



CELEBRATING
20 YEARS

BKI INVESTMENT COMPANY LIMITED

2024

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

Annual Report
for the year ended 30 June 2024

Contents

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Corporate Directory

Directors

| | |
|---------------------------------|---|
| Robert Dobson Millner AO | <i>Non-Executive Chair</i> |
| David Capp Hall AM | <i>Independent Non-Executive Director</i> |
| Alexander James Payne | <i>Non-Executive Director</i> |
| Ian Thomas Huntley | <i>Independent Non-Executive Director</i> |
| Jacqueline Ann Clarke | <i>Independent Non-Executive Director</i> |

Investment Manager

Contact Asset Management Pty Limited (Contact)

Thomas Charles Dobson Millner
Portfolio Manager

William Anthony Culbert
Portfolio Manager

Company Secretary

Amanda Wong

Website

www.bkilimited.com.au

Corporate Governance Statement

www.bkilimited.com.au/about-us/corporate-governance/#statement

Registered office and principal place of business

Suite 302, Level 3
1 Castlereagh Street
Sydney NSW 2000

Telephone: (02) 7251 6242
Facsimile: (02) 8355 1617

Postal Address:

PO Box H280
Australia Square NSW 1215

Share Register

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000
Telephone: 1300 853 816

Auditor

MGI Sydney Assurance Services Pty Ltd

Level 14
20 Martin Place
Sydney NSW 2000

ASX

BKI Investment Company Limited shares are listed on the Australian Securities Exchange (ASX code: **BKI**)

Financial Highlights

| | Change | | Jun 2024 \$'000 | | Jun 2023 \$'000 |
|--|--------|--------|--------------------|------|--------------------|
| Revenue performance | | | | | |
| Total revenue – ordinary | down | 6% to | 68,344 | from | 72,753 |
| Special investment revenue | down | 67% to | 1,663 | from | 4,998 |
| Total income from ordinary activities | down | 10% to | 70,007 | from | 77,751 |
| Profits | | | | | |
| Operating result after tax – before special investment revenue | down | 4% to | 62,729 | from | 65,068 |
| Special investment revenue | down | 67% to | 1,663 | from | 4,998 |
| Net profit from ordinary activities after tax attributable to shareholders | down | 8% to | 64,392 | from | 70,066 |
| Net profit attributable to shareholders | down | 8% to | 64,392 | from | 70,066 |
| Portfolio | | | | | |
| Total portfolio value (including cash & receivables) | up | 6% to | 1,479,118 | from | 1,390,008 |

| | Change | | Cents | | Cents |
|--|--------|---------|-------------|------|-------|
| Earnings per share: | | | | | |
| Basic EPS before special investment revenue and applicable tax | down | 10% to | 7.83 | from | 8.68 |
| Basic EPS after special investment revenue and applicable tax | down | 14% to | 8.03 | from | 9.35 |
| Dividends per share: | | | | | |
| Interim – Ordinary | up | 4% to | 3.85 | from | 3.70 |
| Interim – Special | down | 100% to | – | from | 0.50 |
| Final – Ordinary | steady | – to | 4.00 | from | 4.00 |
| Full Year Total | down | 4% to | 7.85 | from | 8.20 |

10 Year Dividend History (cents per share)

| 30 June | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--------------------|-------------|-------------|-------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Interim – Ordinary | 3.55 | 3.60 | 3.60 | 3.625 | 3.625 | 3.625 | 2.00 | 3.50 | 3.70 | 3.85 |
| Interim – Special | – | – | – | – | 2.500 | 1.000 | – | 0.50 | 0.50 | – |
| Final – Ordinary | 3.65 | 3.65 | 3.70 | 3.700 | 3.700 | 2.320 | 3.00 | 3.65 | 4.00 | 4.00 |
| Final – Special | – | – | – | – | – | – | – | 1.00 | – | – |
| Total | 7.20 | 7.25 | 7.30 | 7.325 | 9.825 | 6.945 | 5.00 | 8.65 | 8.20 | 7.85 |

All ordinary and special dividends paid by BKI Investment Company Limited (“BKI”) since listing on the Australian Securities Exchange have been fully franked.

10 Year Net Tangible Asset (NTA) History (\$ per share)

| 30 June | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|------|------|------|------|------|------|------|------|------|-------------|
| NTA before tax | 1.65 | 1.55 | 1.61 | 1.63 | 1.69 | 1.47 | 1.71 | 1.66 | 1.75 | 1.83 |
| NTA after tax | 1.53 | 1.47 | 1.52 | 1.54 | 1.58 | 1.43 | 1.59 | 1.58 | 1.64 | 1.70 |

Financial Highlights (continued)

List of Securities as at 30 June 2024

| | Number of securities held | Market value \$'000 | Portfolio weight % |
|--|---------------------------|---------------------|--------------------|
| Financials | | | |
| Commonwealth Bank of Australia | 1,013,044 | 129,041 | 8.72 |
| National Australia Bank Limited | 3,000,000 | 108,690 | 7.35 |
| Macquarie Group Limited | 495,000 | 101,322 | 6.85 |
| Suncorp Group Limited | 1,531,408 | 26,662 | 1.80 |
| Equity Trustees Limited | 447,932 | 14,334 | 0.97 |
| E&P Financial Group Limited | 6,631,759 | 2,918 | 0.20 |
| Carlton Investments Limited | 35,614 | 1,056 | 0.07 |
| | | 384,023 | 25.96 |
| Energy | | | |
| New Hope Corporation Limited | 12,950,952 | 63,201 | 4.27 |
| Woodside Energy Group Limited | 1,822,438 | 51,411 | 3.48 |
| Yancoal Australia Limited | 4,295,000 | 28,433 | 1.92 |
| Ampol Limited | 480,000 | 15,523 | 1.05 |
| Washington H Soul Pattinson & Co Limited | 413,086 | 13,557 | 0.92 |
| | | 172,125 | 11.64 |
| Materials | | | |
| BHP Group Limited | 2,884,976 | 123,131 | 8.32 |
| Amcor Limited | 1,810,000 | 26,951 | 1.82 |
| Brickworks Limited | 436,209 | 11,429 | 0.77 |
| Orora Limited | 3,442,804 | 6,782 | 0.46 |
| | | 168,293 | 11.37 |
| Consumer Discretionary | | | |
| ARB Corporation Limited | 978,590 | 36,825 | 2.49 |
| Harvey Norman Holdings Limited | 8,070,000 | 33,652 | 2.28 |
| Wesfarmers Limited | 1,236,736 | 80,610 | 5.45 |
| | | 151,087 | 10.22 |
| Industrials | | | |
| Transurban Group | 3,485,952 | 43,226 | 2.92 |
| Aurizon Holdings Limited | 6,130,000 | 22,374 | 1.51 |
| Lindsay Australia Limited | 17,141,631 | 15,085 | 1.02 |
| Reece Limited | 515,499 | 12,975 | 0.88 |
| Smartgroup Corporation Limited | 1,310,000 | 11,070 | 0.75 |
| Dalrymple Bay Infrastructure Limited | 3,385,305 | 10,021 | 0.68 |
| IPH Limited | 965,000 | 6,050 | 0.41 |
| | | 120,801 | 8.17 |

List of Securities as at 30 June 2024 (continued)

| | Number of securities held | Market value \$'000 | Portfolio weight % |
|---|---------------------------|---------------------|--------------------|
| Telecommunications Services | | | |
| Telstra Group Limited | 11,000,000 | 39,820 | 2.69 |
| TPG Telecom Limited | 5,748,362 | 26,327 | 1.78 |
| Tuas Limited | 2,874,181 | 12,704 | 0.86 |
| Nine Entertainment Co. Holdings Limited | 2,300,000 | 3,220 | 0.22 |
| | | 82,071 | 5.55 |
| Utilities | | | |
| APA Group | 9,716,652 | 77,635 | 5.25 |
| | | 77,635 | 5.25 |
| Consumer Staples | | | |
| Woolworths Limited | 1,209,906 | 40,883 | 2.76 |
| Coles Group Limited | 1,137,838 | 19,377 | 1.31 |
| Metcash Limited | 3,621,084 | 12,819 | 0.87 |
| | | 73,079 | 4.94 |
| Property Trusts | | | |
| Goodman Group Limited | 945,000 | 32,839 | 2.22 |
| Stockland Corporation Limited | 5,050,000 | 21,058 | 1.42 |
| Mirvac Limited | 9,250,000 | 17,298 | 1.17 |
| | | 71,195 | 4.81 |
| Health Care | | | |
| Sonic Healthcare Limited | 1,262,000 | 33,191 | 2.24 |
| Ramsay Healthcare Limited | 575,000 | 27,289 | 1.85 |
| Regis Healthcare Limited | 1,807,428 | 7,880 | 0.53 |
| | | 68,360 | 4.62 |
| Total Portfolio | | 1,368,669 | 92.53 |
| Investment portfolio | | 1,368,669 | 92.53 |
| Trading portfolio | | - | - |
| Total Portfolio | | 1,368,669 | 92.53 |
| Cash and dividends receivable | | 110,449 | 7.47 |
| Total Investment Assets | | 1,479,118 | 100.00 |

The Group is a substantial shareholder in accordance with the *Corporations Act 2001* of Lindsay Australia Limited, holding 5.49% of the issued capital as at 30 June 2024. The Group is not a substantial shareholder in any other investee corporation as each equity investment represents less than 5% of the issued capital of the investee corporation.

Chair's Address

Dear Shareholders,

I am pleased to enclose the 21st Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2024 ("FY2024").

FY2024 was a tough year for many businesses, with continued cost pressures, higher interest costs and a slowdown in spending, making it a challenging year. Labour shortages endured, pushing up wages. A lack of consistent base load energy supply has seen prices for wholesale and retail electricity rise significantly. Other utility prices have also risen, as has the price for insurance, healthcare, travel and other general consumer staples.

These factors saw inflation data continue to rise, forcing the Reserve Bank of Australia to implement an additional rate rise over the year, taking the Australian cash rate to 4.35%. This last rate rise is beginning to stem the spending on discretionary retail somewhat, however it has also driven up interest payments for many businesses and mortgage owners.

Australian equity markets performed well over the year with the S&P/ASX300 Accumulation Index returning 11.9%. This is an excellent result with many company profits affected by higher business costs and being forced to pay substantially more interest than in previous years. These cost pressures and rate increases put pressure on company first half profits, which led in many cases, to a reduced payout ratio and a more conservative dividend payment. We suspect this will continue into full year results in the upcoming August reporting period.

More broadly, these rate rises have been difficult for the one-third of Australians who have a mortgage, impacting consumer spending and lowering confidence. For the third of the population who pay rent, rate increases have led to higher rental payments and have driven up house prices and pushed affordability for many first homeowners out of reach. For the remaining third of the population who have seen higher interest payments on their cash products and higher rents received from their investment properties, this has translated into greater spending on high end property, luxury goods and travel, putting further pressure on inflation, as exacerbated by substantial and award wage increases and government handouts.

The continual rise in interest rates has begun to take a toll on many parts of the economy. However, as we have noted in previous years, long term, we are positive about the future of the Australian economy. Despite interest rate increases, and a general slowdown in consumer spending, Australia is very well positioned to benefit from a growing compulsory superannuation scheme, a growing population and access to a vast array of commodities and resources.

Result Highlights

In December 2023, BKI celebrated 20 years of being listed on the Australian Securities Exchange when trading commenced on Friday 12 December 2003. Following the IPO, BKI had 171 million shares on issue with a listing price of \$1.00 per share. As at 30 June 2024, BKI's Total Assets were \$1.48 billion and to date, we have proudly paid out over \$1.0 billion in dividends and franking credits to shareholders.

