANCE (continued)

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Group.

Shareholders are updated with the Group's operations via monthly ASX announcements of the net tangible asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post. In addition, a copy of the Annual Report is distributed to all shareholders who elect to receive it, and is available on the Group's website.

The Board encourages participation by shareholders at the Annual General Meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Group's performance and goals.

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is committed to the identification and quantification of risk throughout the Group's operations.

Considerable importance is placed on maintaining a strong control environment. The Board has approved a Risk Management Policy governing the effective discharge of the responsibilities of the Board and Executives for the management of business, market, credit, operational liquidity and reputational risk. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board operates to minimise exposure to investment risk, in part, by implementing stringent processes and procedures to effectively manage investment risk.

Management of investment risk is fundamental to the business of the Group being an investor in Australian listed securities. An Investment Committee has been established to perform, among other roles, investment risk mitigation.

The Investment Committee consists of the following members:

RD Millner (Chairman)

AJ Payne

IT Huntley

TCD Millner

The main responsibilities of the Committee are to:

- assess the information and recommendations received from the Chief Executive Officer in his role as portfolio manager regarding the present and future investment needs of the Group
- assess the performance of the Chief Executive Officer in his role as portfolio manager
- evaluate investment performance.

CORPORATE GOVERNANCE (continued)

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and the administrative and company secretarial service provider, namely Mr TCD Millner and Mr JP Pinto of Corporate & Administrative Services Pty Ltd, have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Parent and consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Group's risk management and internal control is operating effectively and efficiently in all material respects in relation to financial reporting risks

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

The Group has established a Remuneration Committee consisting of the following members:

AJ Payne (Chairman)

DC Hall

RD Millner

IT Huntley

The Remuneration Committee oversees and reviews remuneration packages and other terms of employment for Executive Management. In undertaking their roles the Committee members consider reports from external remuneration experts on recent developments on remuneration and related matters.

Mr RD Millner abstains from any discussions and voting in relation to the remuneration of the CEO, Mr TCD Millner, in order to avoid any conflict of interest.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. Performance is measured against relative market indices.

Any person engaged in an executive capacity is required to sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities, and any entitlements on termination.

As well as a base salary, remuneration in such circumstances could be expected to include superannuation, performance-related bonuses and fringe benefits.

CORPORATE GOVERNANCE (continued)

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.

Fees for Non-Executive Directors reflect the demands on and responsibilities of our Directors. Non-Executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-Executive Directors do not receive any options, bonus payments nor are provided with retirement benefits other than statutory superannuation.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the Directors, or any interest associated with the Directors, to ensure the structure and terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

Trading Policy

ASX Listing Rule 12.9 requires that a Company must establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and release the policy to the market

The Company has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all Directors and employees.

BKI Limited's policy regarding allowable dealings by Directors, Officers and employees in BKI shares, options and other securities requires each person to:

- never engage in short term trading of the Company's securities;
- not deal in the Company's securities while in possession of price sensitive information;
- notify the Company Secretary of any material intended transactions involving the Company's securities; and
- restrict their buying and selling of the corporation's securities to the following Trading Windows:-
 - during the currency of a prospectus;
 - for a new issue while rights are being traded;
 - where shares are offered pursuant to an approved employee share scheme;
 - to 14 days after the release of the company's half yearly announcement;
 - to 14 days after the release of the company's annual results announcements;
 - to 14 days after the Annual General Meeting; and
 - to 14 days after release of an NTA announcement.

Any request to trade outside of the Trading Window must be made in writing to the Company Secretary, who will record the request in a register that contains all relevant details of such dealings and the current interests held by Directors. Any such requests will be subject to approval by the Chairman. No requests were made during the current year to trade outside of the Trading Window.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	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	4	(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	2013
		Cents	Cents
Basic and diluted Earnings Per Share before special dividend income	22	7.15	6.81
Basic and diluted Earnings Per Share after special dividend income	22	7.45	7.65

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'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.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Current Assets			
Cash and cash equivalents	6	40,960	36,230
Trade and other receivables	7	7,488	6,232
Trading portfolio	9	761	-
Prepayments		20	25
Current tax asset	8	-	138
Total Current Assets		49,229	42,625
Non-Current Assets			
Investment portfolio	9	804,162	634,123
Property, plant & equipment	10	11	4
Deferred tax assets	11	10,352	4,966
Total Non-Current Assets		814,525	639,093
Total Assets		863,754	681,718
Current Liabilities			
Trade and other payables	12	291	385
Current tax liabilities	13	230	-
Employee benefits	14	18	15
Total Current Liabilities		539	400
Non-Current Liabilities			
Deferred tax liabilities	15	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	16	599,124	484,198
Revaluation reserve	17	164,646	113,498
Realised capital gains reserve	18	(12,237)	(1,251)
Retained profits	19	39,913	35,587
Total Equity		791,446	632,032

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

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 on revaluation of investment portfolio	-	(28,619)	-	-	(28,619)
Net operating 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 on revaluation of investment portfolio	-	(21,921)	-	-	(21,921)
Net operating 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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,352)	(1,314)
Dividends and distributions received		36,862	32,607
Payments for trading portfolio stocks		(1,510)	(646)
Proceeds from sale of trading portfolio stocks		2,577	842
Interest received		1,743	1,284
Interest paid		(3)	-
Income tax paid		(499)	(1,026)
Net cash inflow from operating activities	19(a)	37,818	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	5(a)	(27,882)	(25,166)
Net cash inflow / (outflow) from financing activities		77,308	(6,220)
Net increase in cash held		4,730	11,234
Cash at the beginning of the year		36,230	24,996
Cash at the end of the year	6	40,960	36,230

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

NOTES TO THE 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 its controlled entities, with information relating to BKI Investment Company Limited as an individual parent entity, summarised in Note 28. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity

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.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity BKI Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (continued)

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BKI Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each entity in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

The Group has two portfolios of securities, the investment portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis and the trading portfolio comprises securities held for short term trading purposes.

