

18 July 2017

## ASX Announcement

ASX AND MEDIA RELEASE – FULL YEAR RESULT TO 30 JUNE 2017

*BKI's Net Profit Up 8% to \$45.6m*

### FY2017 Performance Highlights

	FY 2017	FY 2016	Growth
Ordinary Investment Income	\$44.5m	\$43.8m	1.4%
Net Operating Result*	\$41.8m	\$41.2m	1.5%
Net Profit Attributable to Shareholders	\$45.6m	\$42.3m	8.0%
Earnings Per Share*	6.93cps	7.16cps	-3.2%
Earnings Per Share including Specials	7.57cps	7.35cps	3.0%
Total Ordinary Dividend Per Share	7.30cps	7.25cps	0.7%
Management Expense Ratio (MER)	0.15%	Down from 0.16% at FY2016	

\*Excludes Special Dividend Income

### BKI Performance Overview

BKI Investment Company Limited ("BKI") today announced its Full Year Results to 30 June 2017.

BKI's Net Operating Result before special investment revenue increased from \$41.2m to \$41.8m, while the Net Profit Attributable to Shareholders increased 8% to \$45.6m.

The BKI Board has declared a Final Dividend of 3.70cps, up from the 3.65cps Final Dividend paid last year. This dividend will be fully franked, like all previous BKI dividends paid to shareholders. BKI's Retained Profits as at 30 June 2017 totalled \$47.4m prior to the declaration of this dividend.

The Net Operating Result of \$41.8m, included increased dividends from AGL Energy, APA Group, Transurban Limited, Macquarie Group, Sydney Airports, TPG Telecom and Ramsay Healthcare. Lower dividends received from BHP Billiton, Woolworths Limited, Woodside Petroleum, ANZ Banking Group and Primary Healthcare negatively impacted the result. Revenues from bank deposits and investments held for trading were again lower than the corresponding period.

BKI received \$3.9m in special dividend income from participating in the Telstra Corporation off market buy back. This compares to \$1.1m of special dividends received last year.

BKI's Total Shareholder Return including franking credits for the year to 30 June 2017 was 9.3%, compared to the S&P/ASX 300 Accumulation Index, which returned 15.5% over the same period. BKI's 13 year Total Shareholder Return

including franking credits was 11.2% per annum as at 30 June 2017, compared to the S&P/ASX 300 Accumulation Index, which returned 10.1% per annum over the same period.

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 2017 was positive 9.1%.

### Dividends

A fully franked Final Ordinary Dividend of 3.70cps was declared, representing a 96% pay-out ratio on BKI's Net Profit. As at 30 June 2017, BKI's fully franked dividend yield was 4.5% (based on the immediate past 12 Month rolling dividend and share price of \$1.62), while the grossed up yield was 6.4% (assumes a tax rate of 30%).

The last trading date to be eligible for the Final Dividend is **Thursday 3 August 2017**.

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

Event	Date
<b>Last trading date to be eligible for the Final Dividend</b>	<b>Thursday 3 August 2017</b>
<b>Ex-Dividend Date</b>	<b>Friday 4 August 2017</b>
<b>Record Date</b>	<b>Monday 7 August 2017</b>
<b>DRP Nomination</b>	<b>Tuesday 8 August 2017</b>
<b>Payment Date</b>	<b>Wednesday 23 August 2017</b>

### 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 7 August 2017)**.

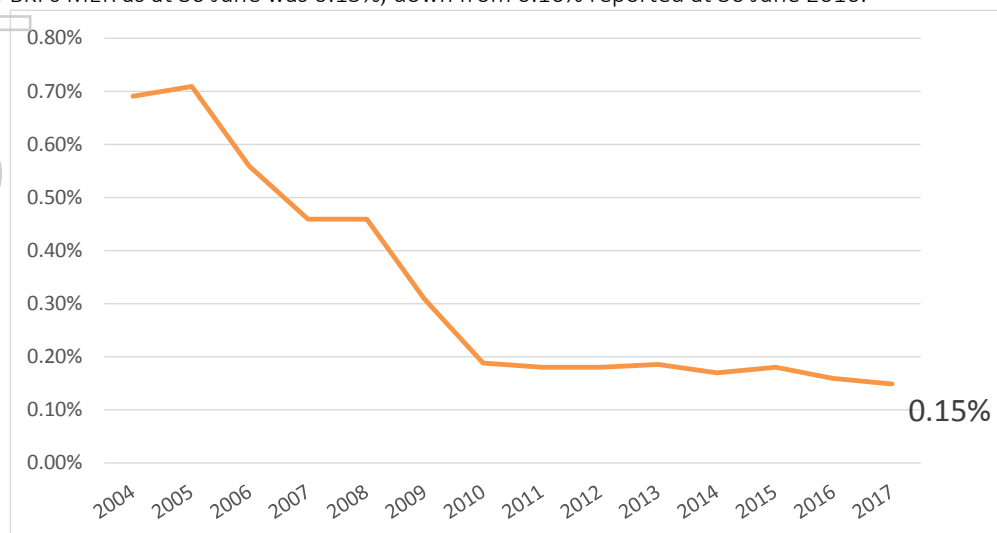
The last day for shareholders to nominate for their participation in the DRP is **Tuesday 8 August 2017**.

