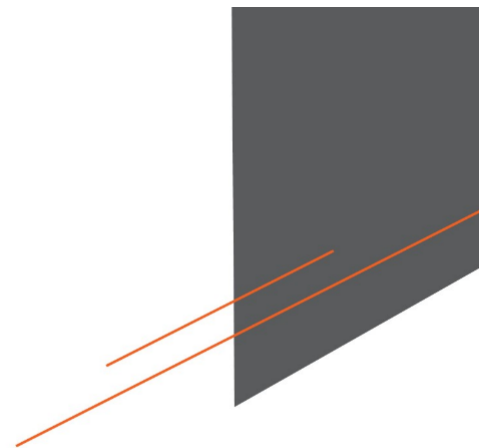


BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868



BKI
BKI INVESTMENT
COMPANY LIMITED

Appendix 4E – Preliminary Final Report

30 June 2023

Lodged with the ASX under Listing Rule 4.2A

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The reporting period is the year ended 30 June 2023 with the previous corresponding period being the year ended 30 June 2022

BKI Investment Company Limited
Year ended 30 June 2023

Appendix 4E – Preliminary Final Report
Results for Announcement to the Market

				June 2023		June 2022
				\$'000		\$'000
	Change					
Revenue Performance:						
Total revenue - Ordinary	Up	15%	to	72,753	from	63,390
Special investment revenue	Down	88%	to	4,998	from	42,713
Total revenue	Down	27%	to	77,751	from	106,103

Profits:						
Operating result after tax - before special investment revenue	Up	12%	to	65,068	from	58,086
Special investment revenue	Down	88%	to	4,998	from	42,713
Net profit from ordinary activities after tax attributable to shareholders	Down	31%	to	70,066	from	100,799
Net profit attributable to shareholders	Down	31%	to	70,066	from	100,799

				June 2023		June 2022
				Cents		Cents
	Change					
Earnings per share:						
Basic earnings per share before special investment revenue and applicable tax	Up	11%	to	8.68	from	7.84
Basic earnings per share after special investment revenue	Down	31%	to	9.35	from	13.60

Dividends per share:

Interim – Ordinary, fully franked	3.70	3.50
Interim – Special, fully franked	0.50	0.50
Final – Ordinary, fully franked	4.00	3.65
Final – Special, fully franked	-	1.00



BKI Investment Company Limited

Year ended 30 June 2023

Appendix 4E – Preliminary Final Report

Results for Announcement to the Market

Explanation of Operating Results

Despite times of uncertainty there are always opportunities to invest within equity markets. The goal of BKI is to always invest in high quality businesses with a strong balance sheet, competitive advantage and managed by capable and trustworthy people. BKI seeks to invest in businesses that will pay an attractive and sustainable dividend stream throughout the cycle.

BKI's Revenue from investment portfolio was up 14.8% to \$72.8 million. The result was boosted by higher ordinary dividends received over the last year from New Hope Corporation, Woodside Energy, Telstra Corporation, Yancoal Australia, Lindsay Australia and Macquarie Group.

BKI's interest received was \$1.6 million, up substantially on FY2022 following a significant rise in interest rates during the year. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$65.1 million, an increase of 12.0% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10.8% higher to 8.68 cents per share.

Special Investment Revenue was lower in FY2023, following the \$42.7 million in special dividends received in FY2022. Special Dividends received in FY2023 from New Hope Corporation, Ampol Limited and Smartgroup Limited totalled \$5.0 million.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2023 of \$70.1 million, fell 31.3% on the previous corresponding period. BKI's FY2023 basic earnings per share, including special investment revenue, was 9.35 cents per share.

BKI's Total Shareholder Return was positive 9.2% for the year to 30 June 2023. The S&P/ASX 300 Accumulation Index returned 14.4% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2023 was positive 11.6%, compared to the Index return of 16.0%.

NTA Backing

	June 2023	June 2022
Net Tangible Asset backing per ordinary share before tax	\$1.75	\$1.66
Net Tangible Asset backing per ordinary share after tax	\$1.64	\$1.58



BKI Investment Company Limited

Year ended 30 June 2023

Appendix 4E – Preliminary Final Report

Results for Announcement to the Market

Additional Dividend Information

The Directors declared a final ordinary 2023FY dividend of 4.00 cents per share, fully franked at the tax rate of 30%, which will be paid on 29 August 2023. The Record date for the dividend is 14 August 2023.

BKI has a Dividend Reinvestment Plan (DRP) in operation, offering shareholders the opportunity to acquire additional ordinary shares in BKI instead of receiving cash dividends. No discount will apply to the DRP. The last day to nominate for participation in the DRP is 15 August 2023.

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

Other Information

This report is based on audited accounts. A copy of the 2023 Annual Report, which includes the audited accounts, is attached to this Appendix 4E.

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CELEBRATING
20 YEARS

BKI INVESTMENT COMPANY LIMITED

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2023

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

Annual Report

for the year ended 30 June 2023

BKI Investment Company Limited
Corporate directory
30 June 2023

Directors	Robert Dobson Millner AO Non-Executive Chair David Capp Hall AM Independent Non-Executive Director Alexander James Payne Non-Executive Director Ian Thomas Huntley Independent Non-Executive Director Jacqueline Ann Clarke Independent Non-Executive Director
Investment Manager	Contact Asset Management Pty Limited (Contact) Thomas Charles Dobson Millner Portfolio Manager William Anthony Culbert Portfolio Manager
Company secretary	Amanda Wong
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 listing	BKI Investment Company Limited shares are listed on the Australian Securities Exchange (ASX code: BKI)
Website	www.bkilimited.com.au
Corporate Governance Statement	www.bkilimited.com.au/about-us/corporate-governance/#statement

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BKI Investment Company Limited
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BKI Investment Company Limited
Financial highlights
30 June 2023

	Change		Jun 2023 \$'000	Jun 2022 \$'000
Revenue performance				
Total revenue – ordinary	up	15% to	72,753	from 63,390
Special investment revenue	down	88% to	4,998	from 42,713
Total income from ordinary activities	down	27% to	77,751	from 106,103
Profits				
Operating result after tax - before special investment revenue	up	12% to	65,068	from 58,086
Special investment revenue	down	88% to	4,998	from 42,713
Net profit from ordinary activities after tax attributable to shareholders	down	31% to	70,066	from 100,799
Net profit attributable to shareholders	down	31% to	70,066	from 100,799
Portfolio				
Total portfolio value (including cash & receivables)	up	12% to	1,390,008	from 1,236,581
Earnings per share (EPS)				
			Cents	Cents
Basic EPS before special investment revenue and applicable tax	up	11% to	8.68	from 7.84
Basic EPS after special investment revenue and applicable tax	down	31% to	9.35	from 13.60
Dividends				
Interim - Ordinary	up	6% to	3.700	from 3.500
Interim - Special	steady	0% to	0.500	from 0.500
Final - Ordinary	up	10% to	4.000	from 3.650
Final - Special	down	100% to	-	from 1.000
Full Year Total	down	5% to	8.200	from 8.650

10 Year Dividend History (cents per share):

	30 June	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Interim - Ordinary		3.45	3.55	3.60	3.60	3.625	3.625	3.625	2.00	3.50	3.70
Interim - Special		-	-	-	-	-	2.500	1.000	-	0.50	0.50
Final - Ordinary		3.50	3.65	3.65	3.70	3.700	3.700	2.320	3.00	3.65	4.00
Final - Special		-	-	-	-	-	-	-	-	1.00	-
Total		6.95	7.20	7.25	7.30	7.325	9.825	6.945	5.00	8.65	8.20

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
NTA before tax		1.63	1.65	1.55	1.61	1.63	1.69	1.47	1.71	1.66	1.75
NTA after tax		1.51	1.53	1.47	1.52	1.54	1.58	1.43	1.59	1.58	1.64

