

Top 25 Investments

Stock	% of Total Portfolio
1 Commonwealth Bank	9.3%
2 National Australia Bank	9.2%
3 Westpac Bank	7.3%
4 Telstra Corporation	5.8%
5 ANZ Banking Group	4.7%
6 TPG Telecom	4.3%
7 BHP Billiton	4.3%
8 Wesfarmers Limited	4.1%
9 APA Group	3.1%
10 New Hope Corporation	3.0%
11 Woolworths Limited	2.9%
12 AGL Energy Limited	2.1%
13 Transurban Group	2.1%
14 IAG Limited	1.9%
15 Invocare Limited	1.9%
16 Suncorp Group	1.7%
17 Woodside Petroleum	1.6%
18 Ramsay HealthCare	1.5%
19 ASX Limited	1.4%
20 Primary Health Care	1.4%
21 ARB Corporation	1.3%
22 Sonic Healthcare	1.3%
23 Coca-Cola Amatil	1.2%
24 Brambles Limited	1.2%
25 Bank of Queensland	1.1%
Cash and cash equivalents	6.4%
Total of Top 25 including cash and cash equivalents	86.0%



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BKI Investment Company
30 June 2015

Performance Highlights

- Total Ordinary Dividend and distribution income increased 16% to \$44.6m.
- Net Operating Result before Special Dividend income increased 14% to \$40.9m.
- Basic Earnings per Share up 4% to 7.40cps from 7.15cps.
- Fully Franked Final Dividend of 3.65cps, up from 3.50cps.
- MER of 0.18%.
- BKI's Total Shareholder Return (including the value of franking credits) for the year to 30 June 2015 was 7.3%*.

BKI Investment Company - Full Year Review, 30 June 2015



*Performance numbers are based on a tax rate of 30% and shareholders being able to utilise all franking credits.

Performance Overview

We've been able to deliver another solid result for our shareholders in a market that has been dominated by volatility and uncertainty. We'll continue to look through the short term noise and keep investing for the long term, through profitable dividend paying companies that we understand and are supported by a long term thematic. We will continue to invest our shareholders funds with a clear focus on generating an increasing income stream for distribution as fully franked dividends.

Net Operating Result before special dividend income increased 14% to \$40.9m, whilst Basic Earnings per Share before special dividend income increased 4% to 7.40cps. Special dividend income for the year totalled \$2.1m, taking Basic Earnings per Share after special dividend income to 7.78cps, up 5% from last year.

BKI's improved result was mainly driven by higher dividends received from BHP Billiton, Woodside Petroleum, APA Group, Commonwealth Bank, Transurban Limited, Suncorp Group, Westpac Bank, ANZ Bank, ASX Limited, Wesfarmers Limited and Macquarie Bank. Lower contributions were received from New Hope Corporation, ALS Limited, Salmat Limited and Coca Cola Amatil.

BKI also received special dividend income from ARB Corporation, Suncorp Group, New Hope Corporation, Wesfarmers Limited and Milton Corporation. These special dividends helped lift the Net Profit attributable to shareholders by 15% to \$43.0m.

Dividends

A fully franked Final Ordinary Dividend of 3.65cps was declared, up 4% from last year. Full Year Ordinary Dividends totalled 7.20cps, up from 6.95cps in FY2014. BKI's historical grossed up yield as at 30 June 2015 was 6.0%, based on a tax rate of 30%, rolling 12 Month Dividend and share price of \$1.665. **The last trading date to be eligible for the Final Dividend is Tuesday 4 August 2015.**

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 10 August 2015.

Management Expense Ratio (MER)

BKI's Board and Management are shareholders in BKI. We invest for the long term and do not charge external portfolio management or performance fees. We constantly focus on creating wealth for

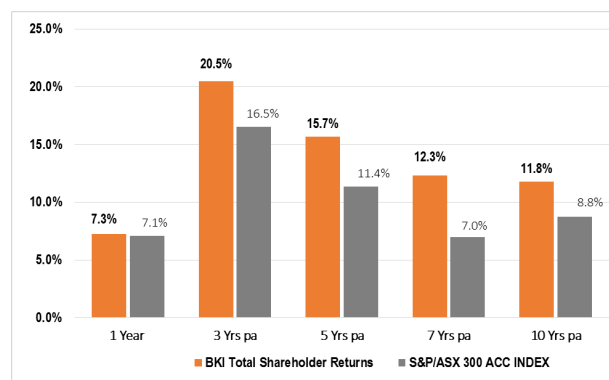
all shareholders by keeping costs low and increasing fully franked dividends and capital growth.

BKI's Management Expense Ratio (MER) continues to be competitive within the funds management industry at 0.18%.

Performance

Total Shareholder Returns (including the reinvestment of dividends) for the year to 30 June 2015 was 5.4%, compared to the S&P/ASX 300 Accumulation Index which returned 5.6% over the same period. BKI's Total Shareholder Returns including franking credits for 5 years and 10 years have outperformed the Index by 4.3% per annum and 3.0% per annum respectively.

The following chart shows BKI's Total Shareholder Returns including Franking Credits. The S&P/ASX 300 Accumulation Index has been franked to 80%.



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 2015 was 5.6%, in line with the S&P/ASX 300 Accumulation Index.

Portfolio Movements

BKI deployed funds of approximately \$96m into the market over FY2015, offset by sales of approximately \$57m. Major investments during the year included National Australia Bank, APA Group, Sydney Airports, Transurban Group, Qube Logistics, Santos Limited, Wesfarmers Limited, Lindsay Australia and ASX Limited. A new position in Regis Healthcare was also established during the year.

The main disposals included Toll Holdings, ALS Limited, DUET Group,

GWA Group, South32 Limited, Healthscope Limited, Medibank Private, UGL Limited, Arrium Limited and Seven West Media.

Outlook

Fiscal 2016 will be another interesting year for equity markets with the low interest rate environment in Australia expected to continue. Given this, the most sought-after equity investments are likely to be those companies who are offering quality dividend yields. Further opportunities exist to obtain sustainable income outside of cash and fixed interest with the dividend yield of the S&P/ASX300 Index alone forecast at 4.9% in FY2016. However, for many companies within our market, being able to continually offer this high income stream to yield motivated shareholders is becoming more and more challenging.

In many sectors of the economy, company revenue growth has been flat for a number of years. Managers have been forced to focus on cutting expenses to ensure they deliver increased dividends to their shareholders. However, there has been a lack of growth in earnings during this period. To continually increase dividend distributions, payout ratios of the S&P/ASX300 Index have grown from 59% in FY2010 to an estimated 75% for FY2015.

This cost out strategy has been appropriate in recent years, but it's the next phase where investors need to be careful. BKI's strict investment process ensures we don't chase investments with high, unsustainable pay-out ratios or high gearing levels. We become concerned when companies are not reinvesting back into their business for future growth or can't afford to service their debt.

When companies need to address their lack of investment or high debt levels, something has to give and it's usually the dividend that goes first. With this in mind BKI will be taking a cautious approach to the next year. We will continue to invest as we always have done, with a focus on the companies which are well managed and profitable. We prefer to buy stocks that have strong dividend growth but we won't be chasing stocks offering high yields that we don't think are sustainable.

BKI remains in a strong financial position with no debt, and cash and cash equivalents representing 6.4% of the total portfolio.