

Taxation

When buying shares, the treatment of tax is a very important consideration.

Under a "sub" account structure in which, the Parent/Grandparent is the legal and beneficial owner of the shares, generally the Parent/Grandparent:

- Would benefit from any income and capital gains and would bear the burden of any losses.
- Would benefit from any dividends declared by BKI*.
- May benefit from any franking credits attached to any dividends.
- May be required to declare any dividends, income and capital gains/losses in their own income tax return.
- Would be required to administer the account through the share registry.

Each individual will have different circumstances and could therefore be taxed at varying rates. BKI recommend that investors seek independent tax and professional investment advice before buying shares.

For further information on taxation, investors can visit the Australian Taxation Office website at www.ato.gov.au

Risks of Investing in BKI

There are risks associated with investing in Listed Companies as well as risks specifically related to BKI.

BKI recommend that investors seek independent tax and professional investment advice before buying shares for a Child/Grandchild.

Investments in shares do not provide a guaranteed return. Share prices may go up or down and they can be volatile. Movements in the share price can be affected by many factors including government policies and market conditions. BKI does not guarantee any returns on the shares.

Past performance of shares is not usually a reliable indicator of future performance.

Performance

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 30 June 2013 was 29.4%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 7.5%.

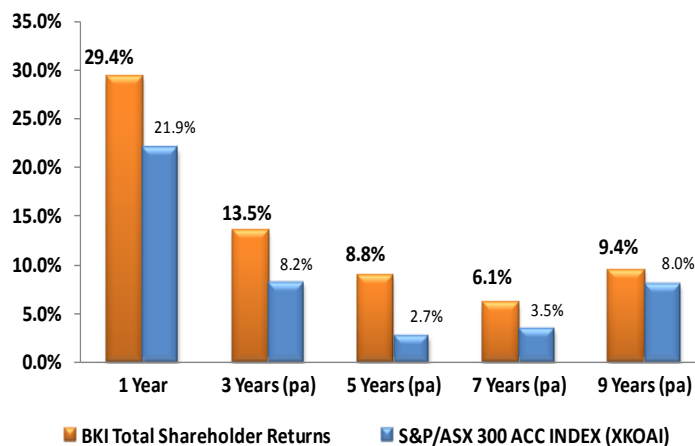


Chart 2

Source: BKI, IRESS. Total Shareholder Returns include the reinvestment of dividends. Past performance is not necessarily a reliable indicator of future performance.

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* Future dividends and franking credits distributed by BKI are at the discretion of the BKI Board.



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BKI Investment Company Limited
Winner 2011
Listed Investment Company Award

INVESTING FOR THE NEXT GENERATION



ASX Code: BKI.ASX

Investment Strategy

BKI Investment Company Limited (BKI) is a research driven, active equities manager investing for the long term in profitable, high yielding, well managed companies. An investment in BKI gives shareholders access to a diversified equity portfolio across most sectors of the market. BKI is managed for the benefit of shareholders, not charging external portfolio management fees or performance fees.

Objective

Our aim is to create wealth for BKI shareholders, through an increasing fully franked dividend and capital growth.

Benefits of Investing in BKI

- **Dividends** - Predictable fully franked income stream.
- **Franking Credits** - 30% tax rate already paid on dividend income, tax credits passed on directly to shareholders.
- **Performance** - Delivering sound long term returns to shareholders.
- **Low Cost** - Management Expense Ratio of 0.19%. No Performance Fees.
- **Diversification** – Exposure to most sectors of the market through well managed, dividend paying companies.
- **Simplicity** – An investment in BKI.ASX provides administration simplicity.
- **Structure** – BKI is a Company with a closed end investment structure.
- **Listed on the ASX** - High levels of Transparency and Compliance, ASX Listing Rules, Continuous Disclosure requirements.

Investing for the Next Generation

Investing in the stock market over the long term can produce significant returns. Have you considered continuing the cycle and investing for the next generation? BKI could provide a compelling long term investment opportunity for your Children or Grandchildren.

Dividends & Franking Credits

In 8 years BKI has increased Ordinary dividends paid to shareholders by 55%. BKI has also distributed to shareholders 5 fully franked Special Dividends since listing.

Chart 1 shows the income generated from a \$10,000 investment into BKI shares in December 2003. On this initial investment, BKI will distribute over \$1,000 worth of dividends (orange bars) and franking credits (blue bars) worth \$437 during FY2013. To put the current low cash rate into perspective, interest earned on that same investment would be approx \$494 on a pre tax basis in FY2013 (green bars). This example assumes that dividends and cash has been re-invested.

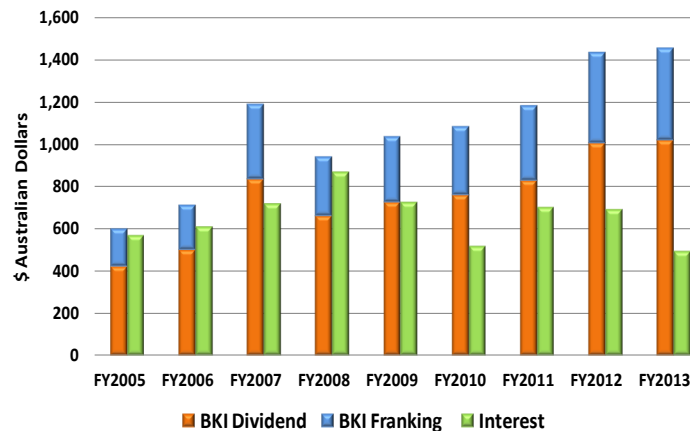


Chart 1

Source: BKI, IRESS. The figures above do not take into account any fees or brokerage charged by a broker to buy or sell BKI shares. The above example is for illustrative purposes only. Past performance is not necessarily a reliable indicator of future performance.

Dividend Reinvestment Plan

BKI has a Dividend Reinvestment Plan (DRP) in operation, offering shareholders the opportunity to acquire further ordinary shares in BKI without incurring transaction costs. The DRP is currently offered at a nil discount.

How a Parent/Grandparent may choose to Invest

BKI is a listed company on the ASX, so shares can be bought through a stockbroker or via an online account. BKI.ASX

Investing in BKI is very cost efficient as BKI does not charge shareholders external management fees or a performance fee. Investors will be charged brokerage when buying or selling shares through their stockbroker or via their online account.

There are different alternatives when a Parent/Grandparent is buying shares and BKI recommends that investors seek independent tax and professional investment advice before doing so.

Some alternatives for buying shares for a Child/Grandchild can be complex. However a straightforward alternative for a Parent/Grandparent to buy shares is by following these two simple steps:

Step 1.

The Parent/Grandparent establishes a share trading account. (If you are an existing share holder in BKI then you will most likely have established an account through a stockbroker or an online share trading service).

Parent/Grandparent account

Mr John Citizen

Step 2.

Within the Parent/Grandparent's account, establish a "sub" account under the name of your Child/Grandchild.

Parent/Grandparent "sub" account

Mr John Citizen

<Thomas A Citizen A/C>

When shares are bought through a "sub" account it is possible for the beneficial owner of those shares to be the Parent/Grandparent, which is the case assumed by this outline.

The Parent/Grandparent will have full responsibility for the shares, will administer the account through the share registry and be able to benefit from the issuing of any further dividends and franking credits by BKI.

On the basis that the Parent/Grandparent is the beneficial owner of the shares in the "sub" account, the Parent/Grandparent will be free to apply any dividends or the proceeds from the sale of any shares as the Parent/Grandparent sees fit. The Parent/Grandparent will not be required to account to a Child/Grandchild designated in a "sub" account.