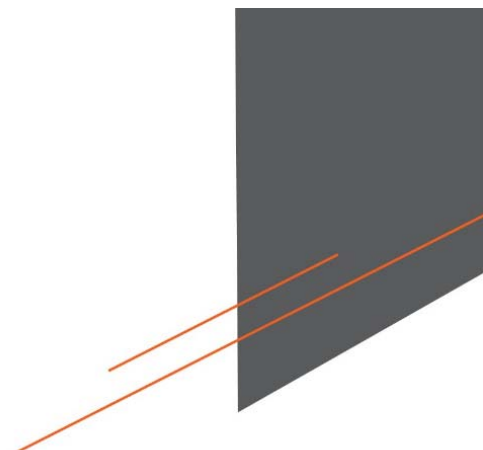


# BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868



## Appendix 4D- Half Year Report

31 December 2018

*Lodged with the ASX under Listing Rule 4.2A*

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The reporting period is the half year ended 31 December 2018 with the previous corresponding period being the half year ended 31 December 2017.

**BKI Investment Company Limited  
Half Year ended 31 December 2018**

**Appendix 4D – Half Year Report**

**Results for Announcement to the Market**

		%		Dec 2018	Dec 2017
		Change		\$'000	\$'000
<b>Revenue Performance:</b>					
<b>Dividends and distributions – Ordinary</b>	<b>Up</b>	<b>11.8</b>	<b>to</b>	<b>26,769</b>	<b>from 23,934</b>
Dividends and distributions– Special	Up	5,941	to	<b>24,044</b>	from <b>398</b>
Total income from ordinary activities	Up	107.9	to	<b>52,052</b>	from <b>25,037</b>

**Profits:**

<b>Operating result after tax - before special investment revenue and applicable tax</b>	<b>Up</b>	<b>12.2</b>	<b>to</b>	<b>25,479</b>	<b>from 22,715</b>
Special Investment revenue net of applicable tax	Up	5,941	to	<b>21,617</b>	from <b>398</b>
Net profit from ordinary activities after tax attributable to shareholders	Up	103.8	to	<b>47,096</b>	from <b>23,113</b>
Net profit attributable to shareholders	Up	103.8	to	<b>47,096</b>	from <b>23,113</b>

		%		Dec 2018	Dec 2017
		Change		Cents	Cents

**Earnings per share:**

<b>Basic earnings per share before special investment revenue and applicable tax</b>	<b>Down</b>	<b>4.1</b>	<b>to</b>	<b>3.51</b>	<b>from 3.66</b>
Basic earnings per share after special investment revenue	Up	73.7	to	<b>6.48</b>	from <b>3.73</b>

**Dividends per share:**

Interim – Ordinary	Steady	at	<b>3.625</b>	from 3.625
Interim – Special	Up	to	<b>1.500</b>	from nil

## BKI Investment Company Limited Half Year ended 31 December 2018

### Appendix 4D – Half Year Report

#### Results for Announcement to the Market (continued)

##### Explanation of Operating Results

The Reported Operating Result for the half year ended 31 December 2018 excluding special investment revenue was \$25.5 million, an increase of 12.2% over the previous corresponding period.

The Net Consolidated Profit After Tax for the half year including special investment revenue was \$47.1 million, an increase of 104% over the previous corresponding period. This was driven by a large amount of special dividends received during the period; including the fully franked special dividend component of the BHP off-market buy-back, and a non-cash unfranked dividend from Wesfarmers representing a portion of the value of Coles shares received in the demerger.

Basic Earnings per Share increased 74% to 6.48 cents per share, driven by the significant increase in special dividend income. However, basic Earnings per Share before special investment revenue decreased 4% to 3.51 cents per share, driven by a material increase in BKI issued shares following the entitlement offer completed in June 2018.