BKI Investment Company Limited
Financial highlights
30 June 2023

List of Securities as at 30 June 2023

	Number of securities held	Market value \$'000	Portfolio weight %
Financials			
Macquarie Group Limited	655,182	116,373	8.37
Commonwealth Bank of Australia	917,528	92,001	6.62
National Australia Bank Limited	3,238,000	85,386	6.14
Suncorp Group Limited	1,531,408	20,659	1.49
Equity Trustees Limited	447,932	11,610	0.83
E&P Financial Group Limited	6,631,759	2,785	0.20
		328,814	23.65
Materials			
BHP Group Limited	2,640,000	118,774	8.54
Rio Tinto Limited	295,000	33,834	2.43
Amcor Limited	1,670,000	24,816	1.79
Brickworks Limited	436,209	11,629	0.84
Orora Limited	2,473,000	8,136	0.59
		197,189	14.19
Energy			
New Hope Corporation Limited	12,950,952	62,812	4.52
Woodside Energy Limited	1,652,925	56,927	4.09
Yancoal Australia Limited	3,485,000	15,961	1.15
Washington H Soul Pattinson & Co Limited	391,908	12,455	0.90
Ampol Limited	275,000	8,234	0.59
		156,389	11.25
Consumer Discretionary			
Wesfarmers Limited	1,228,000	60,590	4.36
Harvey Norman Holdings Limited	8,070,000	28,084	2.02
ARB Corporation Limited	978,590	27,988	2.01
		116,662	8.39
Industrials			
Transurban Group	3,485,952	49,675	3.57
Aurizon Holdings Limited	5,245,000	20,560	1.48
Lindsay Australia Limited	17,141,631	19,541	1.41
Smartgroup Corporation Limited	1,310,000	10,375	0.75
Reece Limited	515,499	9,573	0.69
IPH Limited	665,000	5,207	0.37
		114,931	8.27
Consumer Staples			
Woolworths Group Limited	1,159,906	46,083	3.32
Coles Group Limited	1,129,102	20,798	1.50
Metcash Limited	3,621,084	13,615	0.97
Treasury Wine Estates Limited	905,155	10,165	0.73
		90,661	6.52

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BKI Investment Company Limited
Financial highlights
30 June 2023

List of Securities as at 30 June 2023 (Continued)

	Number of securities held	Market value \$'000	Portfolio weight %
Utilities			
APA Group	8,775,389	85,033	6.12
		85,033	6.12
Health Care			
Sonic Healthcare Limited	1,262,000	44,889	3.23
Ramsay Health Care Limited	575,000	32,367	2.33
Regis Healthcare Limited	1,807,428	4,012	0.29
		81,268	5.85
Telecommunications			
Telstra Corporation Limited	9,725,000	41,818	3.01
TPG Telecom Limited	5,748,362	27,995	2.01
Tuas Limited	2,874,181	6,007	0.43
Nine Entertainment Co. Holdings Limited	2,300,000	4,519	0.33
		80,339	5.78
Property			
Goodman Group Limited	945,000	18,966	1.36
Stockland Corporation Limited	1,225,000	4,937	0.36
		23,903	1.72
Total Portfolio		1,275,189	91.74
Investment portfolio		1,275,189	91.74
Trading portfolio		-	-
Total Portfolio		1,275,189	91.74
Cash and dividends receivable		114,819	8.26
Total Investment Assets		1,390,008	100.00

The Group is a substantial shareholder in accordance with the Corporations Act 2001 of Lindsay Australia Limited, holding 5.65% of the issued capital as at 30 June 2023. 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.

BKI Investment Company Limited

Chair's address

30 June 2023

Dear Shareholders,

I am pleased to enclose the 20th Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2023 ("FY2023").

Despite a strong performance from the equity markets in FY2023, the last year saw many challenges emerge. The aftermath of COVID19 and flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021 became evident. The global economy has greatly benefited from a variety of stimulus packages over the last couple of years, creating a huge tailwind for households, consumers and businesses. Labour shortages have also endured, pushing up wages and other costs to businesses. Inventory shortages have continued to impact pricing and availability of goods and services across the world. In addition, the war in Ukraine continues to disrupt global energy supply.

These factors have led to a sharp rise in inflation, forcing Central Banks around the world to lift interest rates at an aggressive rate. In Australia, the official cash rate has increased from 0.85% in June 2022 to 4.10% in June 2023. This is the sharpest rise in rates ever.

Global equity markets were extremely strong for the year. Domestically the S&P/ASX 300 Accumulation Index generated a very robust 14.4% return for the year. Company profits led by Utilities, Energy, Resources and Communications improved and dividends paid by Australian equities increased again throughout the year.

The strong performance of the Australian equity market highlights that there is still likely large cash balances looking for opportunities. However, the dramatic rises in interest rates is beginning to take a toll on many parts of the economy. While we are positive on the future of the Australian economy, we are mindful of further interest rate increases, recession risks, the potential mortgage cliff, rental issues and a general slowdown of consumer spending.

Result Highlights

BKI's Revenue from investment portfolio was up 14.8% to \$72.8 million. The result was boosted by higher ordinary dividends received over the last year from New Hope Corporation, Woodside Energy, Telstra Corporation, Yancoal Australia, Lindsay Australia and Macquarie Group.

BKI's interest received was \$1.6 million, up substantially on FY2022 following a significant rise in interest rates during the year. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$65.1 million, an increase of 12.0% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10.8% higher to 8.68 cents per share.

Special Investment Revenue was lower in FY2023, following the \$42.7 million in special dividends received in FY2022. Special Dividends received in FY2023 from New Hope Corporation, Ampol Limited and Smartgroup Limited totalled \$5.0 million.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2023 of \$70.1 million, fell 31.3% on the previous corresponding period. BKI's FY2023 basic earnings per share, including special investment revenue, was 9.35 cents per share.

Dividends

The BKI Board has declared a final ordinary dividend of 4.00cps, up 10% from 3.65cps in the previous corresponding period. This 4.00cps ordinary dividend is the highest ordinary dividend paid by BKI in its 20 years and takes total dividends paid for the FY2023 year to 8.20cps.

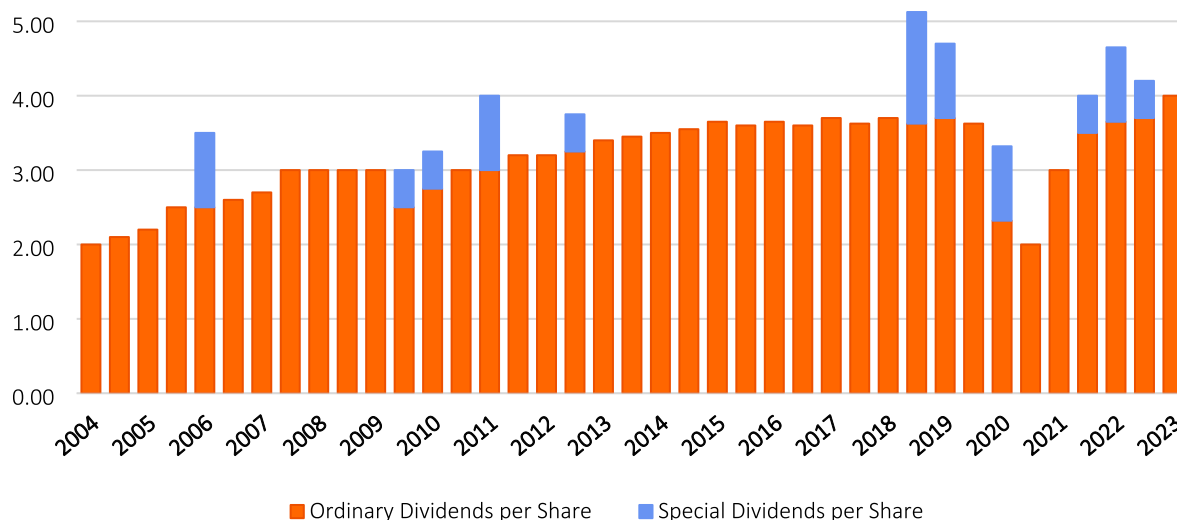
Including the payment of the FY2023 dividend, BKI has now paid out over \$1.31 per share in dividends since listing on the ASX twenty years ago. Including franking credits BKI has paid out over \$1.0 billion to Shareholders since IPO.

