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## *BKI Investment Company Limited*

ASX APPENDIX 4E- PRELIMINARY FINAL REPORT

30 JUNE 2016

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The reporting period is the year ended 30 June 2016 with the previous corresponding period being the year ended 30 June 2015

# BKI Investment Company Limited

YEAR ENDED 30 JUNE 2016

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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	Change		Jun 2016 \$'000		Jun 2015 \$'000
<b>Revenue performance</b>					
Total income – ordinary	Down 1.6%	to	<b>43,833</b>	from	44,568
Total income - special	Down 48.4%	to	<b>1,082</b>	from	<u>2,095</u>
Total income from ordinary activities	Down 3.7%	to	<b>44,915</b>	from	46,663
<b>Profits</b>					
<b>Net operating result before special dividend income</b>					
	Up 0.7%	to	<b>41,170</b>	from	<b>40,876</b>
Special dividend income	Down 48.4%	to	<b>1,082</b>	from	<u>2,095</u>
Net profit from ordinary activities after tax attributable to shareholders	Down 1.7%	to	<b>42,252</b>	from	42,971
Net profit attributable to shareholders	Down 1.7%	to	<b>42,252</b>	from	42,971
<b>Portfolio</b>					
Total portfolio value (including cash & receivables)	Up 1.0%	to	<b>926,993</b>	from	918,264
<b>Earnings per share</b>					
<b>Basic earnings per share before special dividend income</b>					
	Down 3.2%	to	<b>7.16</b>	from	7.40
<b>Basic earnings per share after special dividend income</b>					
	Down 5.5%	to	<b>7.35</b>	from	7.78
<b>Dividends</b>					
Interim	Up 1.4%	to	<b>3.60</b>	from	3.55
Final	Steady	to	<b>3.65</b>	from	<u>3.65</u>
Full year total	Up 0.7%	to	<b>7.25</b>	from	7.20

# BKI Investment Company Limited

YEAR ENDED 30 JUNE 2016

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## RESULTS FOR ANNOUNCEMENT TO THE MARKET

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### Explanation of Operating Results

Net Operating Result before special dividend income increased 0.7% to \$40.97m, whilst Basic Earnings per Share before special dividend income decreased 3.2% to 7.16cps. Special dividend income for the year totalled \$1.08m, taking Basic Earnings per Share after special dividend income to 7.35cps and Net Profit attributable to shareholders to \$42.25m.

BKI's Net Operating Result was mainly driven by higher dividends received from Transurban Limited, APA Group, Sydney Airports, Macquarie Group, TPG Telecom and Ramsay Healthcare. Lower dividends received from BHP Billiton, Woolworths, Woodside Petroleum, ANZ Banking Group and Suncorp Group reduced 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 for the year from New Hope Corporation, Milton Corporation, Suncorp Group and IAG Group.

### NTA Backing

	30 June 2016	30 June 2015
Net Tangible Asset backing per ordinary share before tax	\$1.55	\$1.65
Net Tangible Asset backing per ordinary share after tax	\$1.47	\$1.53

### Additional Dividend Information

The Directors have declared a final dividend of 3.65 cents per share fully franked at the tax rate of 30%, which will be paid on 26 August 2016. The Record date for determining entitlements to the dividend will be 8 August 2016.

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

The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is 9 August 2016.

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

### Other Information

This report is based on audited accounts.

# BKI Investment Company Limited

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
Ordinary revenue from investment portfolio	5(a)	41,738	40,815
Revenue from bank deposits	5(c)	1,155	1,519
Other income	5(d)	-	8
Other gains	5(e)	940	2,226
<b>Income from operating activities before special investment revenue</b>		<b>43,833</b>	<b>44,568</b>
Operating expenses	6	(1,479)	(1,607)
Discount on acquisition of controlled entities, net of expenses		114	-
Operating result before income tax expense and special investment revenue		<b>42,468</b>	42,961
Income tax expense		(1,298)	(2,085)
<b>Net operating result before special investment revenue</b>		<b>41,170</b>	<b>40,876</b>
Special investment revenue	5(b)	1,082	2,095
<b>Net operating profit</b>		<b>42,252</b>	<b>42,971</b>
<b>Profit for the year attributable to members of the Company</b>		<b>42,252</b>	<b>42,971</b>
	Note	2016 Cents	2015 Cents
<b>Basic and diluted earnings per share before special dividend income</b>	7	<b>7.16</b>	7.40
<b>Basic and diluted earnings per share after special dividend income</b>	7	<b>7.35</b>	7.78