Securities within the investment portfolio are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition. Securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss in accordance with AASB 9'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (continued)

c. Financial Instruments (continued)

Valuation of investment portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously. Movements in carrying values of securities are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Valuation of trading portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously.

Movements in carrying values of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

d. Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including annual leave, expected to be settled within 12 months of balance date are recognised as current provisions in respect of employees' services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

In calculating the value of long service leave, 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 balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share incentives

Share incentives are provided under the Short and Long Term Incentive Plans.

The Short Term Incentive Plan is settled in shares, but based on a cash amount. A provision for the amount payable under the Short Term Incentive plan is recognised on the Balance Sheet.

For the Long Term Incentive Plan, the incentives are based on the performance of the Group over a minimum three year period. The incentives are settled in shares (but based on a cash amount). Expenses are recognised over the assessment period based on the amount expected to be payable under this plan, resulting in a provision for incentive payable being built up on the balance sheet over the assessment period.

In the event that the executive does not complete the period of service, the cumulative expense is reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (continued)

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

f. Revenue

Sale of investments occurs when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

g. Plant and Equipment

Plant and equipment represents the costs of furniture and computer equipment and is depreciated over its useful life, a period of between 3 and 5 years.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

j. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where a retrospective restatement of items in the statement of financial position has occurred, presentation of the statement as at the beginning of the earliest comparative period has been included.

k. Rounding of Amounts

The parent has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (continued)

I. Critical Accounting Estimates and Judgments

Deferred Tax Balances

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Group's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 15. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

m. Australian Accounting Standards not yet effective

The Group has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2014 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Group only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'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/(loss) 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 Expenditure	1,251	1,156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
\$'000	\$'000

4. Tax Expense

The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

(a) Operating profit before income tax expense and net gains on investment portfolio

38,735	34,500
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Tax calculated at 30% (2013: 30%)

11,621	10,350
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Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

- Franked dividends and distributions received
- Accounting distributions not taxable
- Costs associated with acquisition of subsidiary
- Under provision in prior year

(10,287)	(9,542)
(91)	-
23	-
30	80

Net tax expense on operating profit before net gains on investments

1,296	888
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Net realised (losses) on investment portfolio

(15,694)	(2,537)
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Tax calculated at 30% (2013: 30%)

(4,708)	(761)
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Tax effect of:

- difference between accounting and tax cost bases for capital gains purposes

-	-
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Total Tax expense

(3,412)	127
---------	-----

(b) The components of tax expense comprise:

Current tax

1,122	712
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Deferred tax

(4,564)	(665)
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Under provision in prior year

30	80
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(3,412)	127
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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5. 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

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

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

(b) Dividends declared after balance date

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2014 of 3.50 cents per share fully franked at the tax rate of 30% (2013: final ordinary dividend of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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6. Cash and Cash Equivalents

Cash at bank	460	1,230
Short term bank deposits	40,500	35,000
	40,960	36,230

7. Trade and Other Receivables

Dividends and distributions receivable	6,901	5,839
Interest receivable	458	391
Other receivable	129	2
	7,488	6,232

8. Current Tax Assets

Income tax refundable	-	138
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9. Financial Assets - Investment Portfolio

Trading Portfolio - Current

Listed securities at fair value held for trading	761	-
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Investment Portfolio - Non-Current

Listed securities at fair value available for sale	804,162	634,123
Total Investment Portfolio	804,923	634,123

10. Property, plant and equipment

Office equipment, furniture & fittings at cost	29	19
Accumulated depreciation	(18)	(15)
Total	11	4

Reconciliation of the carrying amounts of each class of asset at the beginning and end of the financial year:

Office equipment, furniture & fittings at cost

Carrying value at 1 July	4	5
Additions	10	-
Depreciation expense	(3)	(1)
Carrying value at 30 June	11	4

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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11. Deferred Tax Assets

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	499	62
Accrued expenses	56	87
Tax losses	9,797	4,817
	10,352	4,966

Movements in deferred tax assets

	Opening Balance \$'000	Credited/ (Charged) to Statement of Comprehensive Income \$'000	Credited/ (Charged) to Equity \$'000	Closing Balance \$'000
Transaction costs on equity issues	49	13	-	62
Accrued expenses	57	30	-	87
Tax losses	4,094	723	-	4,817
Balance as at 30 June 2013	4,200	766	-	4,966
Transaction costs on equity issues	62	(137)	574	499
Accrued expenses	87	(31)	-	56
Tax losses	4,817	4,980	-	9,797
Balance as at 30 June 2014	4,966	4,812	574	10,352

	2014 \$'000	2013 \$'000
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12. Trade and Other Payables

Current Liabilities

Creditors and accruals	291	385
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13. Current Tax Liabilities

Provision for income tax	230	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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14. Employee Benefits

Aggregate employee benefits	18	15
Analysis of provisions:		
Current	18	15
	18	15

15. Deferred Tax Liabilities

The deferred tax liability balance comprises the following timing differences:

Revaluation of investments held	71,196	48,961
Non rebateable dividends receivable and interest receivable	573	325
	71,769	49,286

Movements in deferred tax liabilities

	Opening Balance \$'000	(Credited)/ Charged to Statement of Comprehensive Income \$'000	(Credited)/ Charged to Equity \$'000	Closing Balance \$'000
Revaluation of investment portfolio	20,372	-	28,589	48,961
Unfranked dividends receivable and interest receivable	224	101	-	325
Balance as at 30 June 2013	20,596	101	28,589	49,286
Revaluation of investment portfolio	48,961	-	22,235	71,196
Unfranked dividends receivable and interest receivable	325	248	-	573
Balance as at 30 June 2014	49,286	248	22,235	71,769

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2014
\$'000

2013
\$'000

16. Share Capital

(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 Shares	\$'000	Number of Shares	\$'000
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	-	-
- acquisition of controlled entity	2,433,765	3,931	-	-
Gross funds raised during year		116,267		24,256
- less net transaction costs		(1,341)		(138)
End of the financial year	524,240,486	599,124	446,139,639	484,198

The Parent does not have an authorised share capital and the ordinary shares on issue have no par value.