Based on the FY2023 dividends of 8.20cps, the current historical BKI grossed up dividend yield is 6.8% based on a tax rate of 30% and a share price of \$1.73, as at 30 June 2023.

BKI Investment Company Limited

Chair's address

30 June 2023



Dividend Key Dates

The last trading date to be eligible for the FY2023 Final Dividend is Thursday 10 August 2023. Key dates for the fully franked final dividend are as follows:

Key Dates	
BKI Announce Full Year FY2023 Results	Wednesday 19 July 2023
Last trading date to be eligible for dividend	Thursday 10 August 2023
Ex-dividend Date	Friday 11 August 2023
Record Date	Monday 14 August 2023
DRP Nomination	Tuesday 15 August 2023
Dividend Payment Date	Tuesday 29 August 2023
Annual General Meeting	Wednesday 8 November 2023

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 Tuesday 15 August 2022.

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 shares sold in the ordinary course of trading on the ASX during the 5 trading days after, but not including, the Record Date (Monday 14 August 2022).

Management Expense Ratio (MER)

BKI's MER as at 30 June 2023 was 0.18%. 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 a facility.

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

Post the COVID19 years we continue to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021. These actions have led to a sharp rise in inflation, forcing Central Banks around the world to lift interest rates at an aggressive rate. We expect to see further challenges emerge following high inflation and rising interest rates over the short to medium term.

BKI Investment Company Limited

Chair's address

30 June 2023

However, as we have explained many times before, despite times of uncertainty there are always opportunities to invest within equity markets. Our goal is to always invest in high quality businesses with a strong balance sheet, competitive advantage and managed by capable and trustworthy people. We seek to invest in businesses that will pay us an attractive and sustainable dividend stream throughout the cycle.

In this environment we target those companies that are more defensive in nature and display a competitive advantage. Those companies who have pricing power and the ability to pass on prices to their customers to ensure continued profitability, earnings growth and dividend growth for our shareholders should perform well. We aim to invest in these businesses at a reasonable price with a view of holding them for the long-term.

BKI holds a portfolio of high-quality dividend paying stocks and has no debt. We are well positioned to take advantage of any market opportunity which may present itself over the year ahead with 8.3% of the portfolio currently in cash.



Robert D Millner AO

Chair

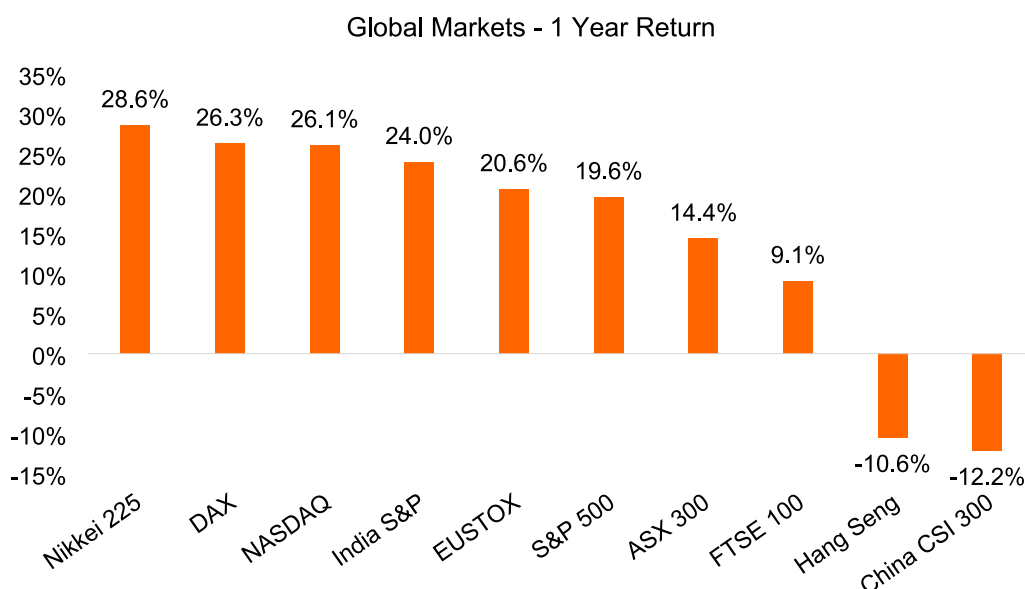
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Dear Shareholders,

Contact Asset Management, as the Investment Manager of BKI Investment Company, is pleased to include our Investment Report for FY2023.

Market Commentary

In FY2022, most Global equities fell hard on increased concerns over rising inflation and the chance of an economic recession. However, a year on and following a wave of negative sentiment and monetary policy headwinds, the returns for FY2023 in Global equities markets have been quite extraordinary. The following chart is illustrative.



Central Bank action continues to be a major focus for markets. In June 2023, the Bank of England (BoE) upped the ante on Britain's chronic inflation, headline inflation 8.7%, by raising its benchmark rate by 50bps to 5.0%; its highest level since September 2008. The BoE flagged that more action might be needed, as it monitors faster than expected wages growth, relatively buoyant consumer spending, and sticky inflation in the services sector. The Bank of Canada defied expectations by restarting its interest-rate tightening campaign, raising their official cash rate by +25bps to 4.75% saying the economy is running too hot. In the US, more US FOMC hikes are likely if Powell is right, with Powell telling senators that officials think "it will be appropriate to raise rates again this year, and perhaps twice".

In Australia, the labour market shows no sign of slowing, supported by still elevated job vacancies amid mixed economic conditions. The unemployment rate held steady at 3.60%, with 76k jobs added in May. The RBA lifted rates for the 10th time in FY2023 in early May, taking the RBA cash rate to 4.10%. This latest hike by the RBA was unexpected.

The positive news on domestic inflation arrived late in the year. The closely watched CPI number for May was lower than expected at 5.6% versus expectations of a 6.1% increase (and notably lower than the 6.8% printed in April). Market economists remain divided on whether the RBA needs to continue increasing rates in the coming months.

On that topic, the wave of interest rate rises is certainly impacting consumer confidence and market analysts have eased earnings expectations for the market in recent months. Earnings per Share (EPS) expectations on a 12-month forward basis for the S&P/ASX 300 is -3.6% and Dividends per Share (DPS) growth is -3.0%. The Price to Earnings Multiple (P/E) of the market is just under 16x (based on a 12-month forward basis) and the current dividend yield for the market is just under 3.9%.

Commodity prices have been mixed, however companies producing Iron Ore, Oil and Gas, Thermal and Met Coal, Nickel and Copper are still generating enormous profits. The Australian Dollar also continues to trade under US\$0.70, and ended the year at US\$0.67 providing a tailwind for those commodity focused companies reporting in US Dollars.

Iron ore has bounced back to US\$113/t, having flirted with US\$100/t in May. Having recently broken through US\$2,000/oz in April, gold prices have generally tracked lower and ended June at \$1,912/oz. Despite day-to-day volatility, oil prices (WTI) continue to hover around the US\$70/bbl range. Thermal coal traded lower throughout the June quarter and closed the period just under US\$150/t. The energy market is expected to get more support as we approach the northern hemisphere winter later in 2023.

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BKI Investment Company Limited
Portfolio managers report
30 June 2023

Portfolio Movements

In the first half of FY2023, we invested \$34 million adding to positions in Ampol Limited, Equity Trustees, Orora Limited, ARB Corporation and Harvey Norman Holdings. Three new names were added to the BKI portfolio, including Yancoal Australia, Nine Entertainment and James Hardie.