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

# *BKI Investment Company Limited*

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## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2016

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	<b>Note</b>	<b>2016</b>	2015
		<b>\$'000</b>	\$'000
Profit for the year attributable to members of the Company		<b>42,252</b>	42,971
<b>Other comprehensive income</b>			
Unrealised gains/ (losses) on investment portfolio		<b>(48,470)</b>	3,671
Deferred tax expense on unrealised gains / (losses) on investment portfolio		<b>14,541</b>	(1,101)
Realised gains/ (losses) on investment portfolio		<b>(9,244)</b>	2,670
Tax (expense)/ benefit relating to realised gains/losses on investment portfolio		<b>2,773</b>	(802)
<b>Total other comprehensive income</b>		<b>(40,400)</b>	4,438
<b>Total comprehensive income</b>		<b>1,852</b>	47,409

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

# BKI Investment Company Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		63,740	41,133
Trade and other receivables		8,315	17,688
Trading portfolio	8	479	566
Prepayments		24	29
<b>Total current assets</b>		<b>72,558</b>	59,416
<b>Non-current assets</b>			
Investment portfolio	8	854,460	858,877
Property, plant and equipment		21	18
Deferred tax assets		12,129	9,375
<b>Total non-current assets</b>		<b>866,610</b>	868,270
<b>Total assets</b>		<b>939,168</b>	927,686
<b>Current liabilities</b>			
Trade and other payables		484	486
Current tax liabilities		381	993
Employee benefits		16	19
<b>Total current liabilities</b>		<b>881</b>	1498
<b>Non-current liabilities</b>			
Deferred tax liabilities		58,308	72,936
Employee benefits		19	16
<b>Total non-current liabilities</b>		<b>58,327</b>	72,952
<b>Total liabilities</b>		<b>59,208</b>	74,450
<b>Net Assets</b>		<b>879,960</b>	853,236
<b>Equity</b>			
Share capital	9	718,221	652,562
Revaluation reserve		133,287	167,216
Realised capital gains reserve		(16,840)	(10,369)
Retained profits		45,292	43,827
<b>Total Equity</b>		<b>879,960</b>	853,236

This Statement of Financial Position should be read in conjunction with the accompanying notes.

# BKI Investment Company Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Share capital \$'000	Revaluation reserve \$'000	Realised capital gains reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Total equity at 1 July 2014</b>	<b>599,124</b>	<b>164,646</b>	<b>(12,237)</b>	<b>39,913</b>	<b>791,446</b>
Issue of shares, net of issue costs	53,438	-	-	-	53,438
Dividends paid or provided for	-	-	-	(39,057)	(39,057)
Unrealised gain on revaluation of investment portfolio	-	3,671	-	-	3,671
Provision for tax on unrealised gain on revaluation of investment portfolio	-	(1,101)	-	-	(1,101)
Net operating profit for the year	-	-	-	42,971	42,971
Net realised gains through other comprehensive income	-	-	1,868	-	1,868
<b>Total equity at 30 June 2015</b>	<b>652,562</b>	<b>167,216</b>	<b>(10,369)</b>	<b>43,827</b>	<b>853,236</b>
<b>Total equity at 1 July 2015</b>	<b>652,562</b>	<b>167,216</b>	<b>(10,369)</b>	<b>43,827</b>	<b>853,236</b>
Issue of shares, net of issue costs	65,659	-	-	-	65,659
Dividends paid or provided for	-	-	-	(40,787)	(40,787)
Unrealised loss on revaluation of investment portfolio	-	(48,470)	-	-	(48,470)
Provision for tax on unrealised loss on revaluation of investment portfolio	-	14,541	-	-	14,541
Net operating profit for the year	-	-	-	42,252	42,252
Net realised loss through other comprehensive income	-	-	(6,471)	-	(6,471)
<b>Total equity at 30 June 2016</b>	<b>718,221</b>	<b>133,287</b>	<b>(16,840)</b>	<b>45,292</b>	<b>879,960</b>