	<i>Ordinary Operations</i> \$'000	<i>Special investment revenue</i> \$'000	<i>Statutory Numbers</i> \$'000
Revenue from investment portfolio	26,769	24,044	50,813
Revenue from bank deposits	1,239	-	1,239
<b>Income from operating activities</b>	<b>28,008</b>	<b>24,044</b>	<b>52,052</b>
Operating expenses	(1,068)	-	(1,068)
<b>Operating result before tax</b>	<b>26,940</b>	<b>24,044</b>	<b>50,984</b>
Income tax expense	(1,461)	(2,427)	(3,888)
<b>Net operating result</b>	<b>25,479</b>	<b>21,617</b>	<b>47,096</b>
	<i>Cents per share</i>		<i>Cents per share</i>
<b>Basic and diluted earnings per share</b>	<b>3.51</b>		<b>6.48</b>

## **BKI Investment Company Limited Half Year ended 31 December 2018**

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### **Appendix 4D – Half Year Report**

#### **Results for Announcement to the Market (continued)**

##### **NTA Backing**

	<b>31/12/2018</b>	<b>31/12/2017</b>
Net tangible asset backing per ordinary share before tax	<b>150.5 cents</b>	<b>166.7 cents</b>
Net tangible asset backing per ordinary share after tax	<b>145.8 cents</b>	<b>155.8 cents</b>

##### **Additional Dividend Information**

The directors have declared an interim ordinary dividend of 3.625 cents per share and a special dividend of 1.500 cents per share, both fully franked at the tax rate of 30%. Both dividends will be paid on Thursday 28 February 2019, the Ex-dividend date is Friday 8 February 2019, and the Record Date for determining entitlements to the dividend is Monday 11 February 2019.

The Company will continue its Dividend Reinvestment Plan, offering shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. The Dividend Reinvestment Plan will be offered for both the interim dividend and special dividend, at a nil discount. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is Tuesday 12 February 2019.

Shareholders can update their election notices electronically by following the link on the Share Registry page of the BKI website. (<https://bkilimited.com.au/dividend-reinvestment-plan/>)

Shareholders are also reminded that BKI will no longer pay dividends by cheque to shareholders with a registered address in Australia or New Zealand. These shareholders will need to complete a direct credit form and return it to BKI's share registry. Shareholders can obtain the relevant form by following the link to BKI's Share Registry (<https://www.advancedshare.com.au/Investors/>)



ABN 23 106 719 868

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INTERIM FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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**BKI INVESTMENT COMPANY LIMITED**  
**ABN: 23 106 719 868**

## **CORPORATE DIRECTORY**

### **Directors**

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall, AM	Independent Non-Executive Director
Ian Thomas Huntley	Independent Non-Executive Director
Alexander James Payne	Non-Executive Director

### **Investment Manager**

Contact Asset Management Pty Limited (**Contact**)  
***BKI Portfolio Managers appointed by Contact***  
Tom Millner and Will Culbert

### **Company Secretary**

Jaime Pinto

### **Registered Office**

Level 2,  
160 Pitt Street Mall  
Sydney NSW 2000

Telephone: (02) 9210 7000  
Facsimile: (02) 9210 7099

Postal Address:  
GPO Box 5015  
Sydney 2001

### **Auditors**

MGI Sydney Assurance Services Pty Limited  
Level 5  
6 O'Connell Street  
SYDNEY NSW 2000

### **Share Registry**

Advanced Share Registry Services Limited  
110 Stirling Highway  
Nedlands WA 6009

### **Australian Stock Exchange Code**

Ordinary Shares                      BKI

### **Website**

[www.bkilimited.com.au](http://www.bkilimited.com.au)

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## DIRECTORS' REPORT

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The Directors of BKI Investment Company Limited (the Company) present the following report on the Company and its controlled entities ("the Group") for the six months to 31 December 2018.