In the second half of FY2023, BKI invested a further \$70 million, including National Australia Bank, Yancoal Australia, Sonic Healthcare, Telstra Corporation, Wesfarmers, Smart Group and Ramsay Healthcare. BKI realised approximately \$49 million worth of sales with the exit of positions in Invocare Limited, Pental Group, Perpetual Limited and James Hardie.

As at the end of June 2023, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 92.0% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.39 billion, with the cash position of \$115 million representing 8.3%.

BKI Share Purchase Plan (SPP)

BKI recently completed a SPP, raising \$73 million. The SPP provided existing shareholders the opportunity to subscribe for up to \$30,000 worth of new BKI shares, without incurring brokerage. SPP Shares are eligible for the fully franked final dividend of 4.00cps. Each Director participated for the maximum amount of \$30,000 new SPP Shares. The SPP Issue Price of \$1.66 represented an 8% discount to BKI's Pre-tax NTA.

The SPP funds are being used to continue to deliver on BKI's investment strategy by investing for the long term in profitable, high income producing, well managed companies. BKI believes that the current market is offering an attractive opportunity for the long-term investor with many companies within the BKI portfolio offering:

- Fully franked dividends that are growing and an attractive yield
- Growth prospects and a reasonable Return on Equity with which to reinvest
- Sound Balance Sheets
- Good Management Teams
- Attractive Valuation Metrics

Top 25 Investments

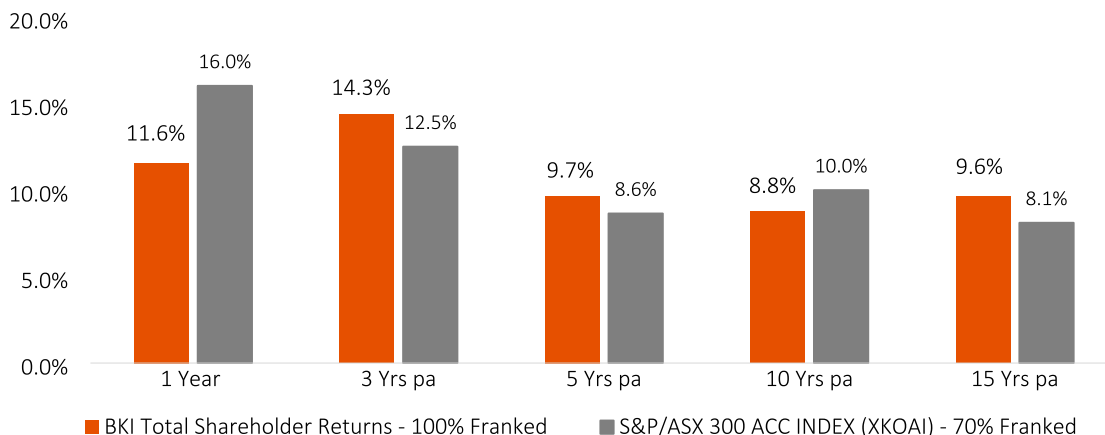
	Company	% of Total Portfolio
1	BHP Group Limited	8.5%
2	Macquarie Group Limited	8.4%
3	Commonwealth Bank of Australia	6.6%
4	National Australia Bank Limited	6.1%
5	APA Group	6.1%
6	New Hope Corporation Limited	4.5%
7	Wesfarmers Limited	4.4%
8	Woodside Energy Limited	4.1%
9	Transurban Group	3.6%
10	Woolworths Group Limited	3.3%
11	Sonic Healthcare Limited	3.2%
12	Telstra Corporation Limited	3.0%
13	Rio Tinto Limited	2.4%
14	Ramsay Health Care Limited	2.3%
15	Harvey Norman Holdings Limited	2.0%
16	TPG Telecom Limited	2.0%
17	ARB Corporation Limited	2.0%
18	Amcor Limited	1.8%
19	Coles Group Limited	1.5%
20	Suncorp Group Limited	1.5%
21	Aurizon Holdings Limited	1.5%
22	Lindsay Australia Limited	1.4%
23	Goodman Group Limited	1.4%
24	Yancoal Australia Limited	1.1%
25	Metcash Limited	1.0%
	Cash and cash equivalents	8.3%
	Total of top 25 plus cash and cash equivalents	92.0%

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BKI Investment Company Limited
Portfolio managers report
30 June 2023

Performance

For the year to 30 June 2023, BKI's Total Shareholder Return was positive 9.2%. The S&P/ASX 300 Accumulation Index returned 14.4% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2023 was positive 11.6%, compared to the index return of 16.0%.



Above - BKI Total Shareholder Returns (TSR) Including Franking Credits as at 30 June 2023.

BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2023 was positive 10.7% compared to the S&P/ASX 300 Accumulation Index which returned 14.4% for the same period.

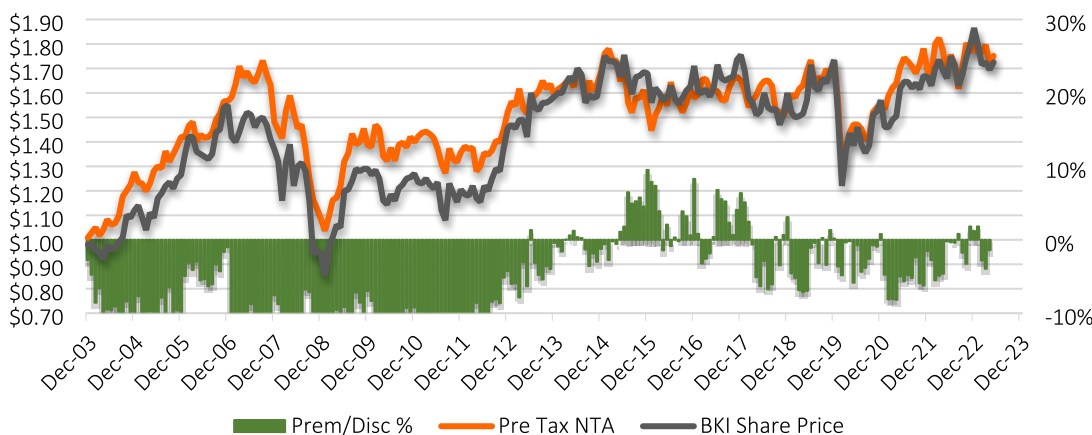
The BKI Portfolio has benefited from its exposure to Energy and in particular the large overweight positions in New Hope Corporation, delivering a total shareholder return of 55.4% for the year, and Woodside returning 22.7%.

Some of BKI's other quality core portfolio positions including Lindsay Australia, Washington H Soul Pattinson, Suncorp Group, BHP Group, Wesfarmers Limited and Telstra Corporation also delivered above index returns for the year.

Negative contributors to the performance of the portfolio included the consumer-focused businesses including Amcor, Metcash Limited, Orora Limited, Harvey Norman and ARB Corporation.

Premium / Discount to NTA

BKI's Pre-Tax Net Tangible Assets as at 30 June 2023 was \$1.75, and represented a 1.5% discount to the BKI share price.



Above – BKI's Premium/Discount over the last 20 years.

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

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BKI Investment Company Limited
Directors' report
30 June 2023

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 2023.

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	
	2023	2022
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2022 of 3.65 cents per share (2021: 3.00 cents per share) fully franked at the tax rate of 30%, paid on 30 August 2022	27,122	22,170
Final special dividend for the year ended 30 June 2022 of 1.00 cent per share (2021: nil cents per share) fully franked at the tax rate of 30%, paid on 30 August 2022	7,431	-
Interim ordinary dividend for the year ended 30 June 2023 of 3.70 cents per share (2022: 3.50 cents per share) fully franked at the tax rate of 30%, paid on 28 February 2023	27,589	25,874
Interim special dividend for the year ended 30 June 2023 of 0.50 cents per share (2022: 0.50 cents per share) fully franked at the tax rate of 30%, paid on 28 February 2023	<u>3,728</u>	<u>3,756</u>
Total dividends paid	<u><u>65,870</u></u>	<u><u>51,800</u></u>

Operating results

BKI's Revenue from its investment portfolio was up 14.8% to \$72.8 million. The result was boosted by higher ordinary dividends received over the last year from New Hope Corporation, Woodside Energy, Telstra Corporation, Yancoal Australia, Lindsay Australia and Macquarie Group.