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Capital Management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying higher dividends and providing attractive total returns over the medium to long term.

The Group recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Group's capital consists of shareholders equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2014 net debt was \$Nil (2013: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
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17. Revaluation Reserve

The Revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio.

Balance at the beginning of the year	113,498	46,721
Revaluation of investment portfolio	51,148	66,777
Balance at the end of the year	164,646	113,498

18. Realised Capital Gains Reserve

The realised capital gains reserve records net gains and losses after applicable taxation arising from the disposal of securities in the investment portfolio.

Balance at the beginning of the year	(1,251)	525
Net (losses) on investment portfolio transferred from Statement of Comprehensive Income	(10,986)	(1,776)
Balance at the end of the year	(12,237)	(1,251)

19. Retained Profits

Retained profits at the beginning of the year	35,587	32,313
Net profit attributable to members of the company	37,439	33,612
Dividends provided for or paid	(33,113)	(30,338)
Retained profits at the end of the year	39,913	35,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
20. Reconciliation of Cash Flow		
(a) Reconciliation of cash flow from operating activities to operating profit		
Net Profit from ordinary activities	37,439	33,612
Non cash items:		
- expenses associated with acquisition of subsidiary	75	-
- depreciation expense	3	1
- unrealised loss on trading investments	2	-
Change in assets and liabilities, net of effects from consolidation of subsidiary:		
(Increase) / decrease in trade and other receivables	(1,246)	(1,564)
(Increase) / decrease in held for trading investments	834	-
(Increase) / decrease in prepayments	5	-
(Increase) / decrease in current tax assets	138	(138)
(Increase) / decrease in deferred tax assets	168	(5)
(Decrease) increase in payables	(94)	(162)
(Decrease) increase in provisions	3	(2)
(Decrease) increase in current tax liabilities	230	(96)
(Decrease) increase in deferred tax liabilities	261	101
Net cash inflow from operating activities	37,818	31,747

(b) Non-cash financing and investing activities

(i) Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$5,231,000 (2013: \$5,171,000) of dividends were paid via the issue of 3,828,600 shares (2013: 4,652,940).

(ii) Acquisition of controlled entity

During the year the Company Group acquired shares in an unlisted investment company via the issue of 2,433,765 new shares in BKI (refer below).

(c) 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.

21. Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

Auditing the financial report of the Parent and the controlled entities	24	22
	24	22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
--	----------------	----------------

22. Earnings per Share

Net Operating Profit	37,439	33,612
Earnings used in calculating basic and diluted earnings per share before special dividend income	35,940	29,982
Earnings used in calculating basic and diluted earnings per share after special dividend income	37,439	33,612
	2014 No. ('000)	2013 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 before special dividend income (cents)	7.15	6.81
Basic and diluted earnings per share after special dividend income (cents)	7.45	7.65

23. Key Management Personnel Remuneration

The names and positions held of Group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
TCD Millner	Chief Executive Officer
JP Pinto	Company Secretary ¹

¹ Services provided under contract through Corporate & Administrative Services Pty Limited

Mr William Culbert was appointed as Senior Investment Analyst in December 2013. Mr Culbert is not considered to be a member of Key Management Personnel.

Details of the nature and amount of each Non-Executive Director's and Other Key Management Personnel's emoluments from the Group in respect of the year to 30 June 2014 have been included in the Remuneration Report section of the Directors' Report.

The combined annual payment to all Non-Executive Directors is capped at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as the Board may determine. These fees exclude any additional fee for any service based agreement which may be agreed from time to time and the reimbursement of out of pocket expenses. No such payments were made in 2014FY (2013: nil).

24. Superannuation Commitments

The Group contributes superannuation payments on behalf of Directors and employees in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and employees and are independent of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25. Related Party Transactions

Related parties of the Group fall into the following categories:

(i) Controlled Entities

At 30 June 2014, subsidiaries of the Parent were:

	Country of incorporation	Percentage Owned (%)	
		2014	2013
Brickworks Securities Pty Limited	Australia	100	100
Huntley Investment Company Pty Limited	Australia	100	100
R Love Investments Pty Limited	Australia	100	nil
Pacific Strategic Investments Pty Limited	Australia	100	100

Transactions between the Parent and controlled entities consist of transfers of investment holdings from subsidiaries to the parent entity. In addition, there are loan balances due from the Parent to controlled entities. No interest is charged on the loan balance by the controlled entities and no repayment period is fixed for the loan.

(ii) Directors/Officers Related Entities

Persons who were Directors/Officers of BKI Investment Company Limited for the year ended 30 June 2014 were:

Directors: RD Millner
DC Hall
AJ Payne
IT Huntley

Chief Executive Officer: TCD Millner

Company Secretary: JP Pinto¹

¹ Services provided under contract through Corporate & Administrative Services Pty Limited

During the period the company conducted a non-renounceable entitlement offer, which was partially underwritten by three of BKI's directors. This underwriting facility was not called upon.

In September 2013 the Company entered into a short term revolving loan agreement with Washington H. Soul Pattinson and Company Limited, a major shareholder in BKI. The facility was established to allow more efficient use of the funds raised in placement completed by the Company in September 2013. The terms and conditions of the facility were as follows;

- Facility Limit: \$10,000,000
- Interest: 5.0% per annum compounded daily
- Term: 14 days

The first draw-down on the facility was on 9 September 2013 and repayment was made in full on 12 September 2013. Total interest paid on the facility was \$2,891.

Corporate & Administrative Services Pty Limited

The Group has appointed Corporate & Administrative Services Pty Limited (CAS), an entity in which Mr RD Millner and Mr TCD Millner have an indirect interest, to provide the Group with administration, company secretarial services and preparation of all financial accounts.