BKI's FY2024 results show Revenue from the Investment Portfolio down 6% to \$68.3 million. Dividends received during the 2023 August/September 2023 and February/March 2024 reporting seasons were softer than hoped, with many companies taking the conservative path and lowering payout ratios as they face an uncertain economy, higher expenses and higher interest rate payments. Resources and Energy companies have come off record dividends following a strong period of high commodity prices and record profits. BKI's major holdings including BHP Group, Yancoal, New Hope Group and Woodside Energy, all reduced their ordinary dividends by more than 30% on the prior year. Despite this decline in dividends received, we remain confident in the long-term future of our investments within the Resources and Energy sectors, especially oil, gas, copper, iron ore, metallurgical and thermal coal.

The result was also impacted by lower ordinary dividends received over the last year from Macquarie Group, Ramsay Healthcare and Harvey Norman, offset by increased dividends from Commonwealth Bank, National Australia Bank, Wesfarmers, APA Group, Aurizon Group and Telstra Corporation.

BKI's interest received was \$4.0 million, up substantially on the FY2023 interest of \$1.6 million following further rises in interest rates during the year. BKI's Net Operating Profit, before tax and special investment revenue, was \$65.9 million, a decrease of 6% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10% lower to 7.83 cents per share.

Chair's Address (continued)

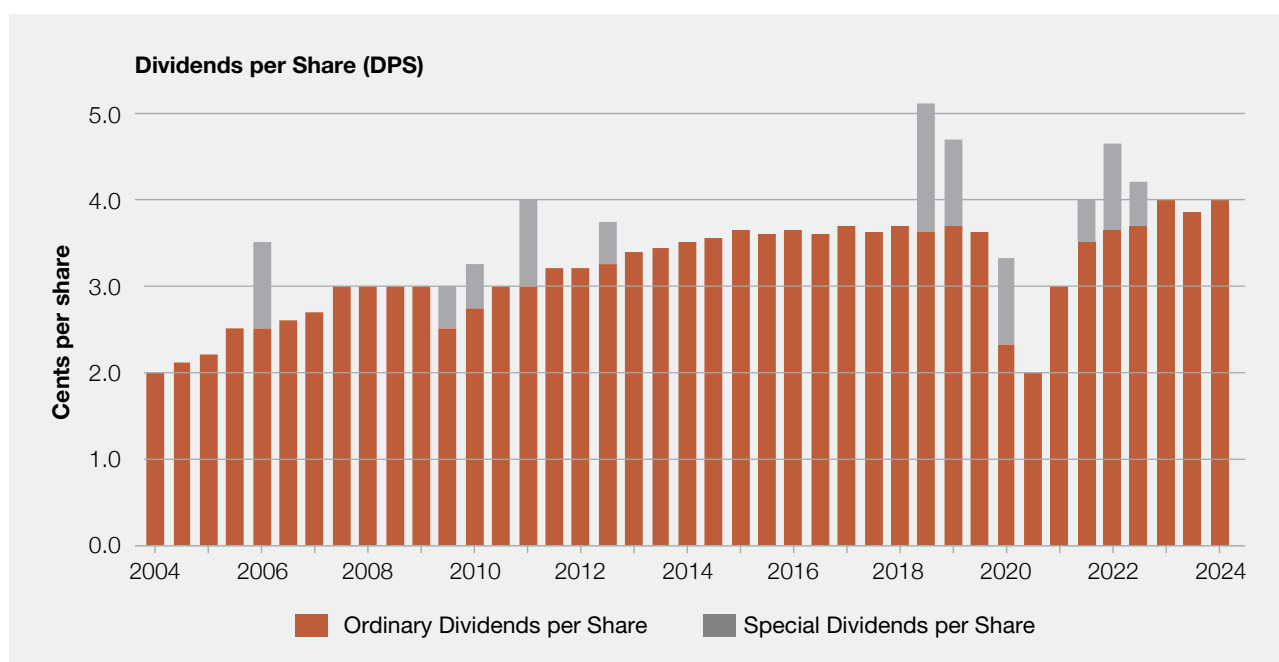
Special Investment Revenue was \$1.7 million in FY2024, with Special Dividends received from New Hope Corporation, Ampol Limited and Smartgroup Limited. Special Dividends received in FY2023 totalled \$5.0 million.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2024 of \$64.4 million was down 8% on the previous corresponding period. BKI's FY2024 basic earnings per share, including special investment revenue, was 8.03 cents per share.

Dividends

The BKI Board has declared a final ordinary dividend of 4.00cps, in line with the previous corresponding period. Total FY2024 dividends of 7.85cps is 2% higher than total dividends paid in FY2023.

Based on the FY2024 dividends of 7.85cps, the current historical BKI grossed up dividend yield is 6.7%, based on a tax rate of 30% and a share price of \$1.68, as at 30 June 2024.



Dividend Key Dates

The last trading date to be eligible for the FY2024 Final Dividend is Monday 5 August 2024. Key dates for the fully franked final dividends are as follows:

| Key Dates | |
|---|--------------------------------|
| Last trading date to be eligible for dividend | Monday 5 August 2024 |
| Ex-dividend Date | Tuesday 6 August 2024 |
| Record Date | Wednesday 7 August 2024 |
| DRP Nomination | Thursday 8 August 2024 |
| Dividend Payment Date | Thursday 29 August 2024 |
| Annual General Meeting | Wednesday 15 October 2024 |

Chair's Address (continued)

Dividend Reinvestment Plan (DRP)

The BKI Board has confirmed that BKI's Dividend Reinvestment Plan (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 last day to nominate for participation in the DRP is Thursday 8 August 2024.

To complete a DRP form, please follow the link: <https://bkilimited.com.au/dividend-information/>

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 (Wednesday 7 August 2024).

Management Expense Ratio (MER)

BKI's MER as at 30 June 2024 was 0.169%, down from 0.184% in the corresponding period. The Board and Portfolio Managers are shareholders in BKI. We invest for the long term and do not charge excessive external portfolio management fees or any performance fees. Our focus is on creating wealth for all shareholders by keeping costs low, increasing fully franked dividends and generating capital growth over the long term. BKI has no debt and thus shareholder returns are not diluted by interest payable on such facilities.

BKI's MER continues to compare very favourably to other externally managed LICs, ETFs and managed funds in the domestic market that provide a similar broad-based exposure to Australian equities.

Outlook

Inflation continues to be the biggest focus in global economies. We continue to expect further challenges to emerge in our local market following high inflation and rising interest rates over the short to medium term. However, more recent inflation numbers in the US and Europe may see Central Banks within these markets begin to cut rates prior to Christmas 2024. This will be well received by equity markets. Australia is a little behind, as we were initially slower to lift rates as inflation emerged post COVID-19. Australia is still printing a CPI number that is larger than our Reserve Bank is comfortable with, and with that we believe that our local official cash rate may stay higher for longer.

Despite this, we continue to find pockets of opportunities to invest within our equity market. There are many high-quality companies that have strong balance sheets that are not affected by higher interest rates. They continue to have a clear competitive advantage with pricing power, enabling them to pass on higher costs and many are managed by capable and trustworthy people who think and act long term. Many Boards and Executives have skin in the game and own shares in the companies they manage, proving time and time again that they have a real focus on paying shareholders an attractive and sustainable dividend stream throughout each cycle.

BKI has always operated under a very stable Board, Investment Committee, Audit Committee and Investment Management team. All aligned with shareholders and who always strive for a common goal of investing for the long-term and generating an increasing income stream for distribution to BKI shareholders as fully franked dividends.

It's been a wonderful journey thus far. On behalf of the BKI Board and Contact Management team I would like to thank shareholders for their support over the last 20 years. We have a very strong and proud track record. We continue to hold a portfolio of high-quality dividend paying stocks. We have no debt, operate at a very low cost and are very well positioned to take advantage of any market opportunity which may present itself over the year ahead with over \$110 million currently sitting in liquid current assets.



Robert D Millner AO
Chair

Portfolio Manager's Report

Dear Shareholders,

Contact Asset Management, as the Investment Manager of BKI Investment Company, is pleased to include our Investment Report for FY2024.

Market Commentary

Risk dominated sentiment in the first quarter of FY2024, following widespread declines in global equity exchanges. gyrations in global bond markets combined with the threat of war in the Middle East concerned investors. This decline in equities markets was the longest losing streak since March 2020 with many global investors believing that there was an elevated risk of a recession in the US. The S&P/ASX300 Accumulation Index lost 7.3% in the 3 months to October 2023 and the BKI portfolio performance was down 5.4% over the same period.

US companies had started to release third-quarter earnings updates and despite the softness in equities markets and coming in with very low expectations the earnings season started on a relatively positive note, led by Financials and IT. Other data also emerged which saw New Home Sales increase +12.3% MoM in September despite the headwind of a higher 30 year fixed mortgage rate. This data continued to give traction to the theory that "mortgage lock" – where current homeowners are unwilling to give up their historically low interest rates to move – was affecting housing dynamics. Diminishing supply of existing homes pushed more buyers into the new home sale market, supporting more resilient demand. Nevertheless, affordability remained a challenge. However, it was at this point that we also saw US consumer confidence drop to a five-month low, while employment costs unexpectedly accelerated – underscoring a strong labour market that risked keeping inflation above the Fed's target. This trend was also quickly mirrored across other developed markets.

It appeared that the lead up into Christmas 2023 saw widespread negative sentiment and fear throttled Australian and global markets. The consumer was stretched and the capacity for consumers to continue their pace of spending was severely limited, and only exacerbated by high energy prices alongside more onerous insurance, healthcare and fuel costs. China's muted growth also began to weigh on commodity prices and industrials earnings, with China's economic growth slowing considerably, facing several headwinds including a soft property sector following overdevelopment, significant youth unemployment and an aging imbalanced population as a result of the one child policy.

Fortunately, while these pressures emerged, inflation print began to decline, but not quickly enough and markets began to accept the "higher for longer" outlook for interest rates. Global investors then realised that there are alternatives to equities. High-yield products including Bond and Term Deposits were offering a reasonable return for minimal risk, creating a degree of inertia among potential equity market investors. The volatile and rapid moves in bond markets also concerned investors.

For at least the first four months of financial year 2024, investor sentiment was deeply bearish, with pessimistic financial media focused on a complex macroeconomic environment. However, after a volatile first quarter, investor optimism returned, and returned quickly. Global markets rallied hard in November and December 2023, led by a 17% return in the NASDAQ over the final two months of the year. The S&P500 increased 14% and the Australian S&P/ASX300 Accumulation Index was up 13% over the same two-month period. Investors had finally started to focus on some positives; namely softening of inflation, easing supply chain disruptions, a more constructive labour market and more stable energy prices. These factors, combined with increasing prospects of interest rate cuts in 2024, meant that markets finished the year strongly. The tech-heavy NASDAQ dominated, posting a 45% gain for the year. The S&P500 increased 26%, closing the year at 4,770 and reversing all the losses of 2022 to close at almost exactly the same level at the end of 2021. The Australian market was also very strong, with an offshore lead and a commodity market that proved to be very resilient, the S&P/ASX300 Accumulation Index finished the calendar year 12.1% higher and up 7.4% for the six months to 30 December 2023.

Portfolio Manager's Report (continued)

December 2023 also marked 20 years of BKI listing on the Australian Securities Exchange when trading commenced on Friday 12 December 2003. The IPO of shares by BKI (formally Brickworks Investment Company), closed with an underwritten amount of \$120 million. These funds were used to buy the Brickworks investment portfolio. In addition, Brickworks maintained equity in the newly listed BKI with a holding of 25.2%.

Following the IPO, BKI had 171 million shares on issue with a listing price of \$1.00 per share. The issue of BKI shares was strongly supported by shareholders in Brickworks and other shareholders entitled to priority, including Washington H. Soul Pattinson and Company Limited shareholders. During this 20-year period BKI has realised some notable achievements:

- The number of BKI shareholders grew from 7,832 in 2003 to approximately 17,000;
- Total Assets increased significantly from \$171.2 million to \$1.4 billion, and in addition to growing the core investment portfolio, BKI have been successful in executing various corporate actions and capital raisings;
- Total Dividends and franking credits paid to shareholders over the past 20 years now sits at over \$1 billion, with BKI also paying 11 fully franked special dividends;
- BKI's grossed up dividend yield has averaged 6.7% since dividends began being paid in August 2004;
- BKI's 20-year Total Shareholder Return, including dividends and franking credits as at 11th December 2023 was 10.1% p.a.