### 1. Directors

The following persons were Directors of the Company during the half year to the date of this report:

Robert Dobson Millner	Non Executive Chairman
David Capp Hall, AM	Independent Non Executive Director
Ian Thomas Huntley	Independent Non Executive Director
Alexander James Payne	Non Executive Director

### 2. Review of the Group's operations and results

#### *Corporate Objectives*

The Group aims to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends to the extent of available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

#### *Investment Strategy*

The Group is a research driven, long term investor focusing on well managed companies, with a profitable history and that offer attractive dividend yields. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

#### *Financial Performance*

The consolidated profit for the half year ending 31 December 2018 was \$47.10 million (2017: \$23.11 million). Special investment revenue increased to \$24.04 million (2017: \$0.40 million), driven by the fully franked special dividend component of the BHP off-market buy-back and an unfranked demerger dividend from Wesfarmers.

"Operating result after tax - before special investment revenue" increased by 12.2% to \$25.48 million (2017: \$22.72 million).

Basic earnings per share increased 74% to 6.48 cents per share, driven by the significant increase in special dividend income. However, basic earnings per share before special investment revenue decreased 4% to 3.51 cents per share, driven by a material increase in the number of BKI shares on issue following the entitlement offer completed in June 2018.

### 3. Significant changes in the state of affairs

Other than as stated in the Financial Report, there were no significant changes in the state of affairs of the Company during the reporting period.

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## **DIRECTORS' REPORT (continued)**

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### **4. Auditor's Independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

### **5. Rounding**

The amounts contained in this report and in the half year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations Instrument (Rounding in Financial/ Directors' Reports) 2016/191. The Company is an entity to which the legislative instrument applies.

This report is made in accordance with a resolution of the Directors.



**Robert D Millner**  
Director

**Sydney**  
**23 January 2019**



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**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR TO 31 DECEMBER 2018**

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	Note	Dec 18 \$'000	Dec 17 \$'000
Revenue from investment portfolio	3 (a)	<b>26,769</b>	23,934
Revenue from bank deposits	3 (c)	<b>1,239</b>	476
Other gains	3 (d)	-	229
Income from operating activities before special investment revenue		<b>28,008</b>	24,639
Operating expenses	4	<b>(1,068)</b>	(946)
Operating result before income tax expense and special investment revenue		<b>26,940</b>	23,693
Special investment revenue	3 (b)	<b>24,044</b>	398
<b>Net profit before income tax</b>		<b>50,984</b>	24,091
<b>Net operating profit for the half year</b>		<b>47,096</b>	23,113
<b>Profit for the half year attributable to members of the Company</b>		<b>47,096</b>	23,113
		<b>Cents</b>	Cents
Basic and diluted earnings per share including special investment revenue	5	<b>6.48</b>	3.73

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

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR TO 31 DECEMBER 2018**

	<b>Dec 18</b>	Dec 17
	<b>\$'000</b>	\$'000
Profit for the half year attributable to members of the Company	<b>47,096</b>	23,113
<b>Other Comprehensive Income</b>		
Net realised (loss)/gain on investment portfolio	<b>(12,282)</b>	5,420
Tax benefit/(expense) on net realised (loss)/gain on investment portfolio	<b>3,685</b>	(1,627)
Net unrealised (loss)/gain on investment portfolio	<b>(100,140)</b>	26,749
Deferred tax benefit/(expense) on net unrealised (loss)/gain on investment portfolio	<b>30,042</b>	(8,025)
Total other comprehensive income	<b>(78,695)</b>	22,517
<b>Total comprehensive income</b>	<b>(31,599)</b>	45,630