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

# BKI Investment Company Limited

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Dividends and distributions received	42,242	42,398
Other receipts in the course of operations	-	8
Payments to suppliers and employees	(1,474)	(1,409)
Proceeds from sale of trading portfolio	2,748	10,629
Payments for trading portfolio	-	(8,763)
Interest received	1,292	1,655
Income tax paid	(1,881)	(986)
<b>Net cash inflow from operating activities</b>	<b>42,927</b>	<b>43,532</b>
<b>Cash flows from investing activities</b>		
Net cash acquired on acquisition of controlled entities	137	-
Proceeds from sale of investment portfolio	29,886	33,270
Capital returns received from investment portfolio	-	1,930
Payments for investment portfolio	(43,451)	(92,833)
Payments for plant and equipment	(9)	(14)
<b>Net cash outflow from investing activities</b>	<b>(13,437)</b>	<b>(57,647)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of ordinary shares less issue costs	27,883	47,482
Dividends paid	11(b) (34,766)	(33,194)
<b>Net cash inflow/ (outflow) from financing activities</b>	<b>(6,883)</b>	<b>14,288</b>
<b>Net increase in cash held</b>	<b>22,607</b>	<b>173</b>
Cash at the beginning of the year	41,133	40,960
<b>Cash at the end of the year</b>	<b>63,740</b>	<b>41,133</b>

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



# *BKI Investment Company Limited*

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

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### **1. Summary of Significant Accounting Policies**

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

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

#### **(a) Basis of Preparation**

##### *Reporting Basis and Conventions*

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

The accounting policies are consistent with those applied in the 30 June 2015 Annual Report.

### **2. Financial Reporting by Segments**

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

### **3. Contingent Liabilities**

The Company has no contingent liabilities at 30 June 2016.

### **4. Events Subsequent to Balance Date**

Since 30 June 2016 to the date of this report there has been no event of which the Directors are aware which has had a material effect on the Company or its financial position.

# BKI Investment Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016 (continued)

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>5. Revenues</b>		
<b>(a) Ordinary revenue from investment portfolio</b>		
Fully franked dividends	<b>37,220</b>	36,785
Unfranked dividends	<b>1,431</b>	1,034
Trust distributions	<b>3,087</b>	2,996
<b>Total ordinary revenue from investment portfolio</b>	<b>41,738</b>	40,815
<b>(b) Special investment revenue</b>		
Fully franked dividends	<b>1,082</b>	2,095
<b>(c) Revenue from bank deposits</b>		
Interest received	<b>1,155</b>	1,519
<b>(d) Other income</b>		
Other revenue	-	8
<b>(e) Other gains</b>		
Net realised gain on sale of investment held for trading	<b>1,027</b>	2,163
Net unrealised gain/ (loss) on investments held for trading	<b>(87)</b>	63
<b>Total other gains</b>	<b>940</b>	2,226
<b>Total income</b>	<b>44,915</b>	46,663
<b>6. Operating expenses</b>		
Administration expenses	<b>376</b>	352
Occupancy expenses	<b>13</b>	13
Employment expenses	<b>930</b>	1,075
Professional fees	<b>153</b>	160
Depreciation	<b>7</b>	7
<b>Total operating expenses</b>	<b>1,479</b>	1,607

