

22 July 2015

## ***ASX Announcement***

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ASX AND MEDIA RELEASE – FULL YEAR RESULT TO 30 JUNE 2015

### ***BKI Net Operating Result up 14%, Final Ordinary Dividend lifted to 3.65cps***

#### **FY2015 Performance Highlights**

- Ordinary dividend and distribution income increased 16% to \$44.6m.
- Net Operating Result before special dividend income increased 14% to \$40.9m.
- Net Profit Attributable to Shareholders increased 15% to \$43.0m.
- Management Expense Ratio (MER) of 0.18%.
- Basic Earnings per Share before special dividend income up 4% to 7.40cps from 7.15cps.
- Fully Franked Final Ordinary Dividend of 3.65cps, up 4% from 3.50cps.

#### **BKI Performance Overview**

BKI Investment Company Limited (“BKI”) today announced its Full Year Results to 30 June 2015.

Net Operating Result before special dividend income increased 14% to \$40.9m, while Basic Earnings per Share before special dividend income increased 4% to 7.40cps. Special dividend income for the year totalled \$2.1m, taking Basic Earnings per Share after special dividend income to 7.78cps, up 5% from last year.

The BKI Board has declared a Final Ordinary Dividend of 3.65cps, up from 3.50cps last year.

BKI CEO Mr Tom Millner commented: “We’ve been able to deliver another solid result for our shareholders in a market dominated by volatility and uncertainty. We’ll continue to look through the short term noise and keep investing for the long term, through profitable dividend paying companies that we understand and are supported by a long term thematic. We will continue to invest our shareholders funds with a clear focus on generating an increasing income stream for distribution as fully franked dividends.”

BKI’s improved result was mainly driven by higher dividends received from BHP Billiton, Woodside Petroleum, APA Group, Commonwealth Bank, Transurban Limited, Suncorp Group, Westpac Bank, ANZ Bank, ASX Limited, Wesfarmers Limited and Macquarie Bank.

Lower contributions were received from New Hope Corporation, ALS Limited, Salmat Limited and Coca Cola Amatil.

BKI also received special dividend income from ARB Corporation, Suncorp Group, New Hope Corporation, Wesfarmers Limited and Milton Corporation. These special dividends helped lift the Net Profit attributable to shareholders by 15% to \$43.0m, against the previous year.

### Dividends

A fully franked Final Ordinary Dividend of 3.65cps was declared, up 4% from last year. Full Year Ordinary Dividends totalled 7.20cps, up from 6.95cps in FY2014. BKI's historical grossed up yield as at 30 June 2015 was 6.0%\*, based on a tax rate of 30%, rolling 12 Month Dividend and share price of \$1.665. The last trading date to be eligible for the Final Dividend is **Tuesday 4 August 2015**.

Key dates for the Final Dividend are as follows:

Event	Date
Last trading date to be eligible for the Final Dividend	Tuesday 4 August 2015
Ex-Dividend Date	Wednesday 5 August 2015
Record Date	Friday 7 August 2015
DRP Nomination	Monday 10 August 2015
Payment Date	Thursday 27 August 2015

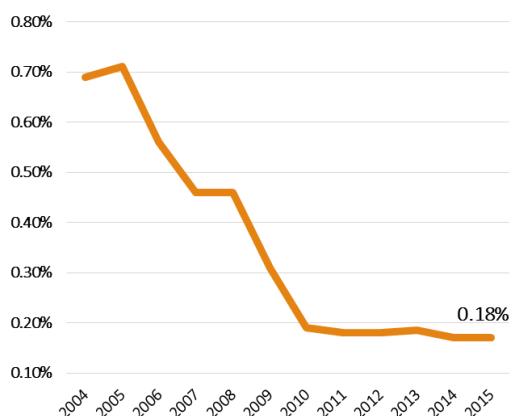
### Dividend Reinvestment Plan (DRP)

BKI's DRP will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will not be offered at a discount. The DRP price will be 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 (Friday 7 August 2015)**.

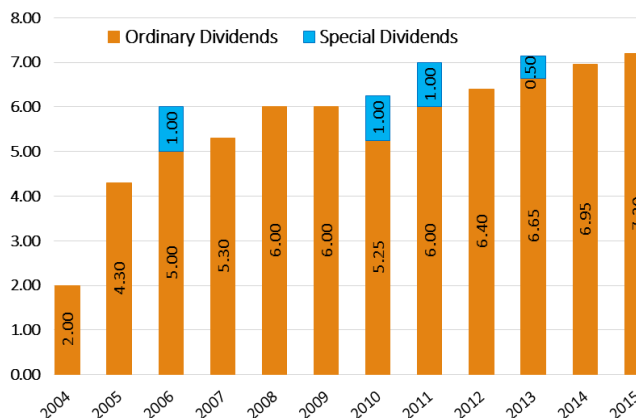
The last day for shareholders to nominate for their participation in the DRP is **Monday 10 August 2015**.