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018**

	Note	Dec 18 \$'000	Jun 18 \$'000
<b>Current Assets</b>			
Cash and cash equivalents		96,838	177,570
Trade and other receivables		3,855	10,562
Prepayments		41	16
<b>Total Current Assets</b>		<b>100,734</b>	<b>188,148</b>
<b>Non-Current Assets</b>			
Investment portfolio	6	995,522	994,277
Deferred tax assets		20,610	17,232
<b>Total Non-Current Assets</b>		<b>1,016,132</b>	<b>1,011,509</b>
<b>Total Assets</b>		<b>1,116,866</b>	<b>1,199,657</b>
<b>Current Liabilities</b>			
Trade and other payables		335	1,386
Current tax liabilities		771	409
<b>Total Current Liabilities</b>		<b>1,106</b>	<b>1,795</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		55,159	82,247
<b>Total Non-Current Liabilities</b>		<b>55,159</b>	<b>82,247</b>
<b>Total Liabilities</b>		<b>56,265</b>	<b>84,042</b>
<b>Net Assets</b>		<b>1,060,601</b>	<b>1,115,615</b>
<b>Equity</b>			
Share Capital	7	911,438	908,015
Revaluation reserve		119,943	190,041
Realised capital gains reserve		(38,065)	(29,467)
Retained Profits		67,285	47,025
<b>Total Equity</b>		<b>1,060,601</b>	<b>1,115,615</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR TO 31 DECEMBER 2018**

<b>Consolidated Entity</b>	Share capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains Reserve \$'000	Retaine d Profits \$'000	Total Equity \$'000
<b>Total equity at 1 July 2017</b>	<b>749,967</b>	<b>170,228</b>	<b>(27,228)</b>	<b>47,388</b>	<b>940,355</b>
Issues of shares, net cost	3,177	-	-	-	3,177
Dividends paid or provided for	-	-	-	(22,884)	(22,884)
Revaluation of investment portfolio	-	26,749	-	-	26,749
Provision for tax on unrealised gains	-	(8,025)	-	-	(8,025)
Profit for the period	-	-	-	23,113	23,113
Net realised (losses) through other comprehensive income	-	-	3,793	-	3,793
<b>Total Equity at 31 December 2017</b>	<b>753,144</b>	<b>188,952</b>	<b>(23,435)</b>	<b>47,617</b>	<b>966,278</b>
<b>Total equity at 1 July 2018</b>	<b>908,015</b>	<b>190,041</b>	<b>(29,467)</b>	<b>47,025</b>	<b>1,115,614</b>
Issues of shares, net cost	3,423	-	-	-	3,423
Dividends paid or provided for	-	-	-	(26,836)	(26,836)
Revaluation of investment portfolio	-	(100,140)	-	-	(100,140)
Provision for tax on unrealised gains	-	30,042	-	-	30,042
Profit for the period	-	-	-	47,096	47,096
Net realised (losses) through other comprehensive income	-	-	(8,598)	-	(8,598)
<b>Total Equity at 31 December 2018</b>	<b>911,438</b>	<b>119,943</b>	<b>(38,065)</b>	<b>67,285</b>	<b>1,060,601</b>

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

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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF YEAR TO 31 DECEMBER 2018**

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	<b>Dec 18</b>	Dec 17
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	<b>(1,905)</b>	(1,066)
Dividends and distributions received	<b>49,290</b>	30,752
Payments for held for trading financial assets	-	(40)
Proceeds from sale of held for trading financial assets	-	1,199
Interest received	<b>1,082</b>	334
Income tax paid	<b>(206)</b>	(631)
<b>Net cash inflow from operating activities</b>	<b>48,261</b>	30,548
<b>Cash flows from investing activities</b>		
Purchases for investment portfolio	<b>(127,707)</b>	(38,890)
Sales from investment portfolio	<b>21,002</b>	35,042
Capital returns received	<b>1,130</b>	21
<b>Net cash outflow from investing activities</b>	<b>(105,575)</b>	(3,827)
<b>Cash flows from financing activities</b>		
Proceeds from issues of ordinary shares (net of issue costs)	<b>(16)</b>	(79)
Dividends paid	<b>(23,402)</b>	(19,651)
<b>Net cash outflow from financing activities</b>	<b>(23,418)</b>	(19,730)
<b>Net (decrease)/increase in cash held</b>	<b>(80,732)</b>	6,991
Cash at the beginning of the period	<b>177,570</b>	40,973
<b>Cash at the end of the period</b>	<b>96,838</b>	47,964

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2018

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### 1. BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting, Urgent Issues Group Interpretations* and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by BKI Investment Company Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies are consistent with those applied in the 30 June 2018 Annual Report.

