

20 January 2016

ASX Announcement

ASX AND MEDIA RELEASE – HALF YEAR RESULT TO 31 DECEMBER 2015

BKI Announces Higher Net Operating Result and Lifts Interim Ordinary Dividend.

1H FY2016 Performance Highlights

- Ordinary dividend and distribution revenue increased 7.4% to \$21.7m.
- Net Operating Result before special investment revenue increased 2.6% to \$21.4m.
- Fully Franked Interim Ordinary Dividend of 3.60cps, up 1.4% from 3.55cps.
- Management Expense Ratio (MER) of 0.17%, down from 0.18%.
- Earnings per Share before special investment revenue of 3.78cps down from 3.80cps last year.

BKI Performance Overview

BKI Investment Company Limited (“BKI”) today announced its Half Year Results to 31 December 2015.

Net Operating Result before special investment revenue increased 2.6% to \$21.4m, while Earnings per Share before special investment revenue was broadly in line with last year, down 0.5% to 3.78cps. The BKI Board has declared a Fully Franked Interim Ordinary Dividend of 3.60cps, up 1.4% from 3.55cps last year.

BKI’s Total Shareholder Returns for the year to 31 December 2015 was 10.9%, compared to the S&P/ASX 300 Accumulation Index which returned 2.8% over the same period.

BKI CEO Mr Tom Millner commented: “Markets have remained volatile. Over the last six months we’ve seen a great deal of uncertainty emerge from companies within the materials, resources and energy sectors. Dividend growth from stocks within these sectors may be subdued for some time to come. The BKI portfolio is underweight this sector as we believed that the slowdown in the resource space would have to eventually translate to a reduction of profits and therefore dividend distributions. The portfolio’s total exposure to resources is currently less than 10%, while industrials is 85% and cash accounts for 5%.”

BKI’s Net Operating Result increase was mainly driven by higher dividends received from Transurban Limited, APA Group, Tatts Group, Commonwealth Bank, AMP Limited, Sydney Airports and Westpac Bank. Lower dividends received from Maxitrans Industries, IAG Limited, Woodside Petroleum, Salmat Limited and Suncorp Group impacted the result, while revenues from bank deposits and investments held for trading were also lower than the corresponding period.

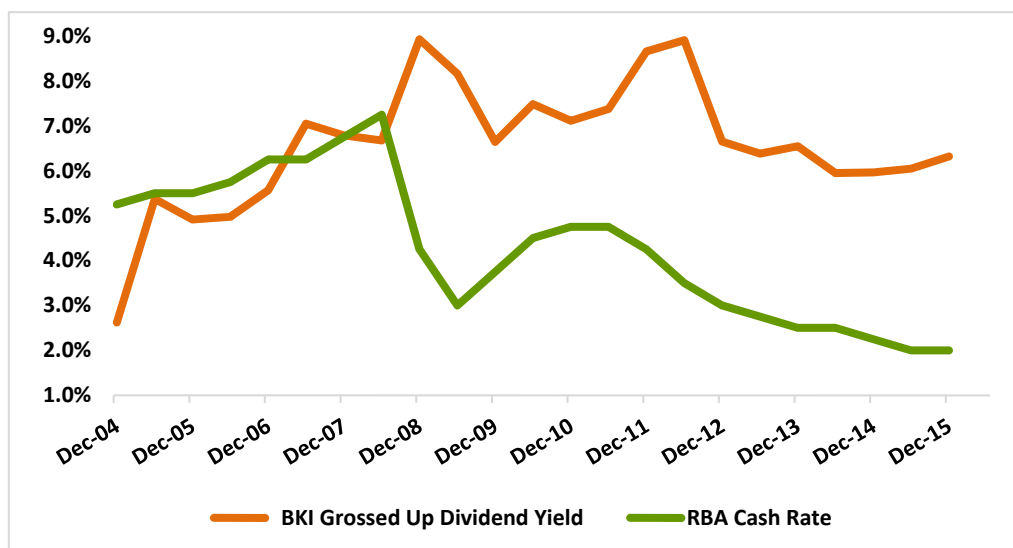
BKI also received special dividend income from New Hope Corporation, Milton Corporation and Suncorp Group, however, total special dividend income received was only \$0.8m compared to \$2.1m last year. “While the payment of special dividends from our portfolio of investments are infrequent, it should be pointed out that over

the last 10 years BKI has received 10 fully franked special dividends from New Hope Corporation, 6 special dividends from Milton and 4 special dividends from Suncorp.” Mr Millner said.

Dividends

A fully franked Interim Ordinary Dividend of 3.60cps was declared, up 1.4% from last year. BKI’s historical grossed up yield as at 19 January 2016 was 6.5%*.

The last trading date to be eligible for the Interim Dividend is **Wednesday 3 February 2016**.