BKI's interest received was \$1.6 million, up substantially on FY2022 following a significant rise in interest rates during the year. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$65.1 million, an increase of 12.0% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 10.8% higher to 8.68 cents per share.

Special Investment Revenue was lower in FY2023, following the \$42.7 million in special dividends received in FY2022. Special Dividends received in FY2023 from New Hope Corporation, Ampol Limited and Smartgroup Limited totalled \$5.0 million.

BKI's Net Operating Profit After Tax, including special investment revenue for FY2023 of \$70.1 million, fell 31.3% on the previous corresponding period. BKI's FY2023 basic earnings per share, including special investment revenue, was 9.35 cents per share.

BKI Investment Company Limited
Directors' report
30 June 2023

For the year to 30 June 2023, BKI's Total Shareholder Return was positive 9.2%. The S&P/ASX 300 Accumulation Index returned 14.4% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2023 was positive 11.6%, compared to the Index return of 16.0%.

BKI's Net Portfolio Return (after all operating expenses, provisions and payment of both income and capital gains tax and the reinvestment of dividends) for the year to 30 June 2023 was positive 10.7% compared to the S&P/ASX 300 Accumulation Index which returned negative 14.4% for the same period.

Review of operations

Operating expenses increased to \$2.4 million (2022: \$2.1 million) with BKI's MER increasing to 0.18% (2022: 0.17%). 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 FY2023, BKI invested \$34 million, adding to positions in Ampol Limited, Equity Trustees, Orora Limited, ARB Corporation and Harvey Norman Holdings. Three new names were added to the BKI portfolio, including Yancoal Australia, Nine Entertainment and James Hardie.

In the second half of FY2023, BKI invested a further \$70 million, including National Australia Bank, Yancoal Australia, Sonic Healthcare, Telstra Corporation, Wesfarmers, Smart Group and Ramsay Healthcare. BKI realised approximately \$49 million worth of sales with the exit of positions in Invocare Limited, Pental Group, Perpetual Limited and James Hardie.

As at the end of June 2023, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 92.0% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.39 billion, with the cash position of \$115 million representing 8.3%.

Financial position

Net assets of the Group increased during the year to \$1,301.1 million (2022: \$1,171.6 million) as a result of raising \$73 million by way of Share Purchase Plan and the increased value of the investment portfolio.

Employees

The Group had no employees as at 30 June 2023 (2022: 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

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

No other matter or circumstance has arisen since 30 June 2023 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.

BKI Investment Company Limited
Directors' report
30 June 2023

Information on directors

Name: **Robert Dobson Millner AO**
Title: Non-Executive Director and Chair
Qualifications: FAICD
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: 11,247,048

Name: **David Capp Hall AM**
Title: Non-Executive Director
Qualifications: FCA, FAICD
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

Name: **Ian Thomas Huntley**
Title: Non-Executive Director
Qualifications: BA
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

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BKI Investment Company Limited

Directors' report

30 June 2023

Name: **Alexander James Payne**
Title: Non-Executive Director
Qualifications: B.Comm, Dip Cm, FCPA, FCIS, FCIM
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: 548,073

Name: **Jacqueline Ann Clarke**
Title: Non-Executive Director
Qualifications: FCA, CTA, JP, GAICD
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 & 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: Empire Energy Group Limited (alternate Director) (appointed 16 August 2021)
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit & Risk Committee
Member of the Investment Committee
Member of the Remuneration Committee
Interests in shares: 95,053

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

Company secretary

Mr Pinto was appointed Company Secretary in November 2011. He is a Chartered Accountant with extensive experience in both professional practice and in senior commercial roles across a broad range of industries. Mr Pinto resigned as Company Secretary on 13 September 2022.

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. Following the resignation of Mr Pinto on 13 September 2022, Ms Wong is the sole Company Secretary.

BKI Investment Company Limited
Directors' report
30 June 2023

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 2023, and the number of meetings attended by each director were:

	Full Board*		Investment		Audit & Risk	
	Attended	Held	Attended	Held	Attended	Held
R D Millner AO	8	8	14	14	-	-
A J Payne	8	8	14	14	2	2
D C Hall AM	9	9	-	-	2	2
I T Huntley	7	7	14	14	2	2
J A Clarke	7	7	14	14	2	2
			Remuneration		Nomination ¹	
			Attended	Held	Attended	Held
R D Millner AO			2	2	1	1
A J Payne			2	2	-	-
D C Hall AM			2	2	1	1
I T Huntley			2	2	1	1
J A Clarke			2	2	-	-

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

* Includes two meetings of a Sub-committee of the BKI Board

(1) During the year, a meeting of the Nomination Committee was held in July 2022 when both Ms J A Clarke and Mr A J Payne 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 2022 AGM, Ms J A Clarke and Mr A J Payne were reappointed to the Nomination Committee.

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.

BKI Investment Company Limited
Directors' report
30 June 2023

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.

All remuneration paid to Key Management Personnel is valued at the cost to the Group and expensed.

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 2023 financial year (2022: 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 2023.

BKI Investment Company Limited
Directors' report
30 June 2023

Voting and comments made at the Company's 18 October 2022 Annual General Meeting ('AGM')

At the 18 October 2022 AGM, 95.28% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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

And the following person:

- J P Pinto - Company Secretary (resigned 13 September 2022)*

Services provided under contract through Corporate & Administrative Services Pty Limited ceased on 31 May 2022.

	Short-term benefits	Post- employment benefits	Total
	Cash salary and fees \$	Super- annuation \$	\$
2023			
<i>Non-Executive Directors:</i>			
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
<i>Other Key Management Personnel:</i>			
J P Pinto	-	-	-
	<u>300,956</u>	<u>25,369</u>	<u>326,325</u>
2022			
<i>Non-Executive Directors:</i>			
R D Millner	68,727	6,873	75,600
D C Hall AM	57,682	5,768	63,450
I T Huntley	47,909	4,791	52,700
A J Payne	47,909	4,791	52,700
J A Clarke*	26,227	2,623	28,850
<i>Other Key Management Personnel:</i>			
J P Pinto**	-	-	-
	<u>248,454</u>	<u>24,846</u>	<u>273,300</u>

* Ms Clarke was appointed a Non-Executive Director on 18 January 2022.

** Mr Pinto was remunerated by Corporate & Administrative Services Pty Limited.

BKI Investment Company Limited
Directors' report
30 June 2023

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
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

Mr J P Pinto provided Company Secretarial services under contract through Corporate & Administrative Services Pty Limited (CAS). On 31 May 2022, services between CAS and BKI ceased. Commencing from 1 June 2022, Contact Asset Management Pty Limited became the provider of Company Secretarial services to BKI.

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 2023.

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 2023.

During the financial year ended 30 June 2022, the following incentives lapsed:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested/lapsed	Number of rights yet to vest/lapse
J Pinto 2018	01/07/2017	25,000	\$41,385	30/06/2021	30/06/2022	25,000	-
J Pinto 2019	01/07/2018	25,000	\$38,040	30/06/2022	30/06/2023	25,000	-
J Pinto 2020	01/07/2019	25,000	\$38,678	30/06/2023	30/06/2024	25,000	-
J Pinto 2021	01/07/2020	25,000	\$35,943	30/06/2024	30/06/2025	25,000	-

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/other	Balance at the end of the year
R D Millner AO	10,794,971	-	452,077	-	11,247,048
D C Hall AM	3,014,753	-	36,146	-	3,050,899
I T Huntley	11,218,920	-	94,946	(13,414)	11,300,452
A J Payne	530,000	-	18,073	-	548,073
J A Clarke	69,121	-	25,932	-	95,053
J P Pinto*	136,269	-	-	(136,269)	-
	<u>25,764,034</u>	<u>-</u>	<u>627,174</u>	<u>(149,683)</u>	<u>26,241,525</u>

* Mr J P Pinto resigned on 13 September 2022. Included in Disposals/other is the removal from the table of Mr Pinto's shareholdings at the date of his resignation.