Global equities continued to advance in January and February, with relatively strong earnings reports contributing to financial year-to-date gains. Equity markets were also supported by continued strength in the US economy, combined with signs of an uptick in European activity. However, this economic resilience, alongside signs inflationary pressures that have not yet entirely dissipated, suggested Central Banks will likely be on hold for a little while longer. Again, markets looked through the possible delay to interest rate cuts, as earnings season continued in the US, with most companies broadly meeting or exceeding expectations, contributing to positive gains in the S&P 500. This was highlighted by new all-time highs set by the US S&P500, the Japan Nikkei 225 and the S&P/ASX 300 Accumulation Index pushing through 96,000 points by the end of February. Investors were comfortable with steady earnings growth and inflation that seemed to be under control, creating supportive conditions for equity returns.

Japan's Nikkei index broke through 40,000 for the first time in its history. Domestic Japanese data showed that Tokyo's core inflation rate accelerated to 2.5% in February from 1.8% in the previous month and went back above the Central Bank's 2.0% target. This strong performance for Japan's Nikkei Index was mainly driven by cheap equity valuations, corporate reforms as well as investment flows diverted from a battered Chinese stock market. This strength for many local investors has been seen as the arrival of a new era, with many articles written implying that Japan may have finally escaped from a long period of deflation with a new world of foreign investment and growth opening up. We expect volatility from here given these remarkable returns, however, if sustained, the newfound confidence in Japan will be very good for Australia.

One of the operational highlights from the Woodside Energy result in February 2024 was the sale and purchase agreement with LNG Japan, for the sale of a 10% equity interest in the Scarborough Joint Venture. Post result we also saw Japanese company JERA Co, one of the world's largest energy companies, acquire a further 15.1% participating interest in the Scarborough gas field development project for a total consideration of US\$1.4 billion.

Despite Japan having bold renewable targets for 2030, they have maintained Nuclear generation methods of 30% of total power generation. They are particularly focused on low-cost energy commodities such as Oil, Gas and Thermal Coal, but with a distinct focus on quality low carbon energy sources of Australian LNG and Australian Newc/6000 Thermal Coal. Pricing of domestic and commercial energy is still very important to the government and the economy.

The same couldn't be said for Chinese equity markets, hitting five-year lows early in the second half of FY2024. However, activity data over the Lunar New Year holiday period strengthened, and the Chinese government announced a number of supportive interventions, including a cut to the 5-year loan prime rate (a benchmark for mortgage rates), curbs on short selling, and stock purchases by state-owned investment firms. The MSCI China CSI 300 Index consequently gained 9.4% over the month of February.

Portfolio Manager's Report (continued)

The Australian reporting season dominated news flow and at a high level, through February and March as ASX companies posted better-than-expected December half earnings. The Mid-cap 50 Index returned an impressive 5.3% for the two-month period to the end of February led by Technology. Technology gained 19.7% over January and February, due to generally strong results plus the global optimism towards anything tech related, especially potential AI beneficiaries. Altium was up 30.4% in February, Wisetech Global was up 29.4%, data centre developer NextDC, was up 25.9%, Block Inc. up 17.3% and Carsales was up 11.4%. This is a difficult space for BKI to invest in as many of these companies don't offer an attractive dividend yield.

Consumer Discretionary was 9.7% higher in February 2024 and was the second-best sector in the Australian market, led by Retail which was 15.4% higher. Retail delivered a strong positive EPS surprise, supported by resilient consumer spending and good cost control. This segment included strong performances from Wesfarmers, who finished the month of February up 15.2% and Harvey Norman, finishing 12.0% higher.

However, as the February / March reporting season saw positive top line growth from most stocks held within the BKI portfolio, exceeding expectations, profit conversion was difficult to come by as higher expenses and interest payments in particular dragged on earnings. Many good quality companies were able to manage these headwinds, however those that were unable to do so found it difficult to raise or even maintain dividend payments. Negative dividend surprises were a feature of the second half of FY2024 with many companies taking a conservative approach to capital management with their results.

We believe that this latest reporting season did highlight that we are close to a low point for many companies, with growth in margins and cashflows expected to return in the next half. Company guidance for many of BKI's positions was positive.

Of BKI's major holdings, Commonwealth Bank's (CBA-ASX) result was a standout. With the main highlight being an increase to their interim dividend from \$2.10 to \$2.15 per share. Our takeaway from CBA was that economic conditions in Australia remain sound. The commentary from CBA and some of the other major Banks suggested that they are becoming more comfortable that we will not have a hard landing; that employment will stay high and also interest rates will not move significantly from where they are. As a result, banks are lending again, and profits and dividends are increasing.

We were pleased with the dividends received from Wesfarmers, Transurban, Telstra, ARB Corporation, Aurizon, Suncorp, Amcor, Ampol, Reece, Lindsay Australia and Sonic Healthcare who all lifted dividends from last year. Unfortunately, BHP Group and energy stocks, Woodside, Yancoal Australia and New Hope Corporation reduced dividends from previous record levels given a fall in commodity prices.

Strong global quarterly inflationary figures released during April confirmed to investors that we will most likely now see a delay in interest rate cuts. We see a current lag in the Australian economy, comparable to other developed markets, however short-term value hasn't emerged. Long term investors remain bullish on Australian Equities. Our market is resilient, and we have several structural tailwinds in Australia from superannuation growth, a growing population and demand for our resources. Positive company guidance over the last few months has been met with big buying support, with the S&P/ASX300 Accumulation Index closing FY2024 on record highs, pushing through 98,000 points for the first time. This has subsequently pushed the PE of the market higher, now over 17x (FY2024e earnings), with the dividend yield for the S&P/ASX300 Index only 3.5%.

Given the current backdrop, we are very curious as to the outcome of the last six months which will be shown in the various half and full year company results during the upcoming July/August 2024 reporting season. We will have a particular interest in the following topics:

- The consumer discretionary sector – can this sector continue to show resilient top line sales relative to previous conservative assumptions?
- The materials sector – major miners including BHP, Rio Tinto and Woodside are again recycling large profits. Will the impact of commodity and energy cost curves steepening and challenging labour conditions be softened by increased volumes and a low Australian dollar?
- Interest costs – These will remain a headwind for many companies with excessive debt. Will companies with stretched balance sheets reduce dividends to pay down debt?
- Artificial Intelligence – AI has become an increasing talking point, will tech continue to dominate, despite most companies within this sector not making any profits?

Portfolio Manager's Report (continued)

It is worth noting again that while the headline P/E multiples for the market appear elevated, there are still opportunities within sectors and certainly for stock pickers. Relative to global peers, we continue to believe that the Australian market looks attractive. Even in a rising interest rate environment, it is highly likely that Australian equities can keep delivering reasonable earnings growth in FY2025 on the back of a stable unemployment rate, a very strong housing market, tight global commodity markets, and strong migration and population growth.

Portfolio Movements

First Half FY2024

In the first half of the 2024 financial year, we invested \$68 million. The main investments were into existing holdings including BHP Group (BHP-ASX), National Australia Bank (NAB-ASX), Commonwealth Bank (CBA-ASX), APA Group, (APA-ASX), Telstra Group (TLS-ASX), Stockland (SGP-ASX) and Ampol (ALD-ASX).

We established a new position in Mirvac Limited (MGR-ASX), as we believe that MGR provides an attractive investment opportunity for BKI given the discount to NTA and growing dividend yield over the long term. MGR will give BKI unique exposure to commercial and industrial real estate assets as well as the growing build to rent (BTR) segment. MGR have found a niche in the property sector for BTR, and we believe it provides an exciting opportunity for a long term investment.

There were a few smaller positions added to the BKI portfolio following the acquisition of an unlisted investment portfolio during the half. These investments include EVT Limited (EVT-ASX), Carlton Investments (CIN-ASX), Endeavour Group (EDV-ASX) and Perpetual Limited (PPT-ASX).

We sold Rio Tinto (RIO-ASX) out of the BKI portfolio. RIO are a quality long-term resource company, and we believe in the resources story long term. However, their dividend has fallen from a peak of \$15.36 to an expected \$5.41 for the current year, with the yield dropping from 10.4% to 4.9%.

Second Half FY2024

In the second half of the 2024 financial year, we invested a further \$58 million. The portfolio positioning for the second half of FY2024 included a re-weighting of National Australia Bank (NAB-ASX) and Macquarie Group (MQG-ASX). Our holding in NAB was reduced slightly from 8.4% to 7.0% and MQG reduced from 8.5% to 6.5%. Despite the slight reductions, both companies recently announced solid results including robust dividend outlooks. We believe that they will continue to do well in the current market, and we remain very happy with our investments at current levels.

We exited our position in Treasury Wine Estates (TWE-ASX), believing that while the Chinese import tariff removal was a positive development, a return to previous export volumes for TWE may be some way off. There appears to be a glut of product in the system and TWE carries a certain amount of agricultural / seasonal risk.

We added a new position into the BKI portfolio in Dalrymple Bay Infrastructure (DBI-ASX). DBI is an Australian infrastructure company, holding a 99-year lease of Dalrymple Bay Terminal, the world's largest export metallurgical coal facility, servicing world leading customers. Its valuation is very compelling with a forward PE multiple of 15.1X and a healthy future earnings stream. DBI is offering a 10.6% grossed up dividend yield, franked at 70%.

We also added capital to existing positions in Mirvac (MGR-ASX) and Stockland (SGP-ASX). We consider that both companies are offering good value whilst trading on attractive discounts to their NTA and both offer dividend yields of over 5.0%. We believe their future earnings streams are underpinned by significant structural tailwinds that have come about through the supply/demand imbalance of housing as well as the significant growth expected in Australia's population.

Over the year BKI invested a total of \$126 million into the market with \$96 million worth of sales. As at the end of June 2024, there were 40 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 90.2% of the total Portfolio. The Investment Portfolio (including cash and cash equivalents) was valued at \$1.48 billion, with the cash and cash equivalents representing 7.5%.

Portfolio Manager's Report (continued)