#### **New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following new Accounting Standards and Interpretations issued by the AASB have become effective in the current accounting period:

#### **AASB 9 Financial Instruments and associated Amending Standards**

The new *AASB 9: Financial Instruments and its associated amending standards* replaces all versions of AASB 9 and completes the project to replace AASB 139 – Financial Instruments Recognition and Measurement.

The standard introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)

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### 1. BASIS OF PREPARATION (continued)

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

#### **AASB 15: Revenue from Contracts with Customers**

*AASB 15 Revenue from contracts with customers* establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Group currently does not have any revenue to which AASB 15 is applicable.

The adoption of these Accounting Standards has not had, and is not expected to have, a material impact on the financial performance and position of the Group and consequently, no further disclosures have been included in this report.

#### **Impact of Standards Issued But Not Yet Applied by the Group**

The Group has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2018 ("the inoperative standards").

#### **AASB 16 Leases**

*AASB 16 Leases* will supersede the existing lease accounting requirements in *AASB 117: Leases* and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership.

The Standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The adoption of this standard is not expected to have an impact on the financial performance and position of the Group.

#### **Reporting Basis and Conventions**

This 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.

### 2. FINANCIAL REPORTING BY SEGMENTS

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

	Dec 18	Dec 17
	\$'000	\$'000
<b>3. INCOME</b>		
<b>(a) Ordinary revenue from investment portfolio</b>		
Fully franked dividends	21,904	20,406
Unfranked dividends	1,600	1,267
Trust distributions	3,265	2,261
	<b>26,769</b>	<b>23,934</b>
<b>(b) Special investment revenue</b>		
Fully franked dividends	15,953	398
Unfranked dividends	8,091	-
	<b>24,044</b>	<b>-</b>
<b>(c) Revenue from bank deposits</b>		
Interest received	1,239	476
<b>(d) Other gains/losses</b>		
Net realised gain on sales of investments held for trading	-	116
Net unrealised gain on investments held for trading	-	113
	<b>-</b>	<b>229</b>
<b>Total income from ordinary activities</b>	<b>52,052</b>	<b>25,037</b>
<b>4. OPERATING EXPENSES</b>		
Administration expenses	250	202
Management fees	590	514
Employee and director expenses	142	147
Professional fees	86	83
<b>Total operating expenses</b>	<b>1,068</b>	<b>946</b>



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

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**5. EARNINGS PER SHARE**

	<b>Dec 18</b>	Dec 17
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	<b>726,816,783</b>	619,866,269
	<b>\$'000</b>	\$'000
Operating profit after tax, excluding special investment revenue net of applicable tax	<b>23,052</b>	22,715
Net operating profit for the half year	<b>47,096</b>	23,113
	<b>Cents</b>	Cents
Basic and diluted earnings per share on operating profit after tax, excluding special investment revenue net of applicable tax	<b>3.17</b>	3.66
Basic and diluted earnings per share including special investment revenue net of applicable tax	<b>6.48</b>	3.73
	<b>Dec 18</b>	Jun 18
	<b>\$'000</b>	\$'000

**6. FINANCIAL ASSETS – INVESTMENT PORTFOLIO**

**Non-Current Investment Portfolio**

Listed securities at fair value available for sale	<b>995,522</b>	994,277
<b>Total investment Portfolio</b>	<b>995,522</b>	994,277