Fees paid to CAS for services provided to the Parent and controlled entities for the year to 30 June 2014 were \$122,100 (2013: \$122,100, including GST) and are at standard market rates.

No administration fees were owed by the Group to CAS as at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(iii) Transactions in securities

(b) Share and Option Holdings

Aggregate number of listed securities of the Company held by Key Management Personnel (KMP) or their related entities:

Shares

2014	Balance at 1/07/13	Granted as compensation	Net Change Other	Balance at 30/6/14	Net Movements Post Balance Date	Balance at date of Annual Report
RD Millner ¹	7,364,206	-	803,453	8,167,659	304,384	8,472,043
DC Hall	252,101	-	16,805	268,906	9,064	277,970
AJ Payne	259,810	-	17,320	277,130	9,064	286,194
IT Huntley	11,063,445	-	161,535	11,224,980	-	11,224,980
TCD Millner ¹	6,431,309	92,415	712,370	7,236,094	361,398	7,597,492
JP Pinto	15,813	13,198	3,285	32,296	6,044	38,340
Total	25,386,684	105,613	1,714,768	27,207,065	689,954	27,897,019

2013	Balance at 1/07/12	Granted as compensation	Net Change Other	Balance at 30/6/13	Net Movements Post Balance Date	Balance at date of Annual Report
RD Millner ¹	7,258,659	-	105,547	7,364,206	83,148	7,447,354
DC Hall	240,473	-	11,628	252,101	-	252,101
AJ Payne	226,665	-	33,145	259,810	-	259,810
IT Huntley	11,063,445	-	-	11,063,445	-	11,063,445
TCD Millner ¹	6,324,698	50,099	56,512	6,431,309	175,563	6,606,872
JP Pinto ³	-	15,029	784	15,813	13,198	29,011
Total	25,113,940	65,128	207,616	25,386,684	271,909	25,658,593

Common to RD Millner and TCD Millner are the following shares held in related companies and trusts in which both hold beneficial interests:

- 6,954,579 (2013: 6,265,424) as at 30 June 2014.
- 7,231,771 (2013: 6,348,572) as at date of Annual Report

Directors acquired shares through the Dividend Reinvestment Plan, the 2012 Share Purchase Plan, the 2013 Entitlement Offer, the 2014 Share Purchase Plan or on-market purchase.

There have been no other changes to Directors' shareholdings during the years ended 30 June 2013 or 30 June 2014.

Other Key Management Personnel acquired shares through the Dividend Reinvestment Plan, the 2012 Share Purchase Plan, the 2013 Entitlement Offer, the 2014 Share Purchase Plan, on-market purchase, or purchases by the company on behalf of the KMP in satisfaction of vested performance rights.

All Key Management Personnel or their associated entities, being shareholders, are entitled to receive dividends.

26. Financial Reporting by Segments

The Group operates solely in the securities industry in Australia and has no reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

27. Management of Financial Risk

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Board has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit Committee.

a. Financial instruments' terms, conditions and accounting policies

The Group's accounting policies are included in note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument

b. Net fair values

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in note 1 to the accounts.

c. Credit risk

The risk that a financial loss will occur because counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Group's financial assets, excluding investments, is the carrying amount of those assets. The Group's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

The spread of cash and bank bills between banks is reviewed monthly by the Board to determine if it is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

d. Market risk

Market risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Group is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The market value of the portfolio changes continuously because the market value of individual companies within the portfolio fluctuates throughout the day. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 93% (2013: 93%) of total assets.

As at 30 June 2014, a 5% movement in the market value of the BKI portfolio would result in:

- A 5% movement in the net assets of BKI before provision for tax on unrealised capital gains (2013: 5%); and
- A movement of 7.7 cents per share in the net asset backing before provision for tax on unrealised capital gains (2013: 7.1 cents).

The performance of the companies within the portfolio, both individually and as a whole, is monitored by the Investment Committee and the Board.

BKI seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one particular sector of the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

At 30 June 2014, the spread of investments is in the following sectors:

Sector	Percentage of total investment		Amount	
	2014 %	2013 %	2014 \$'000	2013 \$'000
Financials	41.96	39.56	358,104	267,688
Consumer Staples	9.27	11.49	79,087	77,762
Energy	7.14	10.29	60,888	69,636
Materials	7.19	7.64	61,330	51,663
Telecommunications Services	8.19	7.47	69,889	50,524
Industrials	8.16	6.83	69,647	46,227
Consumer Discretionary	3.76	4.89	32,076	33,111
Utilities	5.56	3.81	47,443	25,806
Health Care	2.80	1.34	23,865	9,041
Property Trusts	0.30	0.39	2,594	2,665
Total Investments	94.32	93.72	804,923	634,123
Cash and dividends receivable	5.68	6.28	48,447	42,462
Total Portfolio	100.00	100.00	853,370	676,585

Securities representing over 5% of the investment portfolio at 30 June 2014 were:

Company	Percentage of total investment		Amount	
	2014 %	2013 %	2014 \$'000	2013 \$'000
Commonwealth Bank of Australia	9.5	9.7	81,398	65,824
National Australia Bank Limited	8.9	9.5	76,050	64,066
Westpac Banking Corporation	8.1	7.4	68,880	50,159
BHP Billiton Limited	6.0	6.3	51,303	42,932
Telstra Corporation Limited	5.3	5.2	45,535	35,010
	37.9	38.1	323,166	257,991

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

e. Interest Rate Risk

The Group is not materially exposed to interest rate risk as all its cash investments, excluding cash in operating bank accounts, are short term (up to 1 year) for a fixed rate.

During the year the Group entered into a short term revolving facility (refer Note 25). Given the facility was fixed rate in nature, any movement in market interest rates would not have affected the value of the underlying financial liability nor would it have affected the Group's operating result. This facility was closed with no liability existing as at 30 June 2014.

f. Foreign Currency Risk

The Group is not exposed to foreign currency risk as all investments are quoted in Australian dollars. The fair value of the Group's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

g. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations as they fall due.

