

Top 25 Investments

% of Total
Portfolio

1	National Australia Bank	9.5%
2	Commonwealth Bank	9.2%
3	Westpac Banking Corporation	7.7%
4	BHP Billiton Limited	6.1%
5	New Hope Corporation	5.7%
6	Telstra Corporation Limited	5.0%
7	ANZ Bank	4.7%
8	Wesfarmers Limited	4.3%
9	Woolworths Limited	3.5%
10	TPG Telecom Limited	2.8%
11	AGL Energy Limited	2.2%
12	ALS Limited	2.0%
13	APA Group	2.0%
14	Woodside Petroleum Limited	2.0%
15	Insurance Australia Group	1.7%
16	InvoCare Limited	1.3%
17	Coca Cola Amatil Limited	1.2%
18	Bendigo Bank Limited	1.2%
19	Bank of Queensland Limited	1.2%
20	ARB Corporation Limited	1.2%
21	Metcash Limited	1.1%
22	Milton Corporation Limited	1.0%
23	Perpetual Limited	1.0%
24	Transurban Limited	1.0%
25	Ramsay Healthcare Limited	0.9%

Cash and cash equivalents 7.8%

Total of Top 25 including
cash and cash equivalents 87.2%

Outlook

We are encouraged by signs of a recovery in the global economy, particularly Europe and the United States. Tapering has commenced in the US, however, there will be continued support by the US Federal Reserve over the short term. Improvements in the Eurozone have been encouraging, although these have been modest and from country to country somewhat unbalanced. UK and German growth prospects are sound, supported by stronger business confidence.

Throughout Asia, many emerging markets have continued their positive growth trajectory. In particular, the Chinese economy is expected to grow between 7.5% - 8.0% in FY2014.

With a more positive global backdrop and a change of Federal Government, the confidence of the Australian investor has grown considerably in the lead up into Christmas. Most Industrial stocks and major resources saw a significant re-rating post the August - September 2013 reporting season. FY2014 earnings per share consensus forecasts for the industrial sector have been lifted, with upgrades to better quality companies being based on continued cost savings, balance sheet strength and higher earnings expectations.

With the low interest rate environment and higher than expected unemployment figures set to continue; we believe that the retail investor and SMSF's will continue the search for reliable, fully franked, dividend paying stocks. Whilst further confidence could emerge if the US Dollar strengthens against the Australian Dollar, earnings valuations for many companies are starting to look stretched. We do remain confident that long term stock picking opportunities will continue to emerge.

We note the importance of the SMSF industry, with this particular segment now reportedly representing over 15% of the Australian equity market. As a Listed Investment Company, BKI can offer investors capital growth and a reliable growing fully franked dividend, through a diversified portfolio of Australian shares, trusts and interest bearing securities. With a listed 10 year history BKI has proven it can deliver sound long term returns to shareholders whilst not charging external management fees or a performance fee. BKI continues to be in a strong financial position with no debt, and cash and cash equivalents representing 7.8% of the total portfolio.



BKI Investment Company

31 December 2013

BKI Investment Company - Half Year Review, 31 December 2013

Performance Highlights

- Total Ordinary dividend and distribution income increased 17.1% to \$18.2m.
- Net Operating Result before special dividend income increased 16.8% to \$18.0m.
- MER of 0.17% as at 31 Dec 2013.
- Basic Earnings per Share up 4.5% to 3.72cps from 3.56cps.
- Fully Franked Interim Dividend of 3.45cps, up from 3.25cps.
- BKI's Share Price Performance for the 12 months to 31 December 2013 was 19.7%, in-line with the S&P/ASX 300 Accumulation Index.



www.bkilimited.com.au

Performance Overview

BKI Investment Company Limited's ("BKI") Half Year Results to 31 December 2013 saw the Net Operating Result before special dividend income increase 16.8% to \$18.0m, whilst Earnings per Share before special dividend income increased 4.5% to 3.72cps.

A further increase in the Net Operating Result enabled the Board to again meet one of BKI's core objectives - to provide an increasing fully franked income stream for the owners of the company, the shareholders. A fully franked Interim Ordinary Dividend of 3.45cps was declared, up 6.2% from 3.25cps paid in 1H2013.

BKI continues to be an internally managed investment company, operating for the benefit of its shareholders at a very low cost of 0.17%. BKI doesn't charge external portfolio management or performance fees.

BKI's improved result was driven by higher dividend distributions from Insurance Australia Group, National Australia Bank, Westpac Banking Corporation, ANZ Banking Corporation, Woodside Petroleum, Wesfarmers Limited, Bank of Queensland and Commonwealth Bank. Lower contributions from ALS Limited, Metcash Limited, QBE Insurance and UGL Limited dragged on BKI's results.

10 Year Milestone

During the half, BKI reached a significant milestone by recording 10 years of being listed on the ASX. BKI has come a long way during this time with the Board and Management working hard at addressing those issues that come with being a smaller LIC. Some of those issues, and the progress achieved, include:

Size and Liquidity - BKI's shareholder base has grown from 7,832 in 2003 to 12,824 in 2014; whilst the Portfolio Valuation has increased from \$171m at listing to \$851m at 31 December 2013.

