

ASX Announcement

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BKI Net Operating Result up 20%, Increases Ordinary Dividends by 5%

ASX and Media Release – Full Year Result to 30 June 2014

FY2014 Performance Highlights

- Ordinary dividend and distribution income increased 21% to \$38.6m.
- Net Operating Result before special dividend income increased 20% to \$35.9m.
- Net Profit Attributable to Shareholders increased 11% to \$37.4m
- MER of 0.17% as at 30 June 2014.
- Basic Earnings per Share before special dividend income up 5% to 7.15cps from 6.81cps.
- Fully Franked Final Ordinary Dividend of 3.50cps, up 5% from 3.40cps.

BKI Performance Overview

BKI Investment Company Limited (“BKI”) today announced their Full Year Results to 30 June 2014.

Net Operating Result before special dividend income increased 20% to \$35.9m, whilst Basic Earnings per Share before special dividend income increased 5% to 7.15cps. Special dividend income for the year totalled \$1.5m, taking Basic Earnings per Share after special dividend income to 7.45cps.

As a result of the improved headline numbers the BKI Board was in a position to lift the Final Ordinary Dividend from 3.40cps to 3.50cps.

BKI CEO Mr Tom Millner commented: “We’ve been able to deliver to shareholders another solid result including a further lift in dividend distributions. We are conscious that many of our shareholders live on dividends that we provide and thus work extremely hard in trying to provide to them a growing income stream.”

“We continue to be ruthless on costs, we don’t charge shareholders an external portfolio management or performance fee and we have kept BKI debt free. By doing this it lays a solid foundation for us to be able to manage the portfolio for the long term with a real focus on lifting dividend distributions to our shareholders.”

BKI’s improved result was driven by higher dividend distributions from Woodside Petroleum, Suncorp Group, BHP Billiton, TPG Telecom, ANZ bank, National Australia Bank, Westpac Bank and Commonwealth Bank.

Lower contributions from UGL Limited, GWA International and ALS Limited reduced BKI’s results.

BKI also received special dividend income from Westpac Bank, New Hope Corporation, Milton Corporation, Coca-Cola Amatil and Suncorp Group. These special dividends helped lift the Net Profit attributable to shareholders by 11% to \$37.4m.

Dividends

A fully franked Final Ordinary Dividend of 3.50cps was declared, up 5% from last year. Full year ordinary dividends totalled 6.95cps, up from 6.65cps in FY2013. BKI's historical grossed up yield as at 22 July 2014 was 5.9%, based on a tax rate of 30%, rolling 12 Month Dividend and share price of \$1.69.

Key dates for the Final Dividend are as follows:

Event	Date
Last trading date to be eligible for the Interim Dividend	11 August 2014
Ex-Dividend Date	12 August 2014
Record Date	18 August 2014
DRP Nomination	19 August 2014
Payment Date	28 August 2014

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 (18 August 2014).

The last day for shareholders to nominate for their participation in the DRP is Tuesday 19 August 2014.

10 Year Milestone

In December 2013, 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:

Issue	Action
Size and Liquidity	The shareholder base has grown from 7,832 in 2003 to over 13,000 in 2014; whilst the Portfolio Valuation has increased from \$171m at listing to over \$850m in 2014.
Cost and Structure	Internalised Management, MER reduced from 0.69% in 2003 to 0.17% in 2014.
Discount to NTA	BKI's discount to NTA has reduced from a peak of 20% in June 2008 to a premium in June 2014.
Dividend History	As at FY2014, Full Year Dividends have grown by an average of 16% a year from FY2005. BKI has also 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.

Acquisition of Unlisted Investment Company

In April 2014, BKI completed the acquisition of all the issued capital of an unlisted investment company with net assets of approximately \$4 million.

BKI CEO Mr Tom Millner said: "This private company has been a long term investor for 50 years, and has developed a portfolio of investments that was complementary to BKI's existing portfolio. The vendors now have an opportunity to enjoy the benefits of an actively managed, diversified investment portfolio without the administrative burden".

This is the first 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.

Capital Raising

During the year BKI successfully completed a Placement to sophisticated and professional investors and a non-renounceable Entitlement Offer to existing shareholders. BKI raised gross proceeds of approximately \$59m at \$1.48 per share in the Placement, whilst the Entitlement Offer (also done at \$1.48 per share) closed over-subscribed, raising a further \$48.1m.