Key dates for the Fully Franked Interim Dividend are as follows:

Event	Date
Last trading date to be eligible for the Interim Dividend	Wednesday 3 February 2016
Ex-Dividend Date	Thursday 4 February 2016
Record Date	Monday 8 February 2016
DRP Nomination	Tuesday 9 February 2016
Payment Date	Friday 26 February 2016

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 (Monday 8 February 2016)**.

The last day for shareholders to nominate for their participation in the DRP is **Tuesday 9 February 2016**.

Acquisition of Unlisted Share Portfolio

During the half BKI completed the acquisition of all the issued capital of an unlisted investment company with net assets of approximately \$17m. The private company acquired by BKI had been established for many years and had an exceptional portfolio of investments. An investment in BKI will now provide the vendors with administration simplicity as well as access to a low cost diversified equity portfolio, increasing fully franked dividend distributions and capital growth.

This is the second 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.

*Based on a tax rate of 30%, Total Dividend of 7.25cps and share price of \$1.585.

Portfolio Movements

BKI's net investment over the first half of FY2016 was approximately \$30m. Major investments during this period included ANZ Banking Group, National Australia Bank, Commonwealth Bank, APA Group, Sydney Airports, Woolworths Limited and Transurban Group. The main disposals included MaxiTrans Industries, G8 Education Limited and Origin Energy. The Company's investment in Skilled Group was transferred into an investment in Programmed Maintenance Services following a merger between the two companies.

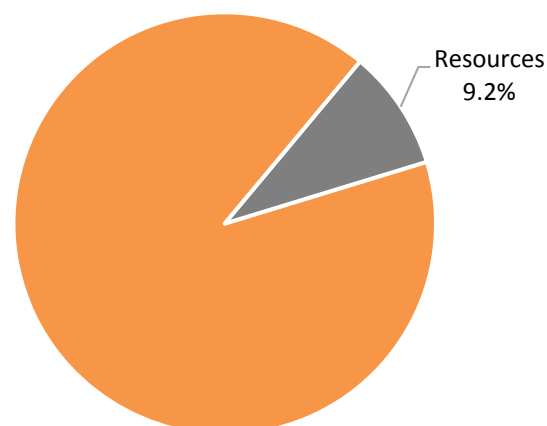
Top 25 Investments

	Stock	% of Total Portfolio
1	Commonwealth Bank	9.7%
2	National Australia Bank	8.8%
3	Westpac Bank	7.7%
4	Telstra Corporation	5.4%
5	TPG Telecom	4.8%
6	ANZ Banking Corporation	4.6%
7	Wesfarmers Limited	4.5%
8	APA Group	3.5%
9	New Hope Corporation	3.0%
10	BHP Billiton	2.9%
11	Woolworths Limited	2.7%
12	Transurban Group	2.5%
13	AGL Energy Limited	2.5%
14	IAG Limited	1.9%
15	Invocare Limited	1.8%
16	Ramsay Healthcare	1.7%
17	ARB Corporation	1.7%
18	Suncorp Group	1.5%
19	ASX Limited	1.5%
20	Sydney Airport	1.4%
21	Woodside Petroleum	1.4%
22	Brambles Limited	1.3%
23	Coca-Cola Amatil	1.2%
24	Bank of Queensland	1.2%
25	Tatts Group	1.2%
	Cash and cash equivalents	5.5%
	Total of Top 25 including cash and cash equivalents	85.9%

Portfolio Sector Exposure

BKI's portfolio exposure to the Resources sector is currently only 9.2%. Our main investments New Hope Corporation, BHP Billiton Limited and Woodside Corporation continue to have robust balance sheets and sound diversified assets, placing them well for future growth.

Our weighting to a diversified range of Industrial stocks represents 85.3% of the total portfolio.



Performance

BKI's Total Shareholder Returns (including the reinvestment of dividends) for the year to 31 December 2015 was 10.9%, compared to the S&P/ASX 300 Accumulation Index which returned 2.8% over the same period. BKI's Total Shareholder Returns for 5 years, 7 years and 10 years have outperformed the Index by 4.6% per annum, 4.1% per annum and 2.7% per annum respectively.