Cost and Structure - Internalised Management, MER reduced from 0.69% in 2003 to 0.17% at 31 December 2013.

Discount to NTA - BKI's discount to NTA has reduced from a peak of 20% in June 2008 to a premium in July 2013.

Dividend History - Interim Ordinary Dividend has grown by 62% from 1H2005. BKI has paid 5 Fully Franked Special Dividends since listing.

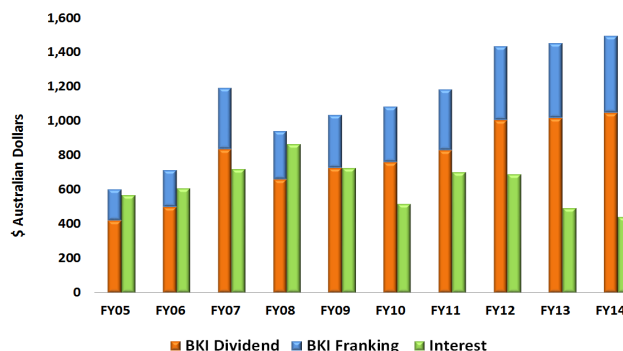
Company Awareness and Profile - Lifted the company awareness and profile of BKI to Advisors, Brokers and SMSF's. Won the 2011 LIC of the Year Award.

Dividends

BKI has declared an Interim Dividend of 3.45cps, up from 3.25cps last year. The Interim Dividend will be fully franked and will be paid on 27 February 2014. The ex-dividend date is 11 February 2014 with the record date 17 February 2014. **The last trading day to be eligible for the Interim Dividend is 10 February 2014.**

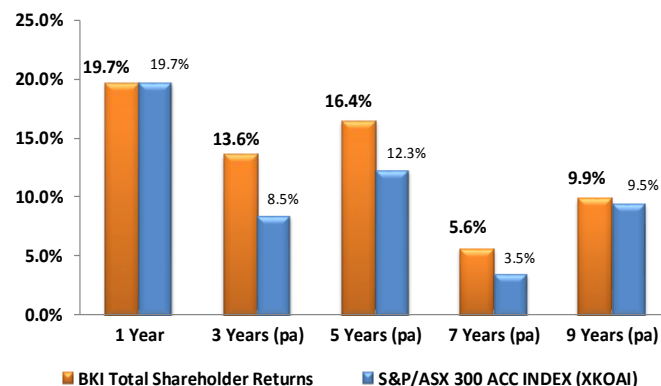
BKI's Dividend Reinvestment Plan (DRP) will be maintained. The DRP will be offered at a nil discount. The last date to participate in the DRP is 18 February 2013

The chart below shows the income generated from a \$10,000 investment into BKI shares upon listing. On this investment BKI will distribute \$1,498 worth of dividends (orange bars) and franking credits (blue bars) during FY2014. To put the current low cash rate into perspective, interest earned on that same investment would be \$442 on a pre tax basis in FY2014 (green bars).



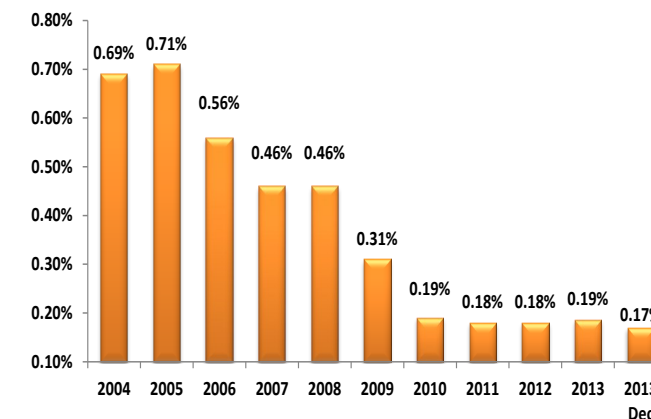
Performance

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 31 December 2013 was 19.7%, in-line with the S&P/ASX 300 Accumulation Index.



Management Expense Ratio (MER)

BKI's MER continues to be very competitive within the funds management industry. BKI does not charge shareholders a performance fee.



Capital Raising

In September 2013, BKI successfully completed a Placement to sophisticated and professional investors that saw the Company raise gross proceeds of \$59m at \$1.48 per share. In October 2013, BKI offered eligible shareholders the opportunity to participate in a non-renounceable 1:15 entitlement offer at \$1.48 per share. BKI also offered shareholders a Top-Up Facility. Applications for shares under the Entitlement Offer and associated Top-Up Facility closed over-subscribed, raising a further \$48m.

Portfolio Movements

Income from cash products has again been under pressure. As a contrast there are still many companies in the local market offering a fully franked dividend yield over 5%. The capital raising was a great opportunity to increase our exposure to the market and take advantage of dividend yield and franking credits on offer. A large portion of the funds raised in September and October last year have been invested as per our investment strategy.

Major investments during the half included ANZ Banking Corporation, Westpac Banking Corporation, APA Group, Insurance Australia Group, National Australia Bank and Bank of Queensland. New positions in Duet Group, Primary Health Care, Toll Holdings, IOOF Holdings and MaxiTRANS Industries were established. Disposals included Tabcorp Holdings and the balance of the QBE Insurance Group position.