The Group has a zero level of gearing, and sufficient cash reserves to meet operating cash requirements at current levels for more than 5 years.

The Group's other major cash outflows are the purchase of securities and dividends paid to shareholders and the level of both of these is fully controllable by the Board.

Furthermore, the majority of the assets of the Group are in the form of readily tradeable securities which can be sold on-market if necessary.

h. Capital risk management

The Group invests its equity in a diversified portfolio of assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital is increased annually through the issue of shares under the Dividend Reinvestment Plan. Other means of increasing capital include Rights Issues, Share Placements and Share Purchase Plans.

28. Parent Company Information

	2014 \$'000	2013 \$'000
Current assets	49,149	42,624
Non-current assets	1,013,789	836,469
Total assets	1,062,938	879,093
Current liabilities	429	320
Non-current liabilities	279,028	254,789
Total liabilities	279,457	255,109
Issued capital	599,124	484,198
Reserves	184,289	139,787
Total shareholders' equity	783,413	623,985
Net Operating Profit	37,452	33,612
Total Other Comprehensive Income	40,163	65,001

The parent company has no contingent liabilities as at 30 June 2014.

29. Capital and Leasing Commitments

The Group has no capital and leasing commitments as at 30 June 2014.

30. Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2014.

31. Authorisation

The financial report was authorised for issue on 12 August 2014 by the Board of Directors.

DIRECTORS' DECLARATION

The Directors of BKI Investment Company Limited declare that:

1. the financial statements and notes, as set out on pages 30 to 54, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations; and
 - b. comply with International Financial Reporting Standards, as stated in note 1 to the financial statements
 - c. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert D Millner
Director

Sydney
12 August 2014

INDEPENDENT AUDITOR'S REPORT



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.

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75 CELEBRATING
YEARS
1939 - 2012



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INDEPENDENT AUDITOR'S REPORT



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

Marlin Bocxe

Marlin Bocxe
Partner

Level 1, 276 Pitt Street, SYDNEY NSW 2000

12 August 2014

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AUDITOR'S INDEPENDENCE DECLARATION



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

[Signature]
Martin Bocxe
Partner
Level 1, 276 Pitt Street
SYDNEY NSW 2000

12 August, 2014

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75 YEARS
1937 - 2012



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ASX ADDITIONAL INFORMATION

1) Equity Holders

At 31 July 2014 there were 13,139 holders of ordinary shares in the capital of the Parent. These holders were distributed as follow:

No. of Shares held	No. of Shareholders
1 – 1,000	887
1,001 – 5,000	1,904
5,001 – 10,000	1,926
10,001 – 100,000	7,645
100,001 and over	777
Total	13,139

Holding less than a marketable parcel of 295 shares **531**

The 20 largest holdings of the Parent's share as at 31 July 2014 are listed below:

Name	Shares Held	%
Washington H Soul Pattinson and Company Limited	61,740,641	11.78
Huntley Group Investments Pty Ltd <Huntley Group Investments AC>	8,523,274	1.63
J S Millner Holdings Pty Limited	4,940,171	0.94
UBS Wealth Management Austalia Nominees Pty Ltd	3,203,110	0.61
I R McDonald Pty Limited	3,000,000	0.57
Nulis Nominees (Australia) Limited	2,208,637	0.42
Navigator Australia Ltd	1,994,517	0.38
Huntley Group Investments Pty Ltd <Ian Huntley Super Fund A/C>	1,630,711	0.31
Farjoy Pty Limited	1,441,736	0.28
Trevin Ronald Love	1,352,092	0.26
T N Phillips Investments Pty Limited	1,298,065	0.25
Lunicash Super Pty Ltd	1,250,000	0.24
T G Millner Holdings Pty Limited	1,242,741	0.24
K C Perks Investments Pty Ltd	1,233,752	0.24
Milton Corporation limited	1,223,866	0.23
Donald Cant Pty Limited	1,119,294	0.21
The Miller Foundation Ltd	1,100,000	0.21
Mr Timothy Frank Robertson	1,088,400	0.21
Joyleen Morris Montgomery	1,081,673	0.21
One 478 Pty Ltd	1,080,225	0.21

ASX ADDITIONAL INFORMATION

Votes of Members

Article 5.12 of the Company's Constitution provides

- a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:
 - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
 - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited on that Share).

2) Substantial Shareholders

As at 31 July 2014 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is:

Substantial Shareholders	Shares Held	%
Washington H Soul Pattinson & Company Limited ¹	61,740,641	11.87%
Brickworks Limited ²	61,740,641	11.87%

¹ Details included on substantial shareholder notice dated 18 November 2013 lodged by Brickworks Limited

² Details included on substantial shareholder notice dated 18 November 2013. Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H Soul Pattinson & Company Limited.

3) Other Information:

- There is no current on-market buy-back in place.
- There were 226 (2013: 34) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$497,746 (2013: \$84,438)

4) Management Expense Ratio:

The Management Expense Ratio ("MER") is the total expenses of the Group for the financial year, as shown in the income statement, expressed as a percentage of the average total assets of the Group for the financial year.

30/06/04	30/06/05	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10	30/06/11	30/06/12	30/06/13	30/06/14
0.69%	0.71%	0.56%	0.46%	0.46%	0.31%	0.19%	0.18%	0.18%	0.19%	0.17%



ABN: 23 106 719 868
Level 2, 160 Pitt Street Mall Sydney NSW 2000
Ph. (02) 9210 7000 Fax. 9210 7999

NOTICE OF 2014 ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of BKI Investment Company Limited ("**BKI**", "**the Company**") is to be held at The Austral Bricks Design Studio, 50 Carrington Street, Sydney, NSW 2000 on Tuesday 14 October 2014 at 11.00am.

1. Annual Report

To receive and consider the Annual Financial Report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2014.