### Low Cost, Growing Dividend

BKI's Board & Management are shareholders in BKI. We invest for the long term and do not charge external portfolio management or performance fees. We focus on creating wealth for all shareholders by keeping costs low and increasing fully franked dividends and capital growth. BKI has ample franking credits to ensure dividends are fully franked into the future.



Low Costs - BKI Management Expense Ratio



Growing Fully Franked Dividends - BKI Dividends paid to shareholders

### Portfolio Movements

BKI deployed funds of approximately \$96m into the market over FY2015, offset by sales of approximately \$57m. Major investments during the year included National Australia Bank, APA Group, Sydney Airports, Transurban Group, Qube Logistics, Santos Limited, Wesfarmers Limited, Lindsay Australia and ASX Limited. A new position in Regis Healthcare was also established during the year.

\*Includes 2H2014 Final Dividend of 3.50cps and 1H2015 Interim Dividend of 3.55cps.

The main disposals included Toll Holdings, ALS Limited, DUET Group, GWA Group, South32 Limited, Healthscope Limited, Medibank Private, UGL Limited, Arrium Limited and Seven West Media.

### Top 25 Investments

	Stock	% of Total Portfolio
1	Commonwealth Bank	9.3%
2	National Australia Bank	9.2%
3	Westpac Bank	7.3%
4	Telstra Corporation	5.8%
5	ANZ Banking Group	4.7%
6	TPG Telecom	4.3%
7	BHP Billiton	4.3%
8	Wesfarmers Limited	4.1%
9	APA Group	3.1%
10	New Hope Corporation	3.0%
11	Woolworths Limited	2.9%
12	AGL Energy Limited	2.1%
13	Transurban Group	2.1%
14	IAG Limited	1.9%
15	Invocare Limited	1.9%
16	Suncorp Group	1.7%
17	Woodside Petroleum	1.6%
18	Ramsay HealthCare	1.5%
19	ASX Limited	1.4%
20	Primary Health Care	1.4%
21	ARB Corporation	1.3%
22	Sonic Healthcare	1.3%
23	Coca-Cola Amatil	1.2%
24	Brambles Limited	1.2%
25	Bank of Queensland	1.1%
	Cash and cash equivalents	6.4%
	<b>Total of Top 25 including cash and cash equivalents</b>	<b>86.0%</b>

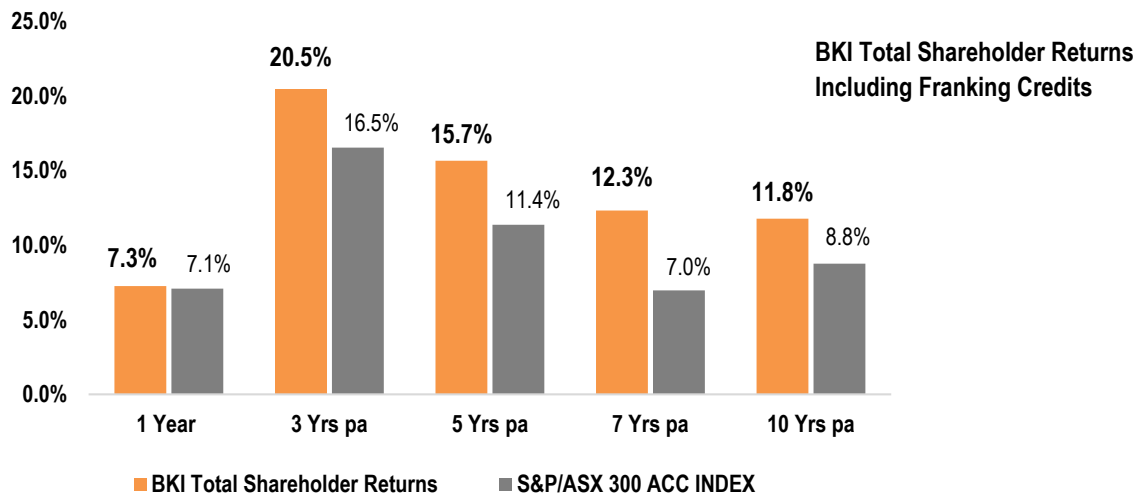
### Performance

BKI's Total Shareholder Returns (including the reinvestment of dividends) for the year to 30 June 2015 was 5.4%, compared to the S&P/ASX 300 Accumulation Index which returned 5.6% over the same period. BKI's Total Shareholder Returns for 5 years and 10 years have outperformed the Index by 3.8% per annum and 2.6% per annum respectively.