# BKI Investment Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016 (continued)

### 7. Earnings Per Share

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Net operating profit	<b>42,252</b>	42,971
Earnings used in calculating basic and diluted earnings per share <b>before</b> special dividend income	<b>41,170</b>	40,876
Earnings used in calculating basic and diluted earnings per share <b>after</b> special dividend income	<b>42,252</b>	42,971
	<b>2016</b>	2015
	<b>No. ('000)</b>	No. ('000)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	<b>574,631</b>	552,158
	<b>2016</b>	2015
	<b>Cents</b>	Cents
Basic and diluted earnings per share <b>before</b> special dividend income	<b>7.16</b>	7.40
Basic and diluted earnings per share <b>after</b> special dividend income	<b>7.35</b>	7.78

### 8. Financial Assets - Investment Portfolio

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>Trading portfolio – current</b>		
Listed securities at fair value held for trading	<b>479</b>	566
<b>Investment portfolio – non-current</b>		
Listed securities at fair value available for sale	<b>854,460</b>	858,877
<b>Total investment portfolio</b>	<b>854,939</b>	859,443

# BKI Investment Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016 (continued)

### 9. Share Capital

#### (a) Issued and paid up capital

	2016	2015
	\$'000	\$'000
598,420,148 ordinary shares fully paid (2015: 556,560,509)	<b>718,221</b>	652,562

#### (b) Movement in ordinary shares

	2016		2015	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of financial year	556,560,509	652,562	524,240,486	599,124
Issued during the year:				
- dividend reinvestment plan	3,663,370	6,021	3,440,622	5,864
- share purchase plan	18,189,797	28,192	28,879,401	47,790
- acquisition of controlled entities	20,006,472	31,662	-	-
<b>Gross funds raised</b>		<b>65,875</b>		53,654
- less net transaction costs		(216)		(216)
<b>End of financial year</b>	<b>598,420,148</b>	<b>718,221</b>	556,560,509	652,562

### 10) Acquisition of controlled entities

During the 2016FY the Company acquired 100% of the shares of three unlisted investment companies (2015FY: No acquisitions were made). The Company issued 20,006,472 new shares in BKI Investment Company Limited in total as consideration for the three acquisitions, having a combined fair value of \$32m.

These acquisitions benefit BKI shareholders by increasing the size of BKI's portfolio in a cost-effective manner, and at the same time reducing the per share cost of managing the portfolio.

The acquisitions resulted in BKI achieving a discount on acquisition, which is not allocated against assets of the companies purchased because only financial assets were purchased. The discount has therefore been included in "Discount on acquisition of controlled entities, net of expenses" in the "Consolidated Income Statement".

# BKI Investment Company Limited

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016 (continued)

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
<b>11. Dividends</b>		
<b>(a) Dividends paid during the year</b>		
Final dividend for the year ended 30 June 2015 of 3.65 cents per share (2014 final: 3.50 cents per share) fully franked at the tax rate of 30%, paid on 27 August 2015	<b>20,314</b>	19,359
Interim dividend for the year ended 30 June 2016 of 3.60 cents per share (2015 interim: 3.55 cents per share) fully franked at the tax rate of 30%, paid on 26 February 2016	<b>20,473</b>	19,698
<b>Total dividends paid</b>	<b>40,787</b>	39,057
<b>(b) Reconciliation of total dividends paid to dividends paid in cash</b>		
Total dividends paid	<b>40,787</b>	39,057
Less: Dividends reinvested in shares via DRP	<b>(6,021)</b>	(5,863)
<b>Dividends paid in cash</b>	<b>34,766</b>	33,194
<b>(c) Franking account balance</b>		
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	<b>24,703</b>	22,554
Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer note 11(d))	<b>(8,989)</b>	(8,076)
<b>Net imputation credits available for future dividends</b>	<b>15,714</b>	13,848
<b>Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2015: 30%)</b>	<b>36,667</b>	32,311
<b>(d) Dividends declared after balance date</b>		
Since the end of the financial year the Directors have declared a final ordinary dividend for the year ended 30 June 2016 of 3.65 cents per share (2015: final 3.65 cents per share) fully franked at the tax rate of 30%, payable on 26 August 2016, but not recognised as a liability at the year end.		