2. Remuneration Report

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

"THAT the Remuneration Report for the year ended 30 June 2014 be adopted."

Note: Pursuant to section 250R(3) of the Corporations Act the vote on this resolution is advisory only and does not bind the Directors or the Company except in the circumstances described in Division 9 of Part 2G.2 of the Corporations Act. The Voting Exclusion Statement for this Resolution 2 is set out in the Explanatory Notes.

3. Re-Election of Directors

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT Mr DC Hall, who ceases to hold office in accordance with the Company's Constitution Rule 6.3(c) and, being eligible, offers himself for re-election, be elected as a director of the Company."

4. Appointment of MGI as Auditor

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT, subject to the Australian Securities and Investments Commission providing its consent to the resignation of Ruwald + Evans as the auditor of the Company, MGI Sydney Assurance Services Pty Limited being qualified to act as auditor of the Company and having consented to act as auditor of the Company, be appointed as the Company's auditor effective from the date on which the resignation of Ruwald + Evans takes effect."

5. Other Matters

To consider any other matters that may be brought before the meeting in conformity with the Company's Constitution.

By order of the Board

A handwritten signature in black ink, appearing to read 'Jaime Pinto', written over a horizontal line.

Jaime Pinto
Company Secretary



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INFORMATION TO SHAREHOLDERS

Voting at the meeting

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Standard Time on Sunday 12 October 2014 will be taken, for the purpose of the meeting, to be held by the persons who held them at the time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Appointing proxies

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. Where the Chairman is appointed proxy, unless he is restricted from voting on a resolution, he will vote in accordance with the shareholder's directions as specified on the Proxy Form or, in the absence of a direction, in favour of the resolutions contained in the Notice of Meeting.

A shareholder that is entitled to cast two or more votes may appoint no more than two proxies. Where a shareholder wishes to appoint two proxies, an additional Proxy Form may be obtained by contacting the Company's Share Registry.

A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify the percentage of voting rights that each proxy may exercise, the rights are deemed to be 50% each.

Body corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at the meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

Voting by Proxy

Under the Corporations Act, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:

- the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
- if the proxy has two or more appointments that specify different ways to vote on the resolutions, the proxy must not vote on a show of hands;
- if the proxy is not the Chairman of the Meeting, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions); and
- if the proxy is the Chairman of the Meeting, the proxy must vote on a poll and must vote as directed.



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INFORMATION TO SHAREHOLDERS

Voting by Proxy (continued)

In addition, there are some circumstances where the Chairman of the Meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman of the Meeting as their proxy. This will be the case where the appointment of proxy specifies the way the proxy is to vote on a particular resolution, the appointed proxy is not the chair of the meeting, and a poll is called on the resolution, and either of the following applies:

- the proxy is not recorded as attending the meeting; or
- the proxy attends the meeting but does not vote on the resolution

Lodging your Proxy Form

A personalised Proxy Form accompanies this Notice of Meeting. To be valid, your Proxy Form must be received at the Company's Share Registry by one of the means outlined below by no later than

11:00am, 12 October 2014 (**Proxy Deadline**):

- by mail to: PO Box 1156, Nedlands WA 6909
- in person: 110 Stirling Highway, Nedlands WA 6009
- by facsimile to: 61 (0) 8 9262 3723
- online at: www.advancedshare.com.au

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Company's Share Registry before the Proxy Deadline, unless this document has previously been lodged with the Company's Share Registry for notation.



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2014 ANNUAL GENERAL MEETING EXPLANATORY NOTES

These Explanatory Notes have been prepared for the information of shareholders in connection with the business to be conducted at, and form part of the Notice of Meeting for, the Annual General Meeting of the Company to be held at The Austral Bricks Design Studio, 50 Carrington Street, Sydney, NSW 2000 on Tuesday 14 October 2014 at 11.00am.

Item 1. - Receive and consider the financial and other reports

This item does not require voting by shareholders. It is intended to provide an opportunity for shareholders as a whole to raise questions on the reports themselves and on the performance and management of the Company.

The Auditors of the Company will be present at the meeting and will be available to answer any questions.

Item 2. - Adopt the Remuneration Report for the year ended 30 June 2014 (ordinary resolution)

The Directors' Report contains within it, a separate and clearly identified section which contains the Remuneration Report. Please refer to the 2014 Annual Report for further details.

The vote on this resolution will be advisory only and does not bind the Directors or the Company except in the circumstances described in Division 9 of Part 2G.2 of the Corporations Act. The vote will, however, be taken into consideration in determining future remuneration policy for Directors and executives. Shareholders will also be given a reasonable opportunity, as a whole, to ask questions about, and make comments on, the Remuneration Report.

The Board recommends that shareholders vote in favour of this resolution.

As a result of amendments to the Corporations Act known generally as the "two strikes rule", shareholders should note that the result of the vote on this resolution may affect next year's annual general meeting. If 25% or more of the votes cast on this resolution are "against" the resolution at both the 2014 and 2015 annual general meeting of the Company, then a further resolution on whether to hold a meeting to spill the Board would need to be considered at the 2015 annual general meeting.

VOTING EXCLUSION STATEMENT

A vote must not be cast (in any capacity) on Resolution 2 by or on behalf of a member of the Company's key management personnel, whose remuneration details are included in the Remuneration Report (KMP), or a KMP's closely related party. A "closely related party" includes a spouse, dependant and certain other close family members of a KMP, as well as any companies controlled by a KMP.

However, a vote may be cast on Resolution 2 by a KMP as a proxy, or a KMP's closely related party as a proxy, if the vote is not cast on behalf of a KMP or a closely related party and:

- (a) the proxy appointment is in writing and specifies how the proxy is to vote on Resolution 2; or
- (b) the proxy is the chair of the meeting, and:
 - (i) the appointment does not specify the way the proxy is to vote on the resolution; and
 - (ii) the appointment expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of the Company's KMPs.