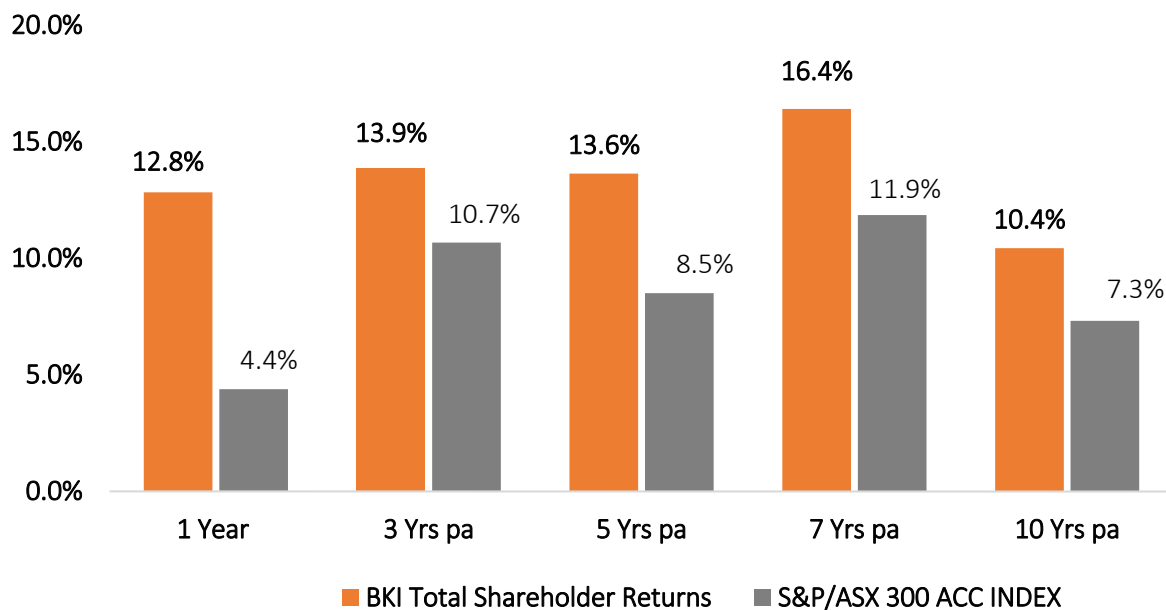
BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 31 December 2015 was 3.0%.

<i>BKI Performance as at 31 December 2015</i>	<i>1 Year</i>	<i>3 Yrs (pa)</i>	<i>5 Yrs (pa)</i>	<i>7 Yrs (pa)</i>	<i>10 Yrs (pa)</i>
<i>S&P/ASX 300 ACC INDEX (XKOAI)</i>	2.8%	9.0%	6.7%	9.9%	5.5%
<i>BKI Total Shareholder Returns (TSR)</i>	10.9%	11.8%	11.3%	14.0%	8.2%
<i>BKI TSR Outperformance V's XKOAI</i>	8.1%	2.8%	4.6%	4.1%	2.7%
<i>BKI Portfolio Performance</i>	3.0%	8.2%	7.4%	10.2%	6.5%
<i>BKI Portfolio Outperformance V's XKOAI</i>	0.2%	-0.8%	0.7%	0.3%	1.0%

<i>BKI Performance Including Franking Credits</i>	<i>1 Year</i>	<i>3 Yrs (pa)</i>	<i>5 Yrs (pa)</i>	<i>7 Yrs (pa)</i>	<i>10 Yrs (pa)</i>
<i>S&P/ASX 300 ACC INDEX (XKOAI) - 80% Franked</i>	4.4%	10.7%	8.5%	11.9%	7.3%
<i>BKI Total Shareholder Returns - 100% Franked</i>	12.8%	13.9%	13.6%	16.4%	10.4%

BKI's Total Shareholder Returns including Franking Credits.

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

2016 is expected to be an interesting yet challenging year for equity markets. The negative sentiment surrounding slowing consumption and manufacturing growth rates in Asia is expected to continue in the short-term, which will continue to put pressure on Resources sector earnings. This negativity has spread throughout global economies resulting in a broad market sell down, which could continue in the short-term. We remain cautious on a number of companies that are trading on high earnings multiples but which may struggle to deliver sustainable growth.

The Resources sector has underperformed materially, largely due to the concerns on the outlook for growth in China. On a longer-term view, which is where BKI operates, we are confident that major Australian resources companies exposed to commodities such as oil, coal and copper in particular will rebound as the imbalance between supply and demand is adjusted and the Australian Dollar declines further.

In periods of volatility, it is easy to get caught up in excessive pessimism. However, a number of global economies continue to slowly improve, which will provide a more positive backdrop for equity markets. We expect the low interest rate environment in Australia to continue for some time. Once again, the most sought after equity investments are likely to continue to be those companies offering quality and sustainable dividend yields, with robust balance sheets that are well managed. Long-term investors should expect several investment opportunities in 2016.

BKI remains in a strong financial position with no debt, and cash and cash equivalents representing 5.5% of the portfolio. We maintain a diversified portfolio and remain well placed to take advantage of investment opportunities in companies that meet our disciplined investment criteria.

For further information contact:

Tom Millner - Chief Executive Officer
02 9238 0522
0408 754 180

Will Culbert - Portfolio Manager
02 9238 0522
0410 627 378