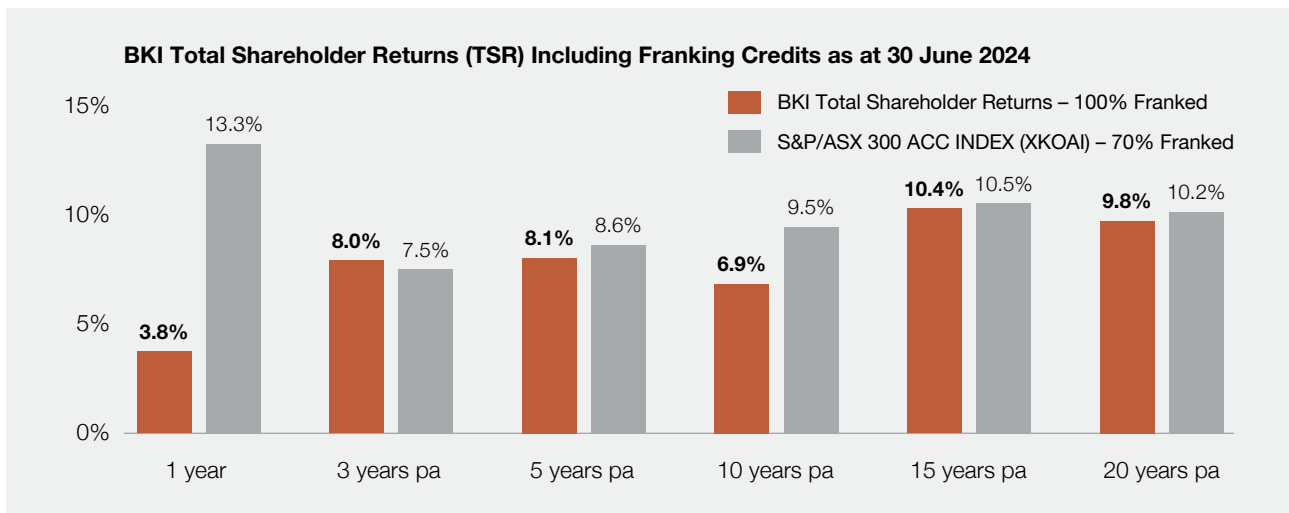
Top 25 Investments

| | Dates | % of Total Portfolio |
|----|---|----------------------|
| 1 | Commonwealth Bank of Australia | 8.7% |
| 2 | BHP Group Limited | 8.3% |
| 3 | National Australia Bank Limited | 7.3% |
| 4 | Macquarie Group Limited | 6.9% |
| 5 | Wesfarmers Limited | 5.4% |
| 6 | APA Group | 5.2% |
| 7 | New Hope Corporation Limited | 4.3% |
| 8 | Woodside Energy Group Limited | 3.5% |
| 9 | Transurban Group | 2.9% |
| 10 | Woolworths Group Limited | 2.8% |
| 11 | Telstra Group Limited | 2.7% |
| 12 | ARB Corporation Limited | 2.5% |
| 13 | Harvey Norman Holdings Limited | 2.3% |
| 14 | Sonic Healthcare Limited | 2.2% |
| 15 | Goodman Group Limited | 2.2% |
| 16 | Yancoal Australia Limited | 1.9% |
| 17 | Ramsay Healthcare Limited | 1.8% |
| 18 | Amcor Limited | 1.8% |
| 19 | Suncorp Group Limited | 1.8% |
| 20 | TPG Telecom Limited | 1.8% |
| 21 | Aurizon Holdings Limited | 1.5% |
| 22 | Stockland Corporation Limited | 1.4% |
| 23 | Coles Group Limited | 1.3% |
| 24 | Mirvac Limited | 1.2% |
| 25 | Ampol Limited | 1.0% |
| | Cash and cash equivalents | 7.5% |
| | Total of top 25 plus cash and cash equivalents | 90.2% |

Portfolio Manager's Report (continued)

Performance

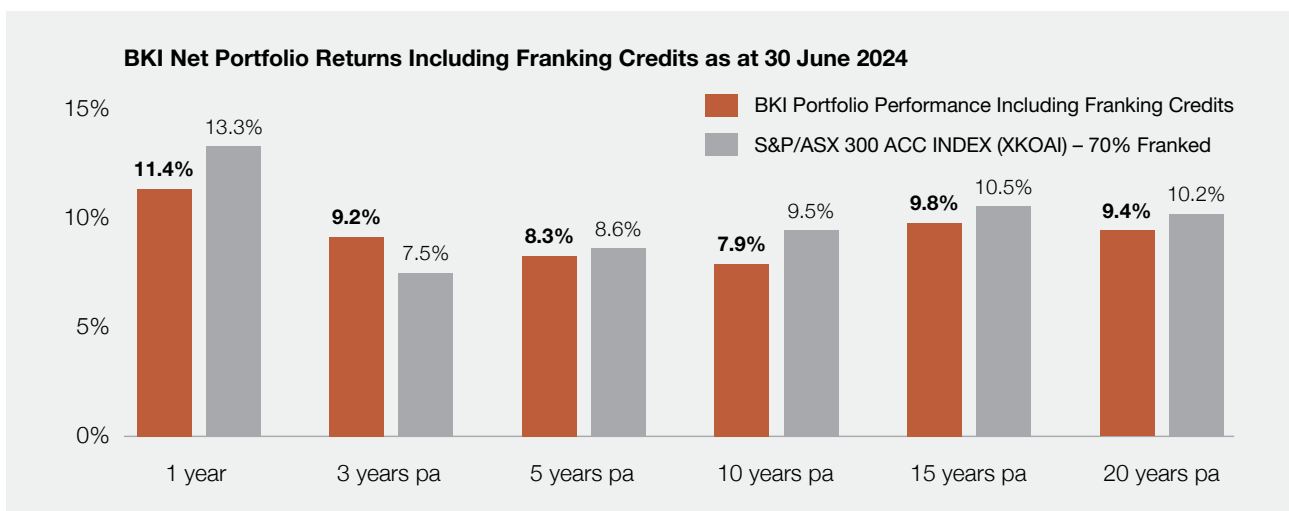
For the year to 30 June 2024, BKI's Total Shareholder Return was 1.8%. The S&P/ASX300 Accumulation Index returned 11.9% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2023 was 3.8%, compared to the index return of 13.3%.



The BKI Portfolio has benefited from its exposure to Quality over the year, and particularly our positions in Goodman Group, delivering a total shareholder return of 75% for the year, Yancoal Australia returning 64%, National Australia Bank returning 45%, Wesfarmers returning 37%, Suncorp Group returning 35%, ARB Corporation returning 34% and Commonwealth Bank returning 33%.

Negative contributors to the performance of the portfolio included Sonic Healthcare delivering a total shareholder return of negative 23%, Ramsay Healthcare negative 15%, Woodside negative 13%, Woolworths negative 12%, Telstra Corporation negative 12% and APA Group negative 12%.

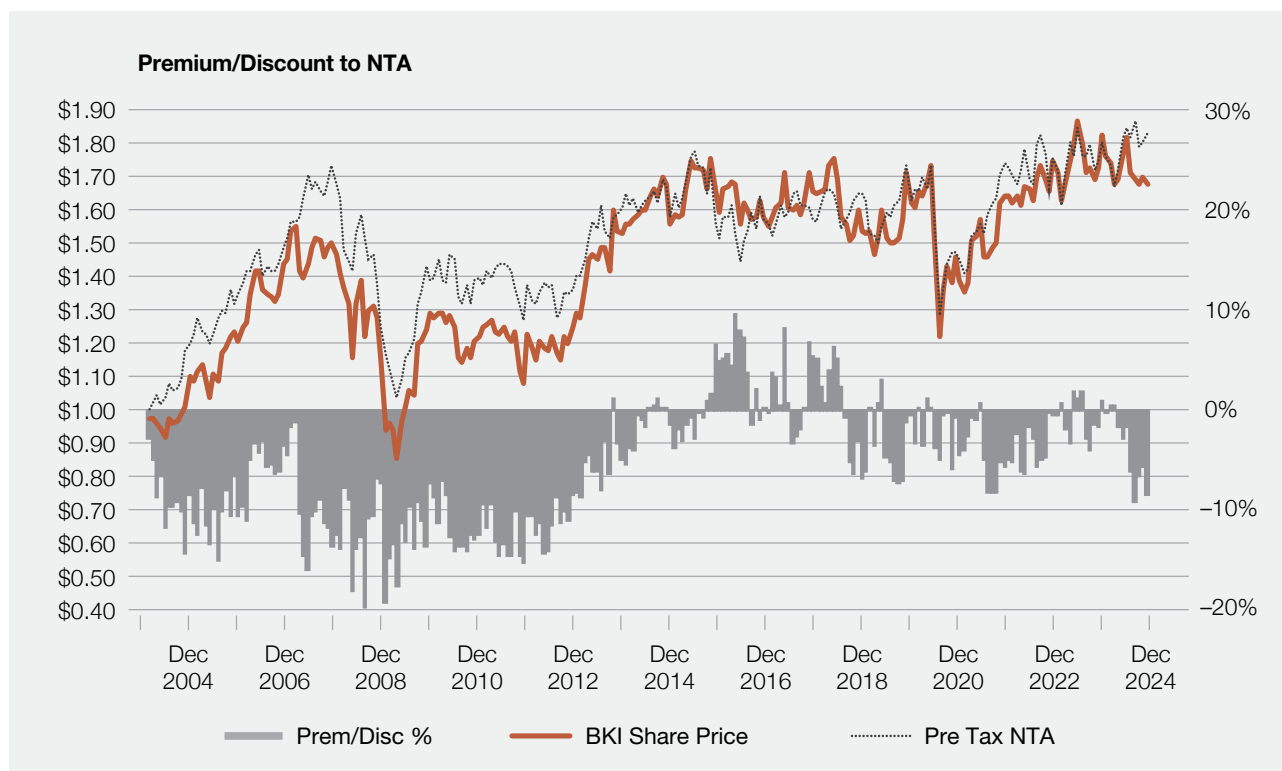
BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends and franking credits) for the year to 30 June 2024 was 11.4% compared to the S&P/ASX300 Accumulation Index which returned 13.3% for the same period.



Portfolio Manager's Report (continued)

Premium/Discount to NTA

BKI's Pre-Tax Net Tangible Assets as at 30 June 2024 was \$1.83, and represented a 8.4% discount to the BKI share price.



Research and Ratings

BKI currently has a Recommended rating from LONSEC, a Recommended-Plus rating from Independent Investment Research (IIR) and a Neutral rating from Morningstar.

Tom Millner and Will Culbert

Contact Asset Management

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of BKI Investment Company Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were directors of BKI Investment Company Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|--------------------------|----------------------------------|
| Robert Dobson Millner AO | Non-Executive Director and Chair |
| David Capp Hall AM | Non-Executive Director |
| Ian Thomas Huntley | Non-Executive Director |
| Alexander James Payne | Non-Executive Director |
| Jacqueline Ann Clarke | Non-Executive Director |

Principal activities

The principal activities of the Group are that of a Listed Investment Company (LIC) primarily focused on long-term investment in ASX listed securities. There were no significant changes in the nature of those activities during the year.

Dividends

Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Final ordinary dividend for the year ended 30 June 2023 of 4.00 cents per share (2022 final: 3.65 cents per share) fully franked at the tax rate of 30%, paid on 29 August 2023 | 31,671 | 27,122 |
| Final special dividend for the year ended 30 June 2023 of nil cents (2022 special: 1.00 cent per share) | – | 7,431 |
| Interim ordinary dividend for the year ended 30 June 2024 of 3.85 cents per share (2023: 3.70 cents per share) fully franked at the tax rate of 30%, paid on 27 February 2024 | 30,909 | 27,589 |
| Interim special dividend for the year ended 30 June 2024 of nil cents (2023 special: 0.50 cents per share) | – | 3,728 |
| Total dividends paid | 62,580 | 65,870 |

Operating results

BKI's Net Operating Profit, before tax and special investment revenue, was \$65.9 million, a decrease of 6% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10% lower to 7.83 cents per share.

BKI's Revenue from investment portfolio was down 6% to \$68.3 million with many companies conservatively lowering payout ratios. BHP Group, Yancoal, New Hope Group and Woodside Energy all reduced their ordinary dividends by more than 30% on the prior year.

Special Investment Revenue was \$1.7 million in FY2024, with Special Dividends received from New Hope Corporation, Ampol Limited and Smartgroup Limited compared to Special Dividends received in FY2023 of \$5.0 million.

BKI's interest received was \$4.0 million, up substantially from \$1.6 million received in FY2023 following further rises in interest rates during the year.

Directors' Report (continued)

BKI's Net Operating Profit After Tax, including special investment revenue for FY2024 of \$64.4 million was down 8% on the previous corresponding period. BKI's FY2024 basic earnings per share, including special investment revenue, was 8.03 cents per share.

Review of operations

Operating expenses increased by less than 1.5% to \$2.5 million (2023: \$2.4 million) with BKI's MER reducing to 0.169% (2023: 0.18%). BKI's MER continues to compare very favourably to other externally managed LICs, ETFs and managed funds in the domestic market that provide a similar broad-based exposure to Australian equities.

In the first half of FY2024, BKI invested \$68 million, adding to existing positions in BHP Group, National Australia Bank, Commonwealth Bank, APA Group, Telstra, Stockland and Ampol, while exiting from Rio Tinto.

Mirvac Limited and Dalrymple Bay Infrastructure were added to the BKI portfolio during the year.

In the second half of FY2024, BKI invested a further \$58 million, adding to Mirvac and Stockland and exiting Treasury Wine Estates.

During the year, BKI invested a total of \$126 million with \$96 million worth of sales. As at the end of June 2024, there were 40 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 90.2% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.48 billion, with the cash position and cash equivalents representing 7.5%.