On Thursday 3 July 2014 the board of directors of BKI announced details of the Share Purchase Plan (SPP). The SPP offers shareholders the opportunity to acquire up to \$15,000 worth of ordinary shares in BKI without paying any brokerage or other charges. Shareholders on the BKI register as at 7.00pm (AEST) on Wednesday 2 July 2014 with a registered address in Australia or New Zealand will be entitled to participate in the SPP (the Record Date). The closing date for the SPP will be 7.00pm (AEST) on Thursday 31 July 2014. Shares issued under the SPP will be eligible to receive the final fully franked dividend of 3.50 cps.

Portfolio Movements

The capital raising was a great opportunity to increase BKI's exposure to the market and take advantage of dividend income and franking credits on offer by many stocks within the local market. BKI deployed funds of approximately \$140m into the market over FY2014; whilst sales totalled approximately \$25m.

Major investments during the year included ANZ Banking Corporation, Westpac Banking Corporation, Primary Health Care, APA Group, Telstra Corporation, Insurance Australia Group and Transurban Group. New positions in Duet Group, Toll Holdings, IOOF Holdings, Maxitans Industries and Equity Trustees were established.

Disposals included Metcash Limited, Gazal Corporation, Tabcorp Holdings, Fleetwood Corporation, Recall Holdings and the balance of the QBE Insurance Group position.

Top 25 Investments

	Stock	% of Total Portfolio
1	Commonwealth Bank	9.5%
2	National Australia Bank	8.9%
3	Westpac Banking Corporation	8.1%
4	BHP Billiton	6.0%
5	Telstra Corporation	5.3%
6	ANZ Banking Corporation	4.8%
7	New Hope Corporation	4.6%
8	Wesfarmers Limited	4.4%
9	Woolworths Limited	3.6%
10	TPG Telecom Limited	2.9%
11	APA Group	2.3%
12	AGL Energy	2.3%
13	Woodside Petroleum	2.1%
14	ALS Limited	2.1%
15	Insurance Australia Group	1.7%
16	Suncorp Group	1.4%
17	Transurban Group	1.3%
18	ARB Corporation	1.3%
19	Invocare Limited	1.2%
20	Bendigo and Adelaide Bank	1.2%
21	Coca-Cola Amatil	1.2%
22	Bank of Queensland	1.2%
23	Milton Corporation	1.1%
24	Ramsay Health Care	1.0%
25	Perpetual Limited	1.0%
	Cash and cash equivalents	5.7%
	% of Total Portfolio Value	86.2%

Performance

BKI's Total Shareholder Returns (including the reinvestment of dividends) for the year to 30 June 2014 was 21.0%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 3.7%.

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 2014 was 11.2%, compared to the S&P/ASX 300 Accumulation Index which returned 17.3% over the same period.

10 year returns for BKI's Total Shareholder Returns and Net Portfolio Return were achieved over the period. The returns outlined below are after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends. These results also exclude the value of franking credits which have been passed on by BKI to its shareholders.

BKI Performance as at 30 June 2014	1 Year	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	10 Yrs (pa)
S&P/ASX 300 ACC INDEX (XKOAI)	17.3%	9.9%	11.0%	2.1%	8.9%
BKI Portfolio Performance	11.8%	9.8%	11.0%	4.1%	9.2%
BKI Portfolio Outperformance V's XKOAI	-5.5%	-0.1%	0.0%	2.0%	0.3%
BKI Total Shareholder Returns (TSR)	21.0%	16.7%	15.1%	6.4%	10.5%
BKI TSR Outperformance V's XKOAI	3.7%	6.8%	4.1%	4.3%	1.6%

Outlook

The low interest rate environment both domestically and offshore remains, which has forced retail investors and SMSFs to continue to search for income outside of term deposits and other cash products. As such we have seen the Australian share market appreciate considerably over the last year with the S&P/ASX300 Accumulation Index returning 17.3%.

We await the upcoming reporting season with interest. Despite what many are saying about an overvalued market, for the long term investor there are currently opportunities to deploy funds in well managed, profitable, dividend paying stocks. There may also be some short term disappointment in earnings growth during this reporting season, especially from stocks within the industrial, consumer discretionary and resources space. We believe this could also provide a good buying opportunity for the broader market should it eventuate. BKI remains in a strong financial position with no debt, and cash and cash equivalents representing 5.7% of the total portfolio.

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