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

**6. FINANCIAL ASSETS – INVESTMENT PORTFOLIO (continued)**

<b>Stock</b>	<b>Shares Held</b>	<b>Market Value 31 Dec 18 \$'000</b>	<b>% of Portfolio Value</b>
<b><u>Financials</u></b>			
Commonwealth Bank of Australia Limited	992,432	71,842	7.22
National Australia Bank Limited	2,772,826	66,742	6.70
Westpac Banking Corporation Limited	2,323,515	58,181	5.84
Australia & New Zealand Banking Group	1,560,624	38,173	3.83
Macquarie Group Limited	329,270	35,775	3.59
Insurance Australia Group Limited	3,443,445	24,104	2.42
ASX Limited	397,750	23,841	2.39
Suncorp Group Limited	1,196,094	15,107	1.52
Challenger Limited	1,485,000	14,093	1.42
Milton Corporation Limited	2,103,640	9,067	0.91
Pendal Group Limited	1,093,185	8,713	0.88
Bank of Queensland Limited	810,000	7,857	0.79
Platinum Asset Management	1,238,000	6,017	0.60
Magellan Financial Group Limited	203,500	4,790	0.48
Equity Trustees Limited	185,054	4,449	0.45
National Australia Bank Convertible Notes	40,000	4,045	0.41
Perpetual Limited	124,251	4,036	0.41
National Australia Bank Preference Notes	39,775	3,996	0.40
Evans Dixon	2,050,000	3,362	0.34
Westpac Banking Convertible Notes	20,000	2,055	0.21
Commonwealth Bank Preference Notes	10,000	992	0.10
		<b>407,237</b>	<b>40.91</b>
<b><u>Consumer Staples</u></b>			
Woolworths Limited	1,260,744	37,091	3.73
Coles Group	1,129,102	13,256	1.32
Amcor Limited	500,250	6,628	0.67
Inghams Group	1,340,000	5,534	0.56
		<b>62,509</b>	<b>6.28</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

**6. FINANCIAL ASSETS – INVESTMENT PORTFOLIO (continued)**

<b>Stock</b>	<b>Shares Held</b>	<b>Market Value 31 Dec 18 \$'000</b>	<b>% of Portfolio Value</b>
<b><u>Industrials</u></b>			
Transurban Group	3,697,584	43,077	4.34
Sydney Airport	4,560,427	30,692	3.08
Qube Holdings Limited	5,111,664	12,984	1.30
Seek Limited	537,500	9,094	0.91
Lindsay Australia Limited	17,141,631	6,599	0.66
Brambles Limited	500,576	5,081	0.51
Boral Limited	554,952	2,741	0.28
		<b>146,648</b>	<b>14.73</b>
<b><u>Energy</u></b>			
New Hope Corporation Limited	14,815,952	50,522	5.07
Woodside Petroleum Limited	868,302	27,195	2.73
Caltex Australia Limited	151,950	3,872	0.39
		<b>81,589</b>	<b>8.19</b>
<b><u>Consumer Discretionary</u></b>			
Wesfarmers Limited	1,129,102	36,380	3.65
Invocare Limited	1,638,974	16,881	1.70
ARB Corporation Limited	945,447	14,182	1.42
Harvey Norman Holdings Limited	2,192,777	6,929	0.70
		<b>74,372</b>	<b>7.47</b>
<b><u>Utilities</u></b>			
APA Group	4,894,714	41,605	4.18
AGL Energy Limited	1,483,708	30,564	3.07
		<b>72,169</b>	<b>7.25</b>
<b><u>Telecommunications Services</u></b>			
TPG Telecom Limited	4,819,251	31,036	3.12
Telstra Corporation Limited	9,234,451	26,318	2.64
		<b>57,354</b>	<b>5.76</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

**6. FINANCIAL ASSETS – INVESTMENT PORTFOLIO (continued)**

<b>Stock</b>	<b>Shares Held</b>	<b>Market Value 31 Dec 18 \$'000</b>	<b>% of Portfolio Value</b>
<b><u>Materials</u></b>			
BHP Billiton Limited	1,342,481	45,953	4.62
Brickworks Limited	436,209	7,254	0.73
Pact Group	1,082,000	3,755	0.37
		<b>56,962</b>	<b>5.72</b>
<b><u>Health Care</u></b>			
Ramsay Health Care Limited	429,500	24,795	2.49
Sonic Healthcare Limited	960,899	21,245	2.13
Regis Healthcare Limited	1,807,428	4,772	0.49
Ansell Limited	87,130	1,920	0.19
		<b>52,732</b>	<b>5.30</b>
<b><u>Property</u></b>			
Goodman Limited	945,000	10,045	1.01
Lend Lease	513,535	5,973	0.60
Stockland Group	1,225,000	4,312	0.43
		<b>20,330</b>	<b>2.04</b>
<b>TOTAL</b>		<b>995,522</b>	<b>100.00</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