Financial position

Net assets of the Group increased during the year to \$1,370.3 million (2023: \$1,301.1 million) as result of the increased value of the investment portfolio.

Employees

The Group had no employees as at 30 June 2024 (2023: nil).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The operations of the Group will continue with planned long-term investments in Australian equities and fixed interest securities. The Group will continue its strategy of investing for the long term in a portfolio of assets to deliver shareholders an increasing income stream and long-term capital growth. The success of this strategy will be strongly influenced by the performance of the underlying investee companies, their share price movements, and capital management and income distribution policies.

The performance of these companies will be influenced by general economic and market conditions such as economic growth rates, interest rates and inflation. Performance could also be influenced by regulatory change. These external conditions are difficult to predict and not within the control of the Group, making it difficult to forecast the future results of the Group.

However, BKI is a research driven, long-term manager focusing on investing in well managed, profitable companies, focusing on the merits of individual companies rather than market and economic trends. BKI will continue to implement prudent business practice to allow the achievement of the Group's Corporate Objectives and Business Strategy.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Directors' Report (continued)

Information on directors

Robert Dobson Millner AO FAICD
Non-Executive Director and Chair

Experience and expertise: Mr Millner was appointed Non-executive Chair upon the Company's formation in October 2003. Mr Millner has extensive experience in the investment industry.

Other current directorships:

- Washington H Soul Pattinson and Company Limited (appointed 1984, Chair since 1998)
- New Hope Corporation Limited (appointed 1995, Chair since 1998)
- Brickworks Limited (appointed 1997, Chair since 1999)
- Apex Healthcare Berhad (appointed 2000)
- TPG Telecom Limited (appointed July 2020)
- Tuas Limited (appointed May 2020)
- Aeris Resources Limited (appointed July 2022)

Former directorships (last 3 years):

- Milton Corporation Limited (appointed 1998, resigned 2021 following delisting from ASX on 6 October 2021)
- Australian Pharmaceutical Industries Limited (appointed 2000, resigned July 2020)
- TPG Corporation Limited (appointed 2000, resigned July 2020)

Special responsibilities:

- Chair of the Board
- Chair of the Investment Committee
- Member of the Remuneration Committee
- Chair of the Nomination Committee

Interests in shares: 11,572,316

David Capp Hall AM FCA, FAICD
Non-Executive Director

Experience and expertise: Mr Hall was appointed a Non-executive Director and Chair of the Audit & Risk Committee upon the Company's formation in October 2003. Mr Hall is a Chartered Accountant with extensive experience in corporate management, finance and as a Company Director.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities:

- Chair of the Audit & Risk Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

Interests in shares: 3,050,899

Directors' Report (continued)

Information on Directors (continued)

Ian Thomas Huntley BA

Non-Executive Director

Experience and expertise: Mr Huntley joined the Board as a Non-Executive Director in February 2009. After a career in financial journalism, Mr Huntley acquired "Your Money Weekly" newsletter in 1973. Over the following 33 years, Mr Huntley built the "Your Money Weekly" newsletter into one of Australia's best known investment advisory publications. He and his partners sold the business to Morningstar Inc of the USA in mid-2006.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities:

- Member of the Investment Committee
- Member of the Remuneration Committee
- Member of the Audit & Risk Committee
- Member of the Nomination Committee

Interests in shares: 11,300,452

Alexander James Payne B.Comm, Dip Cm, FCPA, FCIS, FCIM

Non-Executive Director

Experience and expertise: Mr Payne was appointed a Non-executive Director upon the Company's formation in October 2003 and has been a member of the Audit & Risk Committee since then. Mr Payne was Chief Financial Officer of Brickworks Limited for 13 years and has considerable experience in finance and investment.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities:

- Member of the Audit & Risk Committee
- Member of the Investment Committee
- Chair of the Remuneration Committee

Interests in shares: 598,073

Jacqueline Ann Clarke FCA, CTA, JP, GAICD

Non-Executive Director

Experience and expertise: Ms Clarke is an author, trusted advisor, board member, executor and veteran business executive with over 30 years of experience in the big 4, 15 of which as partner of Deloitte. Having held a number of executive roles across Australia, New Zealand and Asia, her experience covers many industries and sectors including retail, property, automotive, professional services (accounting, legal and engineering), technology, financial services, agriculture and oil and gas. Ms Clarke currently sits on the Paul Fudge Group Advisory Board, is also founder of boutique accounting and advisory firm Maxima Private, non-executive director of Cleary Bros and Chair of SMEG Australia.

Other current directorships: None

Former directorships (last 3 years): Empire Energy Group Limited (alternate Director) (appointed 16 August 2021, resigned 16 November 2023)

Special responsibilities:

- Member of the Audit & Risk Committee
- Member of the Investment Committee
- Member of the Remuneration Committee

Interests in shares: 95,053

Directors' Report (continued)

'Other current directorships' quoted above are current directorships for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for ASX listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

On 1 June 2022, Ms Wong (CPA, LLB) was appointed as Company Secretary. Ms Wong is a finance professional having held senior roles in ASX listed companies and also a qualified lawyer with experience gained in private practice.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

| | Full Board* | | Investment | | Audit & Risk | | Remuneration | | Nomination ¹ | |
|----------------|-------------|------|------------|------|--------------|------|--------------|------|-------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held |
| R D Millner AO | 7 | 7 | 13 | 13 | – | – | 2 | 2 | 1 | 1 |
| A J Payne | 7 | 7 | 12 | 13 | 2 | 2 | 2 | 2 | 1 | 1 |
| D C Hall AM | 8 | 8 | – | – | 2 | 2 | 2 | 2 | – | – |
| I T Huntley | 8 | 8 | 11 | 13 | 2 | 2 | 2 | 2 | – | – |
| J A Clarke | 8 | 8 | 13 | 13 | 2 | 2 | 2 | 2 | 1 | 1 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Includes one meeting of a Sub-committee of the BKI Board

¹ During the year, a meeting of the Nomination Committee was held in July 2023 when both Mr D C Hall and Mr I T Huntley were not members as they were each scheduled for re-election as Directors under the Company's Director rotation policy. Subsequent to each being re-elected as Directors at the 2023 AGM, Mr D C Hall and Mr I T Huntley were reappointed to the Nomination Committee.

Directors' Report (continued)

Remuneration Report

Remuneration Report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

The Company has externalised its investment management, accounting and company secretarial functions to Contact Asset Management Pty Limited, and currently has no employees.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements, including performance incentives, for the Directors themselves and the Company Secretary. It is the Group's objective to provide maximum shareholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and Key Management Personnel fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

Elements of Director and Key Management Personnel (KMP) remuneration

The Board's policies for determining the nature and amount of remuneration for Key Management Personnel of the Group is as follows:

- The Director Remuneration Policy and Executive Remuneration Policy are developed by the Remuneration Committee and approved by the Board. Professional advice is sought from independent external consultants if deemed appropriate.
- Key Management Personnel are eligible to receive a base fee, or salary and superannuation, combined with performance incentives if deemed appropriate by the Board.
- Performance incentives are only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of shares are intended to align the interests of the Key Management Personnel with those of the shareholders.
- The Remuneration Committee reviews the remuneration packages of Key Management Personnel annually by reference to the Group's performance, KMP performance and comparable information from industry sectors.

The performance of Key Management Personnel is assessed annually by the Board. Assessment of performance incentives offered is conducted annually, based on the growth of shareholder and portfolio returns. The Board may exercise discretion in relation to approving incentives and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policies are designed to attract the highest calibre of KMP and reward them for performance results leading to long-term growth in shareholder wealth.

Directors' Report (continued)

Remuneration Report (continued)

All remuneration paid to Key Management Personnel is valued at the cost to the Group and expensed. No performance incentives were paid during the 2024 financial year (2023: nil).

Non-executive directors remuneration

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

The combined annual payment to all Non-Executive Directors is capped at \$400,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. The aggregate pool of remuneration paid to Non-Executive Directors was approved by shareholders on 18 October 2022. This amount is to be divided amongst the Directors as the Board may determine. These fees exclude any additional fee for any service-based agreement which may be agreed from time to time and the reimbursement of out of pocket expenses. No such payments were made in 2024 financial year (2023: nil).

Performance-based remuneration

BKI previously established the BKI Executive Incentive Scheme to form part of the remuneration packages of the Group's executive team.

The aims of the BKI Incentive Scheme are:

- (1) To promote superior performance at BKI over both the short and more importantly, long term.
- (2) To ensure remuneration is fair and reasonable market remuneration to reward staff.
- (3) To promote long term staff retention and alignment.

In July 2021 the Remuneration Committee resolved to cease making any new grants under the BKI Incentive Scheme until further notice.

On 31 May 2022, the services agreement between BKI and CAS ceased and in accordance with the BKI Executive Incentive Scheme, all unpaid and/or unallocated incentives were forfeited. At 30 June 2023, there were no participants or entitlements under the Scheme.

Use of remuneration consultants

The Group did not engage remuneration consultants during the year ended 30 June 2024.

Voting and comments made at the Company's 8 November 2023 Annual General Meeting ('AGM')

At the 8 November 2023 AGM, 96.44% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of BKI Investment Company Limited:

- R D Millner AO – Non-Executive Director and Chair
- D C Hall AM – Non-Executive Director
- I T Huntley – Non-Executive Director
- A J Payne – Non-Executive Director
- J A Clarke – Non-Executive Director

Directors' Report (continued)

Remuneration Report (continued)

| | Short-term benefits | Post-employment benefits | Total |
|--------------------------------|----------------------------|--------------------------|----------------|
| | Cash salary and fees \$ | Super-annuation \$ | |
| 2024 | | | |
| Non-Executive Directors | | | |
| R D Millner AO | 72,072 | 7,928 | 80,000 |
| D C Hall AM | 65,315 | 7,185 | 72,500 |
| I T Huntley | 54,955 | 6,045 | 61,000 |
| A J Payne | 54,955 | 6,045 | 61,000 |
| J A Clarke | 61,000 | – | 61,000 |
| | 308,297 | 27,203 | 335,500 |
| 2023 | | | |
| Non-Executive Directors | | | |
| R D Millner AO | 70,408 | 7,392 | 77,800 |
| D C Hall AM | 63,778 | 6,697 | 70,475 |
| I T Huntley | 53,710 | 5,640 | 59,350 |
| A J Payne | 53,710 | 5,640 | 59,350 |
| J A Clarke | 59,350 | – | 59,350 |
| | 300,956 | 25,369 | 326,325 |

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| | Fixed remuneration | | At risk – STI | | At risk – LTI | |
|--------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Non-Executive Directors | | | | | | |
| R D Millner AO | 100% | 100% | – | – | – | – |
| D C Hall AM | 100% | 100% | – | – | – | – |
| I T Huntley | 100% | 100% | – | – | – | – |
| A J Payne | 100% | 100% | – | – | – | – |
| J A Clarke | 100% | 100% | – | – | – | – |

Service agreements

There are no service agreements with key management personnel.

Directors' Report (continued)

Remuneration Report (continued)

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2024.

Additional disclosures relating to key management personnel

Shareholding – Ordinary shares

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions* | Disposals/ others | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|----------------|-------------------|--------------------------------|
| Ordinary shares | | | | | |
| R D Millner AO | 11,247,048 | – | 325,268 | – | 11,572,316 |
| D C Hall AM | 3,050,899 | – | – | – | 3,050,899 |
| I T Huntley | 11,300,452 | – | 519,310 | (519,310) | 11,300,452 |
| A J Payne | 548,073 | – | 50,000 | – | 598,073 |
| J A Clarke | 95,053 | – | – | – | 95,053 |
| | 26,241,525 | – | 894,578 | (519,310) | 26,616,793 |

* Directors acquired shares through the Dividend Reinvestment Plan and/or on-market purchase.

All KMP or their associated entities, being shareholders, are entitled to receive dividends.

This concludes the remuneration report, which has been audited.