### Share Purchase Plan

BKI announced on 22 June 2017 that it had raised \$21.2m under its 2017 Share Purchase Plan (SPP). BKI Shareholders were given the opportunity to purchase shares up to a maximum value of \$15,000 at \$1.58 per share. The offer was once again attractive for shareholders giving them the opportunity to purchase new shares without paying brokerage plus being eligible for the 3.70cps final dividend declared today by the Company in respect of the 2017 financial year.

### Management Expense Ratio (MER)

BKI's MER as at 30 June was 0.15%, down from 0.16% reported at 30 June 2016.



## Portfolio Movements

BKI's total net investment over FY2017 was approximately \$54m, with major long term investments made in companies including; Flight Centre, Sydney Airport, Telstra Corporation, Sonic Healthcare, Challenger Limited, Lend Lease, IOOF Group, Macquarie Group, Transurban Group and TPG Telecom.

The main disposal from BKI's investment portfolio included Fairfax Media, Crown Resorts, Programmed Maintenance and Salmat Limited. BKI also disposed of half of the BHP Billiton position and participated in the off market buy back by Telstra Corporation.

During the first half of FY2017, BKI completed the acquisition of all the issued capital of another unlisted investment company with net assets of approximately \$4.2m. The portfolio acquired was a strong fit with BKI's existing portfolio.

## Top 25 Investments

	Stock	% of Total Portfolio
1	Commonwealth Bank	9.3%
2	National Australia Bank	8.0%
3	Westpac Banking Corp	6.9%
4	ANZ Banking Group	4.5%
5	Wesfarmers Limited	4.2%
6	Telstra Corporation	4.0%
7	APA Group	3.4%
8	AGL Energy Limited	3.2%
9	Transurban Group	3.1%
10	TPG Telecom	2.9%
11	Woolworths Limited	2.7%
12	Sydney Airport	2.4%
13	New Hope Corporation	2.3%

	Stock	% of Total Portfolio
14	IAG Limited	2.1%
15	Macquarie Group	2.0%
16	ASX Limited	2.0%
17	Invocare Limited	2.0%
18	Sonic Healthcare	2.0%
19	Challenger Limited	2.0%
20	Ramsay HealthCare	1.9%
21	Suncorp Group	1.8%
22	BHP Billiton	1.7%
23	Woodside Petroleum	1.6%
24	ARB Corporation	1.5%
25	Qube Holdings	1.3%
Cash and cash equivalents		5.0%
<b>Total of Top 25 including cash and cash equivalents</b>		<b>83.8%</b>

## Outlook

The S&P/ASX 300 Index generated very strong returns in FY2017. These returns have been driven by Australian investors continuing their search for yield, investing in sectors like Diversified Financials and the Banks, returning 28% and 22% respectively over the year.

The official cash rate has been 1.50% for 11 months now and provided there is no change to jobs growth or consumer spending, we believe that Australia's historically low interest rate environment will continue into FY2018. This situation will continue to encourage investors into equity markets and in particular into stocks that are offering attractive and sustainable dividend yields.

The BKI portfolio is well placed for the long-term and remains in a strong financial position with no debt, and cash and cash equivalents representing approximately 5% of the portfolio.

For further information:

### Contact Asset Management

Tom Millner – Director/Portfolio Manager  
02 9238 0522  
0408 754 180

Will Culbert – Director/Portfolio Manager  
02 9238 0522  
0410 627 378