** Directors acquired shares through the Dividend Reinvestment Plan, Share Purchase 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.

BKI Investment Company Limited
Directors' report
30 June 2023

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 2023 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.

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

18 July 2023
Sydney

BKI Investment Company Limited
Consolidated statement of profit or loss
For the year ended 30 June 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
Ordinary revenue from investment portfolio		71,128	62,604
Revenue from bank deposits		1,625	141
Other gains		-	645
Income from operating activities before special investment revenue	5	<u>72,753</u>	<u>63,390</u>
Operating expenses	6	<u>(2,416)</u>	<u>(2,139)</u>
Operating result before income tax expense and special investment revenue		70,337	61,251
Special investment revenue	5	<u>4,998</u>	<u>42,713</u>
Operating result before income tax expense		75,335	103,964
Income tax expense	7	<u>(5,269)</u>	<u>(3,165)</u>
Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited	13	<u>70,066</u>	<u>100,799</u>
		2023 Cents	2022 Cents
Basic and diluted earnings per share before special investment revenue	25	8.68	7.84
Basic and diluted earnings per share after special investment revenue	25	9.35	13.60

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes

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BKI Investment Company Limited
Consolidated statement of other comprehensive income
For the year ended 30 June 2023

	Note	Consolidated	
		2023	2022
		\$'000	\$'000
Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited		70,066	100,799
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealised gains/(losses) on investment portfolio		68,311	(100,681)
Deferred tax (expense)/benefit on unrealised gains/losses on investment portfolio		(20,493)	30,204
Realised (losses)/gains on investment portfolio		(5,110)	20,120
Tax benefit/(expense) relating to realised gains/losses on investment portfolio	7	<u>1,533</u>	<u>(6,036)</u>
Other comprehensive income for the year, net of tax		<u>44,241</u>	<u>(56,393)</u>
Total comprehensive income for the year attributable to the owners of BKI Investment Company Limited		<u><u>114,307</u></u>	<u><u>44,406</u></u>

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The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes

BKI Investment Company Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	105,222	72,078
Trade and other receivables	9	10,589	8,594
Income tax refund due	7	-	51
Other		52	58
Total current assets		<u>115,863</u>	<u>80,781</u>
Non-current assets			
Investment portfolio	10	1,275,189	1,156,086
Property, plant and equipment		1	1
Deferred tax	7	7,306	7,836
Total non-current assets		<u>1,282,496</u>	<u>1,163,923</u>
Total assets		<u>1,398,359</u>	<u>1,244,704</u>
Liabilities			
Current liabilities			
Trade and other payables		307	270
Income tax	7	4,228	-
Total current liabilities		<u>4,535</u>	<u>270</u>
Non-current liabilities			
Deferred tax	7	92,763	72,855
Total non-current liabilities		<u>92,763</u>	<u>72,855</u>
Total liabilities		<u>97,298</u>	<u>73,125</u>
Net assets		<u>1,301,061</u>	<u>1,171,579</u>
Equity			
Share capital	11	1,016,811	935,766
Reserves	12	188,288	144,047
Retained profits	13	95,962	91,766
Total equity		<u>1,301,061</u>	<u>1,171,579</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

BKI Investment Company Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Share capital \$'000	Revaluation reserve \$'000	Realised capital gains reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	929,185	229,584	(29,144)	42,767	1,172,392
Operating result after income tax expense for the year	-	-	-	100,799	100,799
Other comprehensive income for the year, net of tax	-	(70,477)	14,084	-	(56,393)
Total comprehensive income for the year	-	(70,477)	14,084	100,799	44,406
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 11)	6,581	-	-	-	6,581
Dividends paid (note 14)	-	-	-	(51,800)	(51,800)
Balance at 30 June 2022	<u>935,766</u>	<u>159,107</u>	<u>(15,060)</u>	<u>91,766</u>	<u>1,171,579</u>

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	<u>1,016,811</u>	<u>206,925</u>	<u>(18,637)</u>	<u>95,962</u>	<u>1,301,061</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

BKI Investment Company Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(2,373)	(2,100)
Dividends and distributions received		74,318	104,512
Interest received		1,438	141
Proceeds from sale of trading portfolio		-	9,961
Payments for trading portfolio		-	(9,316)
Income taxes refunded/(paid)		528	(3,032)
Net cash from operating activities	24	<u>73,911</u>	<u>100,166</u>
Cash flows from investing activities			
Payments for investments		(104,847)	(171,601)
Proceeds from sale of investment portfolio		48,945	145,865
Capital returns received from investment portfolio		-	2,261
Net cash used in investing activities		<u>(55,902)</u>	<u>(23,475)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares	11	72,977	-
Share issue transaction costs	11	(184)	(16)
Dividends paid	14	(57,658)	(45,203)
Net cash from/(used in) financing activities		<u>15,135</u>	<u>(45,219)</u>
Net increase in cash and cash equivalents		33,144	31,472
Cash and cash equivalents at the beginning of the financial year		<u>72,078</u>	<u>40,606</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>105,222</u></u>	<u><u>72,078</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

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 18 July 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BKI Investment Company Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. BKI Investment Company Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Financial instruments

Recognition

Financial instruments 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 as set out below.

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 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.

Valuation of investment portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously. Movements in carrying values of securities are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

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.

Valuation of trading portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are re-valued to market values continuously.

Movements in carrying values of securities in the trading portfolio are taken to profit or loss through the income statement.

Fair value

Fair value is determined based on last sale price for all quoted investments.

Note 2. Significant accounting policies (continued)

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

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

BKI Investment Company Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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.

Note 2. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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 2023. 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.

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 5. Revenue

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Ordinary revenue from investment portfolio		
Fully franked dividends	56,674	50,673
Unfranked dividends	7,036	5,998
Trust distributions	7,418	5,933
Total ordinary revenue from investment portfolio	<u>71,128</u>	<u>62,604</u>
(b) Special investment revenue		
Fully franked dividends	<u>4,998</u>	<u>42,713</u>
(c) Revenue from bank deposits		
Interest received	1,625	141
(d) Other income		
(e) Other gains		
Net realised gain on sale of investments held for trading	<u>-</u>	<u>645</u>
Total revenue	<u><u>77,751</u></u>	<u><u>106,103</u></u>

Note 6. Operating expenses

	Consolidated	
	2023	2022
	\$'000	\$'000
Administration expenses	531	463
Employment expenses	326	175
Investment management	1,354	1,320
Professional fees	<u>205</u>	<u>181</u>
Total operating expenses	<u><u>2,416</u></u>	<u><u>2,139</u></u>

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BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 7. Income tax

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Income tax expense on operating profit before net gains on investments		
Current tax	1,856	787
Deferred tax - origination and reversal of temporary differences	3,325	1,684
Adjustment recognised for prior periods	88	694
	<u>5,269</u>	<u>3,165</u>
Aggregate income tax expense	<u>5,269</u>	<u>3,165</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Operating result before income tax expense	75,335	103,964
Tax at the statutory tax rate of 30%	22,601	31,189
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Franked dividends and distributions received	(17,420)	(28,718)
	5,181	2,471
Adjustment recognised for prior periods	88	694
Income tax expense	<u>5,269</u>	<u>3,165</u>