	Dec 18	Jun 18
	\$'000	\$'000
<b>7. SHARE CAPITAL</b>		
<b>(a) Issued and paid-up capital</b>	<b>911,438</b>	908,015

**(b) Movement in ordinary shares**

	Dec 2018	
	Number of Shares	\$'000
Beginning of the period	725,311,402	908,015
Issues during the half year:		
- dividend reinvestment plan	2,215,921	3,435
- less transaction costs (net of tax)		(12)
<b>End of the period</b>	<b>727,527,323</b>	<b>911,438</b>

**8. DIVIDENDS**

	Dec 18	Dec 17
	\$'000	\$'000
<b>(a) Dividends paid</b>		
Final ordinary dividend for the year ended 30 June 2018 of 3.70 cents per share (2017: 3.70 cents per share) fully franked at the rate of 30%	26,836	22,884
Total dividends paid	26,836	22,884

**(b) Dividends declared after balance date**

Since the end of the half year the Directors have declared an interim ordinary dividend for the 2019 financial year of 3.625 cents per share and a special dividend of 1.500 cents per share, both fully franked at the tax rate of 30%. These dividends will be payable on 28 February 2019, but have not been recognised as liabilities at the half year.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR TO 31 DECEMBER 2018 (continued)**

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**9. ACQUISITION OF CONTROLLED ENTITIES**

During the half year the Company did not acquire shares in any entities (2017: nil).

**10. RELATED PARTY TRANSACTIONS**

The Group did not enter into any new arrangements with related parties during the half year ended 31 December 2018. Ongoing arrangements with related parties of the Company in place as at 30 June 2018 continue to be in place. For details of these continuing arrangements, refer to Note 21 of the 30 June 2018 Annual Financial Report.

**11. CONTINGENT LIABILITIES**

The Group has no contingent liabilities as at 31 December 2018.

**12. COMMITMENTS**

The Group has no capital or leasing commitments as at 31 December 2018.

**13. EVENTS SUBSEQUENT TO BALANCE DATE**

Since 31 December 2018 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 Group or its financial position.

**14. AUTHORISATION**

The financial report was authorised for issue on 23 January 2019 by the Board of Directors.

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## DIRECTORS' DECLARATION

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In accordance with a resolution of the Directors of BKI Investment Company Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity as set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
  - ii complying with the Australian Accounting Standard AASB134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.



**Robert D Millner**  
Director

**Sydney**  
**23 January 2019**



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of BKI Investment Company Limited and Controlled Entities, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year ended or from time to time during the half-year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BKI Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BKI Investment Company Limited, would be in the same terms if given to the directors as at the time of this review report.





## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BKI Investment Company Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.

## Other Information

The directors of the Company are responsible for the other information. The other information obtained at the date of this review report comprises the information included in the Directors' Report for the half year ended 31 December 2018, but does not include the financial report and our review report thereon. Our conclusion on the financial report does not cover the other information and accordingly we do not express any form of review conclusion thereon.

In connection with our review of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the review or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

MGI Sydney

MGI Sydney Assurance Services Pty Limited  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Clayton Lawrence', is written over a circular stamp or seal.

Clayton Lawrence  
Director

Sydney, 23 January 2019



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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF BKI INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES**

As lead auditor for the review of BKI Investment Company Pty Limited and Controlled Entities for the half-year ended 31 December 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*MGI Sydney*

MGI Sydney Assurance Services Pty Limited  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Clayton Lawrence', with a horizontal line extending to the right.

Clayton Lawrence  
Director

Sydney, 23 January 2019