Directors' Report (continued)

Remuneration Report (continued)

Shares under option

There were no unissued ordinary shares of BKI Investment Company Limited under option at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of BKI Investment Company Limited issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of MGI Sydney Assurance Services Pty Ltd

There are no officers of the Company who are former partners of MGI Sydney Assurance Services Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is on page 48.

Directors' Report (continued)

Auditor

MGI Sydney Assurance Services Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Robert D Millner AO

Chair

22 July 2024

Sydney

Consolidated statement of Profit or Loss

for the year ended 30 June 2024

| | Note | Consolidated | |
|--|------|----------------|----------------|
| | | 2024 \$'000 | 2023 \$'000 |
| Ordinary revenue from investment portfolio | 5 | 64,033 | 71,128 |
| Revenue from bank deposits | 5 | 3,972 | 1,625 |
| Other gains | 5 | 339 | – |
| Income from operating activities before special investment revenue | | 68,344 | 72,753 |
| Operating expenses | 6 | (2,453) | (2,416) |
| Discount on acquisition of controlled entity, net of expenses | 11 | 22 | – |
| Operating result before income tax expense and special investment revenue | | 65,913 | 70,337 |
| Special investment revenue | 5 | 1,663 | 4,998 |
| Operating result before income tax expense | | 67,576 | 75,335 |
| Income tax expense | 7 | (3,184) | (5,269) |
| Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited | 13 | 64,392 | 70,066 |

| | Note | 2024 | 2023 |
|---|------|-------------|-------|
| | | Cents | Cents |
| Basic and diluted earnings per share before special investment revenue | 25 | 7.83 | 8.68 |
| Basic and diluted earnings per share after special investment revenue | 25 | 8.03 | 9.35 |

The above Consolidated statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated statement of Other Comprehensive Income

for the year ended 30 June 2024

| | Note | Consolidated | |
|--|------|-----------------|----------------|
| | | 2024 \$'000 | 2023 \$'000 |
| Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited | | 64,392 | 70,066 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Unrealised gains on investment portfolio | | 51,819 | 68,311 |
| Deferred tax expense on unrealised gains on investment portfolio | | (15,605) | (20,493) |
| Realised gains/(losses) on investment portfolio | | 11,540 | (5,110) |
| Tax (expense)/benefit relating to realised losses/gains on investment portfolio | 7 | (3,462) | 1,533 |
| Other comprehensive income for the year, net of tax | | 44,292 | 44,241 |
| Total comprehensive income for the year attributable to the owners of BKI Investment Company Limited | | 108,684 | 114,307 |

The above Consolidated statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated statement of Financial Position

as at 30 June 2024

| | Note | Consolidated | |
|--------------------------------------|------|------------------|------------------|
| | | 2024 \$'000 | 2023 \$'000 |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 99,399 | 105,222 |
| Trade and other receivables | 9 | 11,471 | 10,589 |
| Other | | 52 | 52 |
| Total current assets | | 110,922 | 115,863 |
| Non-current assets | | | |
| Investment portfolio | 10 | 1,368,669 | 1,275,189 |
| Property, plant and equipment | | 1 | 1 |
| Deferred tax | 7 | 3,819 | 7,306 |
| Total non-current assets | | 1,372,489 | 1,282,496 |
| Total assets | | 1,483,411 | 1,398,359 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 287 | 307 |
| Income tax | 7 | 3,073 | 4,228 |
| Total current liabilities | | 3,360 | 4,535 |
| Non-current liabilities | | | |
| Deferred tax | 7 | 109,786 | 92,763 |
| Total non-current liabilities | | 109,786 | 92,763 |
| Total liabilities | | 113,146 | 97,298 |
| Net assets | | 1,370,265 | 1,301,061 |
| Equity | | | |
| Share capital | 11 | 1,039,911 | 1,016,811 |
| Reserves | 12 | 232,580 | 188,288 |
| Retained profits | 13 | 97,774 | 95,962 |
| Total equity | | 1,370,265 | 1,301,061 |

The above Consolidated statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated statement of Changes in Equity

for the year ended 30 June 2024

| Consolidated | Share capital \$'000 | Revaluation reserve \$'000 | Realised capital gains reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|-------------------------|-------------------------------|--|----------------------------|------------------------|
| Balance at 1 July 2022 | 935,766 | 159,107 | (15,060) | 91,766 | 1,171,579 |
| Operating result after income tax expense for the year | – | – | – | 70,066 | 70,066 |
| Other comprehensive income for the year, net of tax | – | 47,818 | (3,577) | – | 44,241 |
| Total comprehensive income for the year | – | 47,818 | (3,577) | 70,066 | 114,307 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 11) | 81,045 | – | – | – | 81,045 |
| Dividends paid (note 14) | – | – | – | (65,870) | (65,870) |
| Balance at 30 June 2023 | 1,016,811 | 206,925 | (18,637) | 95,962 | 1,301,061 |
| Balance at 1 July 2023 | 1,016,811 | 206,925 | (18,637) | 95,962 | 1,301,061 |
| Operating result after income tax expense for the year | – | – | – | 64,392 | 64,392 |
| Other comprehensive income for the year, net of tax | – | 36,214 | 8,078 | – | 44,292 |
| Total comprehensive income for the year | – | 36,214 | 8,078 | 64,392 | 108,684 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | |
| Contributions of equity, net of transaction costs (note 11) | 23,100 | – | – | – | 23,100 |
| Dividends paid (note 14) | – | – | – | (62,580) | (62,580) |
| Balance at 30 June 2024 | 1,039,911 | 243,139 | (10,559) | 97,774 | 1,370,265 |

The above Consolidated statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated statement of Cash Flows

for the year ended 30 June 2024

| | Note | Consolidated | |
|---|------|-----------------|----------------|
| | | 2024 \$'000 | 2023 \$'000 |
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (2,511) | (2,373) |
| Dividends and distributions received | | 65,102 | 74,318 |
| Interest received | | 3,826 | 1,438 |
| Income taxes refunded/(paid) | | (2,864) | 528 |
| Net cash from operating activities | 24 | 63,553 | 73,911 |
| Cash flows from investing activities | | | |
| Payments for investments | | (116,949) | (104,847) |
| Proceeds from sale of investment portfolio | | 102,698 | 48,945 |
| Net cash used in investing activities | | (14,251) | (55,902) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares | 11 | - | 72,977 |
| Share issue transaction costs | 11 | (57) | (184) |
| Dividends paid | 14 | (55,068) | (57,658) |
| Net cash (used in)/from financing activities | | (55,125) | 15,135 |
| Net (decrease)/increase in cash and cash equivalents | | (5,823) | 33,144 |
| Cash and cash equivalents at the beginning of the financial year | | 105,222 | 72,078 |
| Cash and cash equivalents at the end of the financial year | 8 | 99,399 | 105,222 |

The above Consolidated statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

for the year ended 30 June 2024

Note 1. General information

The financial statements cover BKI Investment Company Limited as a Group consisting of BKI Investment Company Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is BKI Investment Company Limited's functional and presentation currency.

BKI Investment Company Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 302, Level 3
1 Castlereagh Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 July 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, financial assets at fair value through other comprehensive income.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Notes to the Financial Statements (continued)

Note 2. Significant accounting policies (continued)

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 21.

Financial instruments

The Group has two portfolios of securities, the investment portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis and the trading portfolio comprises securities held for short term trading purposes.

Securities are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured at fair value. Fair value is determined based on last sale price for all quoted investments.

Securities within the investment portfolio are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition. Securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss' in accordance with AASB 9.

Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Revenue

Sale of investments occurs when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend and distribution revenue is recognised when the right to receive a dividend or distribution has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Income tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%. As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount recognised in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (continued)

Note 2. Significant accounting policies (continued)

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where a retrospective restatement of items in the statement of financial position has occurred, presentation of the statement as at the beginning of the earliest comparative period has been included.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Deferred tax balances

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in note 7. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

Note 4. Operating segments

Identification of reportable operating segments

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing the performance of the operating segments. The Group operates solely in the securities industry in Australia and has no reportable segments.

Notes to the Financial Statements (continued)

Note 5. Revenue

| | Consolidated | |
|---|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| (a) Ordinary revenue from investment portfolio | | |
| Fully franked dividends | 49,674 | 56,674 |
| Unfranked dividends | 4,714 | 7,036 |
| Trust distributions | 9,645 | 7,418 |
| Total ordinary revenue from investment portfolio | 64,033 | 71,128 |
| (b) Special investment revenue | | |
| Fully franked dividends | 1,663 | 4,998 |
| (c) Revenue from bank deposits | | |
| Interest received | 3,972 | 1,625 |
| (d) Other gains | | |
| Net realised gain on sale of investments held for trading | 339 | – |
| Total revenue | 70,007 | 77,751 |

Note 6. Operating expenses

| | | |
|---------------------------------|--------------|--------------|
| Administration expenses | 413 | 531 |
| Employment expenses | 335 | 326 |
| Investment management | 1,472 | 1,354 |
| Professional fees | 233 | 205 |
| Total operating expenses | 2,453 | 2,416 |

Notes to the Financial Statements (continued)

Note 7. Income tax

| | Consolidated | | | |
|--|------------------------------|--|---|------------------------------|
| | 2024 \$'000 | 2023 \$'000 | | |
| (a) Income tax expense on operating profit before net gains on investments | | | | |
| Current tax | (32) | 1,856 | | |
| Deferred tax – origination and reversal of temporary differences | 4,904 | 3,325 | | |
| Adjustment recognised for prior periods | (1,688) | 88 | | |
| Aggregate income tax expense | 3,184 | 5,269 | | |
| Numerical reconciliation of income tax expense and tax at the statutory rate | | | | |
| Operating result before income tax expense | 67,576 | 75,335 | | |
| Tax at the statutory tax rate of 30% | 20,273 | 22,601 | | |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Franked dividends and distributions received | (15,479) | (17,420) | | |
| Discount on the acquisition of subsidiary net of expenses | 22 | – | | |
| Permanent difference on reset of tax cost base following the acquisition of subsidiary | 56 | – | | |
| Adjustment recognised for prior periods | (1,688) | 88 | | |
| Income tax expense | 3,184 | 5,269 | | |
| (b) Total tax expense | | | | |
| Net income tax expense on operating profit before net gains on investments | 3,184 | 5,269 | | |
| Income tax on net realised gains/(losses) on investment portfolio | 3,462 | (1,533) | | |
| Total tax expense | 6,646 | 3,736 | | |
| (c) Movements in deferred tax assets | | | | |
| | Opening balance \$'000 | Credited/ (charged) to statement of comprehensive income \$'000 | Credited/ (charged) to equity \$'000 | Closing balance \$'000 |
| Transaction costs on equity issues | 14 | – | 40 | 54 |
| Accrued expenses | 9 | 1 | – | 10 |
| Realised capital tax losses | 7,813 | (571) | – | 7,242 |
| Balance as at 30 June 2023 | 7,836 | (570) | 40 | 7,306 |
| Transaction costs on equity issues | 54 | – | (1) | 53 |
| Accrued expenses | 10 | 1 | – | 11 |
| Realised capital tax losses | 7,242 | (3,487) | – | 3,755 |
| Balance as at 30 June 2024 | 7,306 | (3,486) | (1) | 3,819 |

Notes to the Financial Statements (continued)

Note 7. Income tax (continued)

(d) Movements in deferred tax liabilities

| | Opening balance \$'000 | Credited/ (charged) to statement of comprehensive income \$'000 | Credited/ (charged) to equity \$'000 | Closing balance \$'000 |
|--|------------------------------|--|---|------------------------------|
| Revaluation of investment portfolio | 71,398 | – | 17,153 | 88,551 |
| Unfranked dividends receivable and interest receivable | 1,457 | 2,755 | – | 4,212 |
| Balance as at 30 June 2023 | 72,855 | 2,755 | 17,153 | 92,763 |
| Revaluation of investment portfolio | 88,551 | – | 15,605 | 104,156 |
| Unfranked dividends receivable and interest receivable | 4,212 | 1,418 | – | 5,630 |
| Balance as at 30 June 2024 | 92,763 | 1,418 | 15,605 | 109,786 |

| | Consolidated | |
|-------------------------------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| (e) Provision for income tax | | |
| Provision for income tax | 3,073 | 4,228 |

Note 8. Current assets – cash and cash equivalents

| | | |
|--------------|--------|---------|
| Cash at bank | 99,399 | 105,222 |
|--------------|--------|---------|

Note 9. Current assets – trade and other receivables

| | | |
|--|---------------|---------------|
| Dividends and distributions receivable | 11,050 | 9,597 |
| Other receivables | 88 | 805 |
| Interest receivable | 333 | 187 |
| | 11,471 | 10,589 |

Notes to the Financial Statements (continued)

Note 10. Non-current assets – Investment portfolio

| | Consolidated | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Listed securities at fair value through other comprehensive income | 1,368,669 | 1,275,189 |

Fair value measurement

BKI measures the fair value of its trading portfolio and investment portfolio with reference to the following fair value measurement hierarchy mandated by accounting standards:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Both the trading portfolio and investment portfolio are classified as Level 1, and are measured in accordance with the policy outlined in note 2.