(b) Total tax expense

	Consolidated	
	2023	2022
	\$'000	\$'000
Net income tax expense on operating profit before net gains on investments	5,269	3,165
Income tax on net realised gains/(losses) on investment portfolio	(1,533)	6,036
Total tax expense	<u>3,736</u>	<u>9,201</u>

(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	257	(243)	-	14
Accrued expenses	39	(30)	-	9
Realised capital tax losses	15,305	(7,492)	-	7,813
Balance as at 30 June 2022	<u>15,601</u>	<u>(7,765)</u>	-	<u>7,836</u>
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	<u>7,836</u>	<u>(570)</u>	40	<u>7,306</u>

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

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	101,911	-	(30,513)	71,398
Unfranked dividends receivable and interest receivable	1,503	(46)	-	1,457
Balance as at 30 June 2022	103,414	(46)	(30,513)	72,855
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

Consolidated
2023 **2022**
\$'000 **\$'000**

(e) Income tax refund due
Income tax refund due

- 51

Consolidated
2023 **2022**
\$'000 **\$'000**

(f) Provision for income tax
Provision for income tax

4,228 -

Note 8. Current assets - cash and cash equivalents

Cash at bank

Consolidated
2023 **2022**
\$'000 **\$'000**

105,222 72,078

Note 9. Current assets - trade and other receivables

Dividends and distributions receivable
Other receivables
Interest receivable

Consolidated
2023 **2022**
\$'000 **\$'000**

9,597 8,417
805 177
187 -
10,589 **8,594**

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BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 10. Non-current assets - Investment portfolio

	Consolidated	
	2023	2022
	\$'000	\$'000
Listed securities at fair value through other comprehensive income	<u>1,275,189</u>	<u>1,156,086</u>

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			
	2023	2022	2023	2022
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>791,783,319</u>	<u>743,074,632</u>	<u>1,016,811</u>	<u>935,766</u>

Movements in ordinary share capital

Details	Shares	\$'000
Balance at 1 July 2021	739,002,595	929,185
Dividend reinvestment plan	4,072,037	6,597
Transaction costs		(16)
Balance at 30 June 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	<u>791,783,319</u>	<u>1,016,811</u>

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.

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.

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 11. Equity - Share capital (continued)

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 2023 net debt was \$nil (2022: \$nil).

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 12. Equity - reserves

	Consolidated	
	2023	2022
	\$'000	\$'000
Revaluation surplus reserve	206,925	159,107
Capital profits reserve	<u>(18,637)</u>	<u>(15,060)</u>
	<u><u>188,288</u></u>	<u><u>144,047</u></u>

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 2021	229,584	(29,144)	200,440
Gross revaluation of investment portfolio	(100,681)	-	(100,681)
Deferred tax provision on unrealised gains/losses	30,204	-	30,204
Net gains/(losses) on investment portfolio transferred from Statement of Comprehensive Income	<u>-</u>	<u>14,084</u>	<u>14,084</u>
Balance at 30 June 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 gains/(losses) on investment portfolio transferred from Statement of Comprehensive Income	<u>-</u>	<u>(3,577)</u>	<u>(3,577)</u>
Balance at 30 June 2023	<u><u>206,925</u></u>	<u><u>(18,637)</u></u>	<u><u>188,288</u></u>

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 13. Equity - retained profits

	Consolidated	
	2023	2022
	\$'000	\$'000
Retained profits at the beginning of the financial year	91,766	42,767
Operating result after income tax expense for the year	70,066	100,799
Dividends paid (note 14)	<u>(65,870)</u>	<u>(51,800)</u>
Retained profits at the end of the financial year	<u><u>95,962</u></u>	<u><u>91,766</u></u>

Note 14. Equity - dividends

(a) Dividends paid during the year

	Consolidated	
	2023	2022
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2022 of 3.65 cents per share (2021: 3.00 cents per share) fully franked at the tax rate of 30%, paid on 30 August 2022	27,122	22,170
Final special dividend for the year ended 30 June 2022 of 1.00 cent per share (2021: nil cents per share) fully franked at the tax rate of 30%, paid on 30 August 2022	7,431	-
Interim ordinary dividend for the year ended 30 June 2023 of 3.70 cents per share (2022: 3.50 cents per share) fully franked at the tax rate of 30%, paid on 28 February 2023	27,589	25,874
Interim special dividend for the year ended 30 June 2023 of 0.50 cents per share (2022: 0.50 cents per share) fully franked at the tax rate of 30%, paid on 28 February 2023	<u>3,728</u>	<u>3,756</u>
Total dividends paid	<u><u>65,870</u></u>	<u><u>51,800</u></u>

(b) Reconciliation of total dividends paid to dividends paid in cash

	Consolidated	
	2023	2022
	\$'000	\$'000
Total dividends paid	65,870	51,800
Less: Dividends reinvested in shares via DRP	<u>(8,212)</u>	<u>(6,597)</u>
Dividends paid in cash	<u><u>57,658</u></u>	<u><u>45,203</u></u>

(c) Franking accounting balance

	Consolidated	
	2023	2022
	\$'000	\$'000
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	<u>47,516</u>	<u>43,538</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	47,516	43,538
Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer below)	<u>(13,573)</u>	<u>(14,808)</u>
Net imputation credits available for future dividends	<u><u>33,943</u></u>	<u><u>28,730</u></u>

Note 14. Equity - dividends (continued)

Consolidated	
2023	2022
\$'000	\$'000

Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2022: 30%)	79,200	67,035
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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 2023 of 4.00 cents per share fully franked at the tax rate of 30% (2022: final ordinary dividend of 3.65 cents per share and a special dividend of 1.0 cents per share, both fully franked at the tax rate of 30%), payable on 29 August 2023, but not recognised as a liability at the year end.

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 1, 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 1 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.

Note 15. Financial instruments (continued)

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% (2022: 93%) of total assets.

As at 30 June 2023, a 5% (2022: 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 (2022: 5%); and
- A movement of 8.1 cents per share in the net asset backing before provision for tax on unrealised capital gains (2022: 7.8 cents).

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

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 2023 and 30 June 2022, the spread of investments was in the following sectors:

	Percentage of total investment 2023 %	Percentage of total investment 2022 %	Amount 2023 \$'000	Amount 2022 \$'000
Financials	23.65	24.44	328,814	302,237
Materials	14.19	14.82	197,189	183,251
Energy	11.25	9.06	156,389	111,971
Consumer discretionary	8.39	9.48	116,662	117,283
Industrials	8.27	7.36	114,931	91,022
Consumer staples	6.52	7.04	90,661	87,029
Utilities	6.12	8.00	85,033	98,899
Health care	5.85	5.89	81,268	72,786
Telecommunications services	5.78	5.69	80,339	70,327
Property	1.72	1.72	23,903	21,281
Total investments	91.74	93.50	1,275,189	1,156,086
Cash, dividends and distributions receivable	8.26	6.50	114,819	80,495
Total portfolio	100.00	100.00	1,390,008	1,236,581

Note 15. Financial instruments (continued)

Securities representing over 5% of the investment portfolio at 30 June 2023 or 30 June 2022 were:

	Percentage of total investment 2023 %	Percentage of total investment 2022 %	Amount 2023 \$'000	Amount 2022 \$'000
BHP Group	8.5	8.8	118,774	108,900
Macquarie Group	8.4	8.7	116,373	107,784
Commonwealth Bank	6.6	6.7	92,001	82,926
National Australia Bank	6.1	5.5	85,386	68,527
APA Group	6.1	8.0	85,034	98,899

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 2023 (2022: Nil).

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	
	2023 \$'000	2022 \$'000
Short-term employee benefits	301	248
Post-employment benefits	25	25
	326	273

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

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	
	2023	2022
	\$'000	\$'000
<i>Audit services - MGI Sydney Assurance Services Pty Ltd</i>		
Audit or review of the financial statements	30	28
	30	28

Note 18. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 19. Commitments

The Group had no capital and leasing commitments as at 30 June 2023 and 30 June 2022.