If you appoint the Chairman of the Meeting as your proxy, and you do not direct your proxy how to vote on Resolution 2 on the Proxy Form, you will be expressly authorising the Chairman of the Meeting to exercise your proxy even if resolution 2 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.



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2014 ANNUAL GENERAL MEETING EXPLANATORY NOTES

Item 3. - Re-election of a Director (ordinary resolution)

David Capp Hall, AM, FCA, FAICD – Independent Non-Executive Director

A Non-executive Director since October 2003, and Chair of the Audit Committee since this time, Mr Hall is a Chartered Accountant with experience in corporate management, finance and as a Company Director, holding Directorships in other companies for more than 30 years.

Special Responsibilities:

- Chairman of the Audit Committee
- Member of the Remuneration Committee

If re-elected, Mr Hall will continue as a Director and be subject to retirement by rotation under BKI's constitution.

Recommendation

The Board, other than Mr Hall, unanimously recommends that shareholders vote in favour of the election of Mr Hall.

Item 4. Appointment of MGI as Auditor (ordinary resolution)

Prior to the commencement of the 2014FY audit, and in accordance with section 324DAA of the Corporations Act 2001 ("the Act") the Board of BKI granted approval for Martin Boxce of Ruwald + Evans to play a significant role in the audit of BKI for an additional 2 successive financial years to 30 June 2015.

Approval was so granted as the BKI Board is satisfied that retaining Ruwald + Evans will maintain the quality of the audit provided to the Company; and will not give rise to a conflict of interest situation (as defined in section 324CD of the Act).

Subsequent to this, Ruwald + Evans announced that they have amalgamated with MGI Sydney Chartered Accountants ("MGI").

BKI has run comprehensive tender process with a number of audit firms, and the BKI Board believes it is in the best interest of BKI to appoint MGI as auditor of the Company. Mr Boxce's continued involvement in the audit will allow for comprehensive knowledge transfer and provide the efficiencies of continuity, while BKI will also benefit from the additional resources of the larger amalgamated audit firm.

The Directors propose that MGI Sydney Assurance Services Pty Limited be appointed as the Company's auditor with effect from the date on which the resignation of Ruwald + Evans as auditor takes effect. The written nomination by a shareholder of MGI Sydney Assurance Services Pty Limited as auditor of the Company is provided to shareholders in Annexure A to this Notice. MGI Sydney Assurance Services Pty Limited has given their written consent to act as the Company's auditor in accordance with Section 328A(1) of the Corporations Act. If Resolution 5 is passed the appointment of MGI Sydney Assurance Services Pty Limited as the Company's auditor will take effect from the date on which the resignation of Ruwald + Evans takes effect (subject to ASIC consenting to the resignation of Ruwald + Evans).

Recommendation

The Board unanimously recommends that shareholders vote in favour of this resolution.



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2014 ANNUAL GENERAL MEETING EXPLANATORY NOTES

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

In accordance with the Corporations Act 2001, a reasonable opportunity will be given to shareholders, as a whole, to ask questions about or make comments on the management of the Company at the meeting.

Similarly, a reasonable opportunity will be given to shareholders, as a whole, to ask the Company's external Auditor questions relevant to:

- (i) the conduct of the audit; and
- (ii) the preparation and content of the Auditor's Report; and
- (iii) the accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and
- (iv) the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the Auditor if the question is relevant to:

- (a) the content of the Auditor's Report to be considered at the AGM; or
- (b) the conduct of the audit of the Annual Financial Report to be considered at the AGM.

Relevant written questions to the Auditor must be received by no later than 5.00pm (Sydney time) on Tuesday 7 October 2014. A list of those relevant written questions will be made available to shareholders attending the AGM.

If written answers are tabled at the AGM, they will be made available to shareholders as soon as practicable after the AGM.

Please send any written questions for the Auditor to:

BKI Investment Company Limited
Level 2, 160 Pitt Street Mall
Sydney NSW 2000

or by facsimile to +61 (2) 9210-7099
by no later than 5.00pm Sydney Time on Tuesday 7 October 2014.

20 August 2014

Mr Jaime Pinto
Company Secretary
BKI Investment Company Limited
Level 2, 160 Pitt Street
SYDNEY NSW 2000

Dear Mr Pinto

Notice of Nomination of Auditor

I, Thomas Millner, being a member of BKI Investment Company Limited (the Company), hereby nominate MGI Sydney Assurance Services Pty Limited for appointment as the Company's auditor at the next Annual General Meeting, which I understand is to be held on 14 October 2014.

A handwritten signature in black ink, appearing to read 'Tom', with a stylized flourish at the end.