Note 11. Equity – Share capital

| | Consolidated | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2024 Shares | 2023 Shares | 2024 \$'000 | 2023 \$'000 |
| Ordinary shares – fully paid | 804,918,528 | 791,783,319 | 1,039,911 | 1,016,811 |

Movements in ordinary share capital

| | Shares | \$'000 |
|---|--------------------|------------------|
| Balance at 1 July 2022 | 743,074,632 | 935,766 |
| Dividend reinvestment plan | 4,743,604 | 8,212 |
| Share purchase plan | 43,965,083 | 72,977 |
| Transaction costs | – | (184) |
| Deferred tax credit recognised directly in equity | | 40 |
| Balance at 30 June 2023 | 791,783,319 | 1,016,811 |
| Dividend reinvestment plan | 4,255,803 | 7,512 |
| Acquisition of controlled entity | 8,879,406 | 15,628 |
| Transaction costs | | (57) |
| Deferred tax credit recognised directly in equity | | 17 |
| Balance at 30 June 2024 | 804,918,528 | 1,039,911 |

Notes to the Financial Statements (continued)

Note 11. Equity – Share capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Acquisition of controlled entity

During the year the Company acquired 100% of the shares of one unlisted investment company. The acquisition benefits BKI shareholders by increasing the size of BKI's portfolio in a cost-effective manner, and at the same time reducing the per share cost of managing the portfolio.

The Company issued 8,879,406 new shares in BKI Investment Company Limited as consideration for the acquisition, having a fair value of \$15.7 million. The acquisition resulted in BKI achieving a discount on the acquisition, which is not allocated against the assets of the company purchased because only financial assets were purchased. The discount has therefore been included in "Discount on acquisition of controlled entity, net of expenses" in the Consolidated Statement of Profit or Loss.

Capital risk management

The Group's objective in managing capital is to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested, with goals of paying an enhanced level of fully franked dividends and providing attractive total returns over the medium to long term.

The Group recognises that its capital will fluctuate in accordance with market conditions, and in order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Group's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2024 net debt was \$nil (2023: \$nil).

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

Notes to the Financial Statements (continued)

Note 12. Equity - reserves

| | Consolidated | |
|-----------------------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Revaluation surplus reserve | 243,139 | 206,925 |
| Capital profits reserve | (10,559) | (18,637) |
| | 232,580 | 188,288 |

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Realised capital gains reserve

The realised capital gains reserve records net gains and losses after applicable income tax arising from the disposal of securities in the investment portfolio.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Revaluation reserve \$'000 | Realised capital gains reserve \$'000 | Total \$'000 |
|---|----------------------------------|--|-----------------|
| Balance at 1 July 2022 | 159,107 | (15,060) | 144,047 |
| Gross revaluation of investment portfolio | 68,311 | – | 68,311 |
| Deferred tax provision on unrealised gains/losses | (20,493) | – | (20,493) |
| Net losses on investment portfolio transferred from Statement of Comprehensive Income | – | (3,577) | (3,577) |
| Balance at 30 June 2023 | 206,925 | (18,637) | 188,288 |
| Gross revaluation of investment portfolio | 51,819 | – | 51,819 |
| Deferred tax provision on unrealised gains/losses | (15,605) | – | (15,605) |
| Net gains on investment portfolio transferred from Statement of Comprehensive Income | – | 8,078 | 8,078 |
| Balance at 30 June 2024 | 243,139 | (10,559) | 232,580 |

Note 13. Equity - retained profits

| | Consolidated | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Retained profits at the beginning of the financial year | 95,962 | 91,766 |
| Operating result after income tax expense for the year | 64,392 | 70,066 |
| Dividends paid (note 14) | (62,580) | (65,870) |
| Retained profits at the end of the financial year | 97,774 | 95,962 |

Notes to the Financial Statements (continued)

Note 14. Equity - dividends

| | Consolidated | |
|---|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| (a) Dividends paid during the year | | |
| Final ordinary dividend for the year ended 30 June 2023 of 4.00 cents per share (2022 final: 3.65 cents per share) fully franked at the tax rate of 30%, paid on 29 August 2023 | 31,671 | 27,122 |
| Final special dividend for the year ended 30 June 2023 of nil cents (2022 special: 1.00 cent per share) | – | 7,431 |
| Interim ordinary dividend for the year ended 30 June 2024 of 3.85 cents per share (2023: 3.70 cents per share) fully franked at the tax rate of 30%, paid on 27 February 2024 | 30,909 | 27,589 |
| Interim special dividend for the year ended 30 June 2024 of nil cents (2023 special: 0.50 cents per share) | – | 3,728 |
| Total dividends paid | 62,580 | 65,870 |
| (b) Reconciliation of total dividends paid to dividends paid in cash | | |
| Total dividends paid | 62,580 | 65,870 |
| Less: Dividends reinvested in shares via DRP | (7,512) | (8,212) |
| Dividends paid in cash | 55,068 | 57,658 |
| (c) Franking accounting balance | | |
| Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables | 56,493 | 47,516 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 56,493 | 47,516 |
| Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer below) | (13,799) | (13,573) |
| Net imputation credits available for future dividends | 42,694 | 33,943 |
| Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2023: 30%) | 99,619 | 79,200 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Dividends declared after balance date

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2024 of 4.00 cents per share fully franked at the tax rate of 30% (2023: final ordinary dividend of 4.00 cents per share fully franked at the tax rate of 30%), payable on 29 August 2024, but not recognised as a liability at the year end.

Notes to the Financial Statements (continued)

Note 15. Financial instruments

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Board has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit & Risk Committee.

Capital risk management

The Group invests its equity in a diversified portfolio of assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital is increased annually through the issue of shares under the Dividend Reinvestment Plan. Other means of increasing capital include Rights Issues, Share Placements and Share Purchase Plans.

Financial instruments' terms, conditions and accounting policies

The Group's accounting policies are included in note 2, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

Net fair values

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in Note 2 to the accounts.

Credit risk

The risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Group's financial assets, excluding investments, is the carrying amount of those assets. The Group's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

Cash and bank bills are reviewed monthly by the Board to ensure cash is only placed with pre-approved financial institutions with low risk profiles (primarily "Big 4" banks) and that the spread of cash and bank bills between banks is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

Market risk

Price risk

Market risk is the risk that changes in market prices will affect the fair value of a financial instrument.

The Group is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share/unit prices of the companies and trusts in which it is invested.

The market value of the portfolio changes continuously because the market value of individual companies within the portfolio fluctuates throughout the day. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 92% (2023: 92%) of total assets.

As at 30 June 2024, a 5% (2023: 5%) movement in the market value of the BKI portfolio would result in:

- A 5% movement in the net assets of BKI before provision for tax on unrealised capital gains (2023: 5%); and
- A movement of 8.5 cents per share in the net asset backing before provision for tax on unrealised capital gains (2023: 8.1 cents).

The performance of the companies within the portfolio, both individually and as a whole, is monitored by the Investment Committee and the Board.

Notes to the Financial Statements (continued)

Note 15. Financial instruments (continued)

BKI seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one sector of the market.

At 30 June 2024 and 30 June 2023, the spread of investments was in the following sectors:

| | Percentage of total investment | | Amount | |
|--|--------------------------------|---------------|------------------|------------------|
| | 2024 % | 2023 % | 2024 \$'000 | 2023 \$'000 |
| Financials | 25.96 | 23.65 | 384,023 | 328,814 |
| Energy | 11.64 | 11.25 | 172,125 | 156,389 |
| Materials | 11.37 | 14.19 | 168,293 | 197,189 |
| Consumer discretionary | 10.22 | 8.39 | 151,087 | 116,662 |
| Industrials | 8.17 | 8.27 | 120,800 | 114,931 |
| Telecommunications services | 5.55 | 5.78 | 82,071 | 80,339 |
| Utilities | 5.25 | 6.12 | 77,636 | 85,033 |
| Consumer staples | 4.94 | 6.52 | 73,079 | 90,661 |
| Property | 4.81 | 1.72 | 71,195 | 23,903 |
| Health care | 4.62 | 5.85 | 68,360 | 81,268 |
| Total investments | 92.53 | 91.74 | 1,368,669 | 1,275,189 |
| Cash, dividends and distributions receivable | 7.47 | 8.26 | 110,449 | 114,819 |
| Total portfolio | 100.00 | 100.00 | 1,479,118 | 1,390,008 |

Securities representing over 5% of the investment portfolio at 30 June 2024 or 30 June 2023 were:

| | Percentage of total investment | | Amount | |
|-------------------------|--------------------------------|-----------|----------------|----------------|
| | 2024 % | 2023 % | 2024 \$'000 | 2023 \$'000 |
| Commonwealth Bank | 8.7 | 6.6 | 129,042 | 92,001 |
| BHP Group | 8.3 | 8.5 | 123,131 | 118,774 |
| National Australia Bank | 7.4 | 6.1 | 108,690 | 85,386 |
| Macquarie Group | 6.9 | 8.4 | 101,322 | 116,373 |
| Wesfarmers Limited | 5.5 | 4.4 | 80,610 | 60,590 |
| APA Group | 5.3 | 6.1 | 77,636 | 85,034 |

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

Foreign currency risk

The Group is not exposed to foreign currency risk as all investments are quoted in Australian dollars.

Interest rate risk

The Group is not materially exposed to interest rate risk. All cash investments are short term (up to 1 year) for a fixed rate, except for cash in operating bank accounts which are at-call and attract variable rates.

The Group has no financial liability as at 30 June 2024 (2023: Nil).

Notes to the Financial Statements (continued)

Note 15. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations as they fall due.

The Group has no borrowings, and sufficient cash reserves to fund core operations at current levels for more than 10 years.

The Group's other major cash outflows are the purchase of securities and dividends paid to shareholders and the level of both of these is fully controllable by the Board.

Furthermore, the majority of the assets of the Group are in the form of readily tradeable securities which can be sold on-market if necessary.

Note 16. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Short-term employee benefits | 308 | 301 |
| Post-employment benefits | 27 | 25 |
| | 335 | 326 |

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by MGI Sydney Assurance Services Pty Ltd, the auditor of the Company:

| | Consolidated | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Audit services – MGI Sydney Assurance Services Pty Ltd | | |
| Audit or review of the financial statements | 32 | 30 |

Note 18. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Note 19. Commitments

The Group had no capital and leasing commitments as at 30 June 2024 and 30 June 2023.

Note 20. Related party transactions

Parent entity

BKI Investment Company Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Notes to the Financial Statements (continued)

Note 20. Related party transactions (continued)

Key management personnel

Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

Transactions with related parties

Contact Asset Management Pty Limited (Contact) is the Investment Manager of the Group. Additionally, from 1 June 2022, Contact provides accounting, administrative, and company secretarial services, including the preparation of all financial accounts. Contact is an entity in which Mr R D Millner has an indirect interest.