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 2015 was 5.6%, in line with the S&P/ASX 300 Accumulation Index.

BKI Performance as at 30 June 2015	1 Year	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	10 Yrs (pa)
S&P/ASX 300 ACC INDEX (XKOA)	5.6%	14.7%	9.5%	5.1%	6.9%
<b>BKI Total Shareholder Returns (TSR)</b>	<b>5.4%</b>	<b>18.2%</b>	<b>13.3%</b>	<b>10.0%</b>	<b>9.5%</b>
<b>BKI TSR Outperformance V's XKOA</b>	<b>-0.2%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>4.9%</b>	<b>2.6%</b>
<b>BKI Portfolio Performance</b>	<b>5.6%</b>	<b>13.0%</b>	<b>9.4%</b>	<b>5.9%</b>	<b>7.6%</b>
<b>BKI Portfolio Outperformance V's XKOA</b>	<b>0.0%</b>	<b>-1.7%</b>	<b>-0.1%</b>	<b>0.8%</b>	<b>0.7%</b>

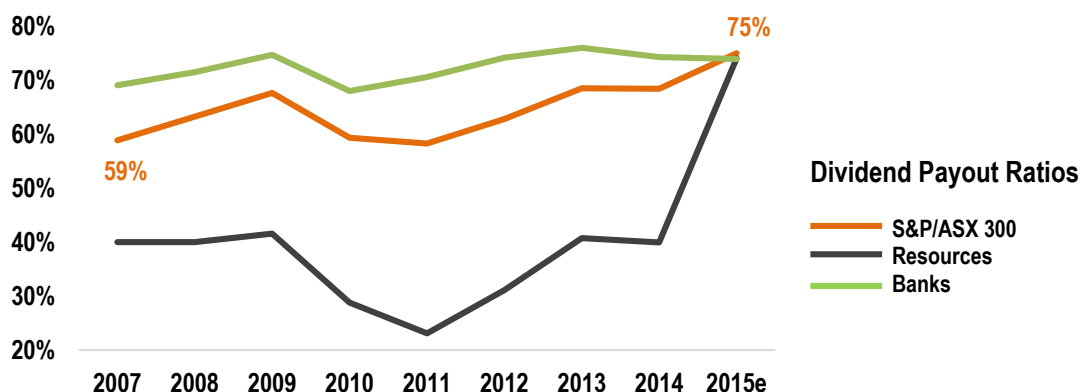
The performance figures above exclude the value of franking credits which have been passed on by BKI to its shareholders. The following chart shows BKI's Total Shareholder Returns including Franking Credits. The S&P/ASX 300 Accumulation Index has been franked to 80%.



### Outlook

Fiscal 2016 will be another interesting year for equity markets with the low interest rate environment in Australia expected to continue. Given this, the most sought-after equity investments are likely to be those companies who are offering quality dividend yields. Further opportunities exist to obtain sustainable income outside of cash and fixed interest with the dividend yield of the S&P/ASX300 Index alone forecast at 4.9% in FY2016. However, for many companies, being able to continually offer this high income stream to yield motivated shareholders is becoming more and more challenging.

In many sectors of the economy, company revenue growth has been flat for a number of years. Managers have been forced to focus on cutting expenses to ensure they deliver increased dividends to their shareholders. However, there has been a lack of growth in earnings during this period. To continually increase dividend distributions, payout ratios of the S&P/ASX300 Index have grown from 59% in FY2010 to an estimated 75% for FY2015.



“This cost out strategy has been appropriate in recent years, but it’s the next phase where investors need to be careful. BKI’s strict investment process ensures we don’t chase investments with high, unsustainable payout ratios or high gearing levels. We become concerned when companies are not reinvesting back into their business for future growth or can’t afford to service their debt.” Mr Millner said.

“When companies need to address their lack of investment or high debt levels, something has to give and it’s usually the dividend that goes first. With this in mind BKI will be taking a cautious approach to the next year. We will continue to invest as we always have done, with a focus on the companies which are well managed and profitable. We prefer to buy stocks that have strong dividend growth but we won’t be chasing stocks offering high yields that we don’t think are sustainable.”

BKI remains in a strong financial position with no debt, and cash and cash equivalents representing 6.4% of the total portfolio.