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.

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

Corporate & Administrative Services Pty Limited

Corporate & Administrative Services Pty Limited (CAS), an entity in which Mr R D Millner has an indirect interest, provided the Group with administration, company secretarial and accounting services, including preparation of all financial accounts. The contract was terminated on 31 May 2022.

Fees paid to CAS for services provided to the Parent and controlled entities for the year to 30 June 2023 were \$nil (2022: \$126,042, including GST) and are at standard market rates. As at 30 June 2023 the Group owed \$nil to CAS (2022: \$11,458).

Contact Asset Management Pty Limited

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 2023 were \$1,617,860 including GST (2022: \$1,430,827) and are at standard market rates. As at 30 June 2023 the Group owed \$141,263 to Contact (2022: \$125,125).

Loans to/from related parties

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

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BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023	2022
	\$'000	\$'000
Operating result after income tax	70,068	100,797
Other comprehensive income for the year, net of tax	44,241	(56,393)
Total comprehensive income	114,309	44,404

Statement of financial position

	Parent	
	2023	2022
	\$'000	\$'000
Total current assets	115,863	80,779
Total non-current assets	1,483,849	1,365,275
Total assets	1,599,712	1,446,054
Total current liabilities	4,455	190
Total non-current liabilities	302,156	282,247
Total liabilities	306,611	282,437
Net assets	<u>1,293,101</u>	<u>1,163,617</u>
Equity		
Share capital	1,016,811	935,766
Reserves	189,099	144,858
Retained profits	87,191	82,993
Total equity	<u>1,293,101</u>	<u>1,163,617</u>

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

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.

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

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	
		2023 %	2022 %
Brickworks Securities Pty Limited	Australia	100%	100%
Huntley Investment Company Pty Limited	Australia	100%	100%
BKI Sub Pty Limited	Australia	100%	100%
Pacific Strategic Investments Pty Limited	Australia	100%	100%

Note 23. Events after the reporting period

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

No other matter or circumstance has arisen since 30 June 2023 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	
	2023 \$'000	2022 \$'000
Operating result after income tax expense for the year	70,066	100,799
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,995)	(805)
Decrease/(increase) in income tax refund due	51	(51)
Decrease/(increase) in deferred tax assets	(18,390)	31,933
Decrease/(increase) in prepayments	6	(6)
Increase in trade and other payables	37	45
Increase/(decrease) in provision for income tax	4,228	(1,190)
Increase/(decrease) in deferred tax liabilities	19,908	(30,559)
Net cash from operating activities	<u>73,911</u>	<u>100,166</u>

Non-cash investing and financing activities

Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$8,212,000 (2022: \$6,597,000) of dividends were paid via the issue of 4,743,604 shares (2022: 4,072,037).

BKI Investment Company Limited
Notes to the consolidated financial statements
30 June 2023

Note 25. Earnings per share

(a) Calculation of earnings

	Consolidated	
	2023	2022
	\$'000	\$'000
Operating result after income tax attributable to the owners of BKI Investment Company Limited	70,066	100,799
Less: Special investment revenue	(4,998)	(42,713)
	<u>65,068</u>	<u>58,086</u>
Earnings used in calculating basic and diluted earnings per share before special investment revenue	<u>65,068</u>	<u>58,086</u>

(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	749,690,945	741,249,270
Weighted average number of ordinary shares used in calculating diluted earnings per share, before and after special investment revenue	749,690,945	741,249,270

(c) Earnings per share

	Cents	Cents
Basic and diluted earnings per share before special investment revenue	8.68	7.84
	Cents	Cents
Basic and diluted earnings per share after special investment revenue	9.35	13.60

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BKI Investment Company Limited
Directors' declaration
30 June 2023

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 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

18 July 2023
Sydney

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED

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 2023, 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 a summary of significant accounting policies 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 2023 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.

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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
------------------	--

Valuation and Existence of the Investment Portfolio
Refer to Note 10

The investment portfolio as at 30 June 2023 comprised of listed equity investments of **\$1,275.19** million.

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 focused on the valuation and existence of investments because investments represent the principal element of the net asset value disclosed on the Consolidated Statement of Financial Position in the financial report.

We agreed the existence of a representative sample of listed investments by confirming shareholdings with share registries.

No material differences were identified.

Revenue from Investments

ASAs presume there are risks of fraud in revenue recognition unless rebutted.

We assessed the accounting policy for revenue recognition for compliance with the accounting standards and performed testing to ensure that revenue had been accounted for in accordance with the accounting policy.

We focused on the cut-off, accuracy and completeness of dividend revenue and dividend receivables.

We found that the accounting policies implemented were in accordance with the accounting standards, and that revenue has been accounted for in accordance with the accounting policy.

We tested the accuracy and completeness of dividend revenue by agreeing the dividends and distributions of a representative sample of investments to supporting documentation obtained from share registries.

We tested the cut-off and completeness of dividend revenue and dividend receivables by checking the dividend details of a representative sample of investments from external market information and ensured that dividends that were declared before, but payable after, the reporting date were recorded.

No material differences were identified.

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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 2023, 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.

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.

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.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 19 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2023, 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

A handwritten signature in black ink, appearing to read 'Kimmy Jongue', written over a faint, illegible stamp or background.

Kimmy Jongue
Director
Sydney, 18 July 2023

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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 2023, 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

Kimmy Jongue
Director
Sydney, 18 July 2023

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BKI Investment Company Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 30 June 2023.

Distribution of equitable securities

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

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	1,599	9.24
1,001 to 5,000	2,590	14.96
5,001 to 10,000	2,308	13.33
10,001 to 100,000	9,487	54.81
100,001 and over	1,325	7.66
	<u>17,309</u>	<u>100.00</u>
Holding less than a marketable parcel of 290 shares	<u>669</u>	<u>3.87</u>

Equity security holders

Twenty largest quoted equity security holders

The 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	8.15
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	23,505,489	2.97
Huntley Group Investments Pty Ltd	8,523,274	1.08
HSBC Custody Nominees (Australia) Limited	8,135,044	1.03
J S Millner Holdings Pty Limited	6,234,373	0.79
J P Morgan Nominees Australia Pty Limited	5,725,270	0.72
Netwealth Investments Limited	3,555,149	0.45
TR McDonald Pty Ltd	3,000,000	0.38
Citicorp Nominees Pty Limited	2,548,244	0.32
John E Gill Trading Pty Ltd	2,302,950	0.29
Fennybentley Pty Ltd	2,281,044	0.29
Nibot Pty Limited	2,251,845	0.28
Donald Cant Pty Ltd	2,216,771	0.28
T N Phillips Investments Pty Ltd	2,190,624	0.28
Mr Timothy Frank Robertson	2,154,183	0.27
Snow Foundation Limited	2,092,700	0.26
K C Perks Investments Pty Ltd	2,052,296	0.26
G Guglielmini Nominees Pty Ltd	1,901,504	0.24
Jeanneau Cloud Nine Pty Ltd	1,818,073	0.23
Mr Timothy Frank Robertson	1,765,428	0.22
	<u>148,789,129</u>	<u>18.79</u>

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BKI Investment Company Limited
Shareholder information
30 June 2023

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:
one vote for each fully paid up Share (whether the issue price of the
(i) 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 2023 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.

	Number held	% of total shares issued
Washington H Soul Pattinson & Company Limited ⁽¹⁾	62,405,057	7.88
Brickworks Limited ⁽²⁾	62,405,057	7.88

(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 115 (2022: 109) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$239,906 (2022: \$448,268).

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.

2006	2007	2008	2009	2010	2011	2012	2013	2014
0.56	0.46	0.46	0.31	0.19	0.18	0.18	0.19	0.17
2015	2016	2017	2018	2019	2020	2021	2022	2023
0.18	0.16	0.15	0.16	0.17	0.17	0.17	0.17	0.18



**BKI INVESTMENT
COMPANY LIMITED**

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