Fees payable to Contact for services provided to the Parent and controlled entities for the year to 30 June 2024 were \$1,748,265 including GST (2023: \$1,617,860) and are at standard market rates. As at 30 June 2024 the Group owed \$149,379 to Contact (2023: \$141,263).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

| | Parent | |
|---|------------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Statement of profit or loss and other comprehensive income | | |
| Operating result after income tax | 64,155 | 70,068 |
| Other comprehensive income for the year, net of tax | 44,685 | 44,241 |
| Total comprehensive income | 108,840 | 114,309 |
| Statement of financial position | | |
| Total current assets | 110,844 | 115,863 |
| Total non-current assets | 1,589,469 | 1,483,849 |
| Total assets | 1,700,313 | 1,599,712 |
| Total current liabilities | 18,672 | 4,455 |
| Total non-current liabilities | 319,178 | 302,156 |
| Total liabilities | 337,850 | 306,611 |
| Net assets | 1,362,463 | 1,293,101 |
| Equity | | |
| Share capital | 1,039,911 | 1,016,811 |
| Reserves | 233,784 | 189,099 |
| Retained profits | 88,768 | 87,191 |
| Total equity | 1,362,463 | 1,293,101 |

Notes to the Financial Statements (continued)

Note 21. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---|---|--------------------|-----------|
| | | 2024 % | 2023 % |
| Brickworks Securities Pty Limited | Australia | 100% | 100% |
| Huntley Investment Company Pty Limited | Australia | 100% | 100% |
| Fearon Investments Pty Limited | Australia | 100% | – |
| Pacific Strategic Investments Pty Limited | Australia | 100% | 100% |
| BKI Sub Pty Limited | Australia | 100% | 100% |

Notes to the Financial Statements (continued)

Note 23. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 24. Cash flow information

Reconciliation of operating result after income tax to net cash from operating activities

| | Consolidated | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Operating result after income tax expense for the year | 64,392 | 70,066 |
| Adjustments for: | | |
| Other non-cash expenses | 60 | – |
| Other gains – non-cash | (339) | – |
| Change in operating assets and liabilities: | | |
| Increase in trade and other receivables | (740) | (1,995) |
| Decrease in income tax refund due | 15 | 51 |
| Increase in deferred tax assets | (15,563) | (18,390) |
| Decrease in prepayments | – | 6 |
| (Decrease)/increase in trade and other payables | (20) | 37 |
| (Decrease)/increase in provision for income tax | (1,155) | 4,228 |
| Increase in deferred tax liabilities | 17,023 | 19,908 |
| Decrease in other operating liabilities | (120) | – |
| Net cash from operating activities | 63,553 | 73,911 |

Non-cash investing and financing activities

Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$7,512,000 (2023: \$8,212,000) of dividends were paid via the issue of 4,255,803 shares (2023: 4,743,604).

Notes to the Financial Statements (continued)

Note 25. Earnings per share

(a) Calculation of earnings

| | Consolidated | |
|---|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Operating result after income tax attributable to the owners of BKI Investment Company Limited | 64,392 | 70,066 |
| Less: Special investment revenue | (1,663) | (4,998) |
| Earnings used in calculating basic and diluted earnings per share before special investment revenue | 62,729 | 65,068 |

(b) Number of shares

| | Number | Number |
|--|-------------|-------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share, before and after special investment revenue | 801,444,640 | 749,690,945 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share, before and after special investment revenue | 801,444,640 | 749,690,945 |

(c) Earnings per share

| | Cents | Cents |
|--|-------|-------|
| Basic and diluted earnings per share before special investment revenue | 7.83 | 8.68 |
| Basic and diluted earnings per share after special investment revenue | 8.03 | 9.35 |

Consolidated Entity Disclosure Statement

| Name | Entity type | Place formed / Country of incorporation | Ownership interest | Tax residency |
|---|----------------|--|-----------------------|------------------|
| BKI Investments Limited (parent entity) | Body Corporate | Australia | | Australia |
| Brickworks Securities Pty Limited | Body Corporate | Australia | 100% | Australia |
| Huntley Investment Company Pty Limited | Body Corporate | Australia | 100% | Australia |
| Fearon Investments Pty Limited | Body Corporate | Australia | 100% | Australia |
| Pacific Strategic Investments Pty Limited | Body Corporate | Australia | 100% | Australia |
| BKI Sub Pty Limited | Body Corporate | Australia | 100% | Australia |

Directors' Declaration

for the year ended 30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Robert D Millner AO
Chair

22 July 2024
Sydney

Auditor's Independence Declaration



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Sydney NSW 2000
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PO Box H258
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BKI INVESTMENT COMPANY LIMITED AND CONTROLLED ENTITIES

ABN: 23 106 719 868

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 audit of BKI Investment Company Ltd and its Controlled Entities for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, 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 Assurance Services

MGI Sydney Assurance Services Pty Limited
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Kimmy Jongue', written over a white background.

Kimmy Jongue
Director

Sydney, 22 July 2024

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Chartered Accountants
and Taxation Advisors

Independent Auditor's Report

to the Members of BKI Investment Company Limited



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Sydney NSW 1215
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Report on the Audit of the Financial Report Opinion

We have audited the accompanying financial report of BKI Investment Company Limited (the Company) and its controlled entities (together the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated income statement, consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and the directors' declaration of the Group comprising BKI Investment Company Limited and the entities it controlled at the year end or from time to time during the year.

In our opinion, the accompanying financial report of BKI Investment Company Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- c) the financial report also complies with the *International Financial Reporting Standards* as disclosed in Note 2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MGI refers to one or more of the independent member firms of MGI Worldwide. MGI Worldwide is a network of independent auditing, accounting and consulting firms. Each MGI firm in Australasia is a separate legal entity and has no liability for another Australasian or international member's acts or omissions. MGI is a brand name for the MGI Australasian network and for each of the member firms of MGI Worldwide. Liability limited by a scheme approved under Professional Standards Legislation.

Chartered Accountants
and Taxation Advisors

Independent Auditor's Report (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|---|
| <p>Valuation and Existence of the Investment Portfolio Refer to Note 10</p> <p>The investment portfolio as at 30 June 2024 comprised of listed equity investments of \$1,368.67 million.</p> <p>We focused on the valuation and existence of the investment portfolio because:</p> <ul style="list-style-type: none"> ■ the investments represent the principal element of the net asset value disclosed on the Consolidated Statement of Financial Position in the financial report. The investment portfolio represents 92% of the Group's total assets as at 30 June 2024; and ■ the fluctuations in the investment valuation will also impact the realised and unrealised gains/(losses) recognised in the consolidated statement of profit or loss and consolidated statement of comprehensive income which also affects the deferred tax provisions. <p>Given the pervasive impact investments have on the Group's key financial metrics, we determined the existence and valuation of investments to be a key audit matter.</p> | <p>Our procedures included:</p> <ul style="list-style-type: none"> ■ We tested the valuation of a representative sample of listed investments by vouching the share prices to external market information to ensure they are fairly stated. ■ We agreed the existence of a representative sample of listed investments by confirming shareholdings with share registries. ■ Recalculating the movement of investments for the year including purchases, sales and other relevant transactions. ■ Testing a sample of investment purchases and sales by agreeing the transaction recorded to purchase and sale confirmation from brokers. ■ Testing the relevant control over the investments. ■ Evaluating the adequacy of the disclosures made in Note 10 of the financial report in light of the requirements of Australian Accounting Standards. <p>No material differences were identified.</p> |

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit 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 audit 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.

Independent Auditor's Report (continued)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial reports.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 22 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of BKI Investment Company Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

MGI Sydney Assurance Services

MGI Sydney Assurance Services Pty Limited

Chartered Accountants



Kimmy Jongue

Director

Sydney, 22 July 2024

Shareholder Information

for the year ended 30 June 2024

The shareholder information set out below was applicable as at 30 June 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| Number of shares held | Ordinary shares | |
|---|-------------------|--------------------------|
| | Number of holders | % of total shares issued |
| 1 – 1,000 | 1,595 | 0.07 |
| 1,001 – 5,000 | 2,492 | 0.89 |
| 5,001 – 10,000 | 2,268 | 2.13 |
| 10,001 – 100,000 | 9,241 | 40.27 |
| 100,001 and over | 1,331 | 56.64 |
| | 16,927 | 100.00 |
| Holding less than a marketable parcel of 298 shares | 676 | – |

Equity security holders

Twenty largest quoted equity security holders

The registered names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|--|--------------------|--------------------------|
| | Number held | % of total shares issued |
| Washington H Soul Pattinson and Company Limited | 64,534,868 | 8.02 |
| BNP Paribas Nominees Pty Ltd - Hub24 Custodial Serv Ltd | 31,775,710 | 3.95 |
| Netwealth Investments Limited - Wrap Services A/C | 9,437,327 | 1.17 |
| HSBC Custody Nominees (Australia) Limited | 8,600,625 | 1.07 |
| Huntley Group Investments Pty Ltd - Huntley Group Investment A/C | 8,523,274 | 1.06 |
| J S Millner Holdings Pty Limited | 6,484,373 | 0.81 |
| Citicorp Nominees Pty Limited | 3,046,345 | 0.38 |
| I R McDonald Pty Ltd | 3,000,000 | 0.37 |
| Fennybentley Pty Ltd | 2,800,000 | 0.35 |
| T N Phillips Investments Pty Ltd | 2,342,261 | 0.29 |
| K C Perks Investments Pty Ltd - Kym Perks S/F A/C | 2,322,296 | 0.29 |
| John E Gill Trading Pty Ltd | 2,317,950 | 0.29 |
| Nibot Pty Limited - The Hall Investment A/C | 2,251,845 | 0.28 |
| Donald Cant Pty Ltd | 2,216,771 | 0.28 |
| Mr Timothy Frank Robertson - Est Francis A Robertson A/C | 2,154,183 | 0.27 |
| G Guglielmini Nominees Pty Ltd | 1,987,011 | 0.25 |
| Mr Timothy Frank Robertson | 1,844,816 | 0.23 |
| Jeanneau Cloud Nine Pty Ltd - Cloud Nine Family A/C | 1,818,073 | 0.23 |
| Mrs A Biven | 1,731,845 | 0.22 |
| Mr J Henderson | 1,642,695 | 0.20 |
| | 160,832,268 | 20.01 |

Shareholder Information (continued)

Equity security holders (continued)

Article 5.12 of the Company's Constitution provides:

- (a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- (b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:
 - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
 - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited) on that Share.

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

As at 30 June 2024 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is listed below. The number of shares held and percentage ownership do not necessarily reflect the current ownership levels of these shareholders, as any subsequent movements of less than 1% would not need to be disclosed to ASX or the Company.

| Substantial Shareholder | Number Held | % of total shares issued |
|--|-------------|--------------------------|
| Washington H Soul Pattinson & Company Limited ¹ | 62,405,057 | 7.75 |
| Brickworks Limited ² | 62,405,057 | 7.75 |

¹ Details included on substantial shareholder notice dated 26 June 2018.

² Details included on substantial shareholder notice dated 27 June 2018. Shares held by Brickworks Limited represent a technical relevant interest as a result of Brickworks Limited's shareholding in Washington H Soul Pattinson & Company Limited.

Other information

There is no current on-market buy-back in place.

There were 124 (2023: 115) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$409,115 (2023: \$239,906).

Management expense ratio

The Management Expense Ratio ("MER") is the operating expenses of the Group for the financial year, as shown in the income statement, expressed as a percentage of the average total assets of the Group for the financial year. The table below summarises the MER for each financial year ended 30 June.

| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|------|------|
| 0.46 | 0.46 | 0.31 | 0.19 | 0.18 | 0.18 | 0.19 | 0.17 | 0.18 |
| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| 0.16 | 0.15 | 0.16 | 0.17 | 0.17 | 0.17 | 0.17 | 0.18 | 0.17 |



**BKI INVESTMENT
COMPANY LIMITED**

ABN: 23 106 719 868

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