Yours sincerely
Thomas Millner

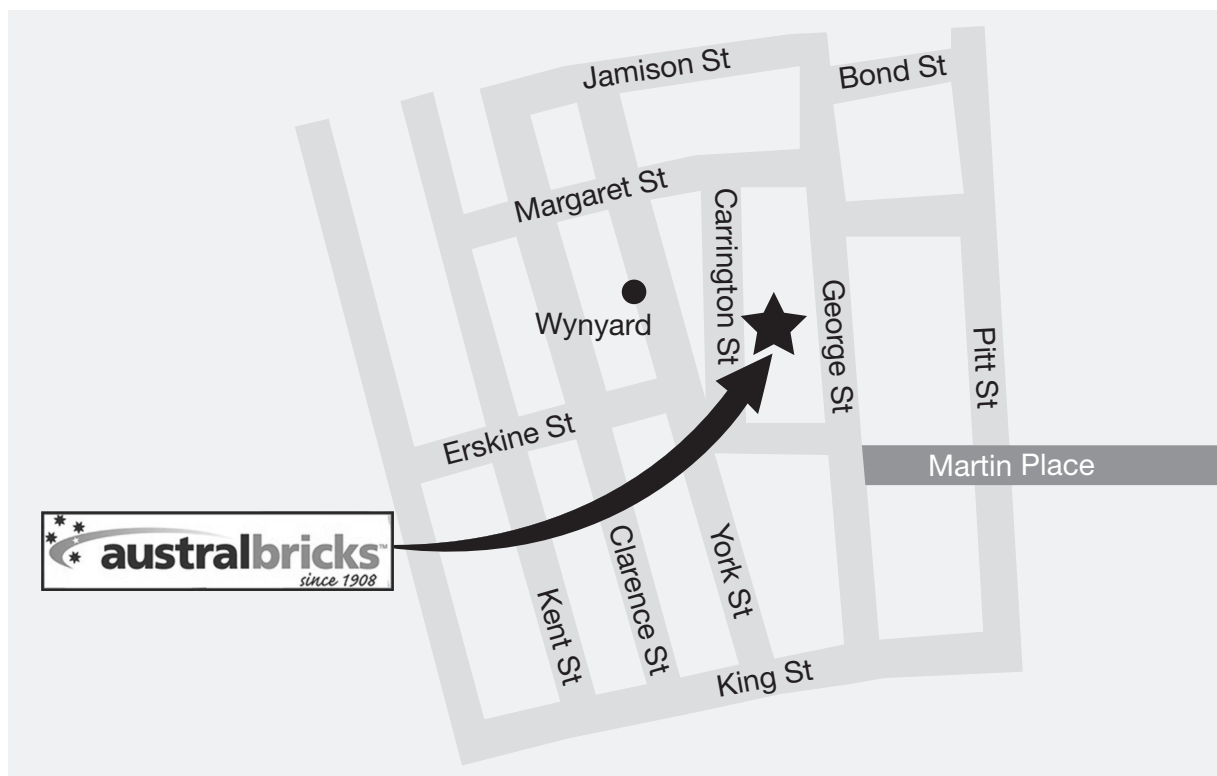


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2014 ANNUAL GENERAL MEETING DIRECTIONS TO MEETING

VENUE

The 2014 Annual General Meeting will again be held at the **Austral Bricks Design Studio at 50 Carrington Street, Sydney**. Below is a map of the general area.



ADMISSION TO MEETING

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are asked to bring the proxy form to the meeting to facilitate the admission process.

Shareholders who do not plan to attend the meeting are encouraged to complete the on-line proxy registration process as explained on the proxy form. Alternatively, shareholders can return the proxy form via the various options described on the proxy form.



**BKI INVESTMENT
COMPANY LIMITED**

ABN 23 106 719 868

Lodge your vote:



By Mail:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

Alternatively you can fax your form to
Facsimile: +61 (0) 8 9262 3723

For Online Vote
www.advancedshare.com.au

For all enquiries call:

Telephone: +61 (0) 8 9389 8033
Email: admin@advancedshare.com.au

Proxy Form

Instructions

1. Every shareholder has the right to appoint some other person or company of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the Chairman, please insert the name of your proxyholder(s) in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name that appears on the proxy.
4. If a shareholder appoints two proxies, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
5. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
6. To be effective, proxies must be delivered by shareholders as follows:
Shareholders must deliver their proxies prior to 11.00am (AEDT) on 12 October 2014 by mail to PO Box 1156, Nedlands, 6909, Western Australia or by facsimile at +61 (0) 8 9262 3723 or deliver to the Share Registry of the Company at 110 Stirling Hwy, Nedlands, Western Australia, 6009.
7. For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that shareholders holding shares at 7.00pm (AEDT) on 12 October 2014 will be entitled to attend and vote at the Meeting.
8. The Chairman intends to vote in favour of all resolutions set out in the Notice of Meeting.
9. This proxy confers discretionary authority in respect of amendments to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting.
10. This proxy should be read in conjunction with the accompanying documentation provided by management of the Company.
11. The shares represented by this proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll that may be called for, and if the shareholder has specified a choice in respect of any matter to be acted upon, the shares will be voted accordingly.

Turn over to complete the form →



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www.advancedshare.com.au

- Check all holdings by using HIN/SRN
- Update your holding details
- Reprint various documents online

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'x') should advise your broker of any changes.

Form of Proxy

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

 **PLEASE NOTE:** This proxy is solicited on behalf of the management of BKI Investment Company Limited ABN 23 106 719 868 (the "Company") for use at the meeting of the shareholders of the Company to be held at The Austral Bricks Design Studio, 50 Carrington Street, Sydney NSW 2000 on 14 October 2014 at 11.00am (AEDT) or any adjournment thereof (the "Meeting").

I/We being a member/s of BKI Investment Company Limited hereby appoint

the Chairman
of the meeting

OR

 **PLEASE NOTE:** If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions at the Meeting and at any adjournment of that meeting.

If you have not appointed the Chairman of the Meeting as your proxy and you are appointing a second proxy please complete the following: Proxy 1 is appointed to represent _____% of my voting right and Proxy 2 is appointed to represent _____% of my total votes. My total voting right is _____ shares.

 **PLEASE NOTE:** If the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes.

With respect to any amendment or variations to the matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting, I/we confer discretionary authority on the person voting on behalf of me/us to vote as that person sees fit. At the time of printing this Form of Proxy, management knows of no such amendment, variation or other matter.

STEP 2 Items of Business

 **PLEASE NOTE:** If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and your votes will not be counted in computing the required majority on that item.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

FOR AGAINST ABSTAIN

Item 2 - Adopt the remuneration report for the year ended 30 June 2014	☐	☐	☐
Item 3 - Re-elect Mr D C Hall as a Director of the Company	☐	☐	☐
Item 4 – Appointment of MGI as Auditor	☐	☐	☐

If no choice is specified, the shareholder is conferring discretionary authority on the proxy to vote at his or her discretion. However, the Chairman intends to vote FOR each of the resolutions.

SIGN

Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Member 1

Sole Director and Sole
Secretary

Member 2 (if joint holding)

Director/Company
Secretary

Member 3 (if joint holding)

Director

/ /

Date