

Top 20 Investments

Stock	% of Total Portfolio
1 Commonwealth Bank	9.7%
2 National Australia Bank	9.5%
3 New Hope Corporation	7.8%
4 Westpac Banking Corp	7.4%
5 BHP Billiton Limited	6.3%
6 Telstra Corporation	5.2%
7 Wesfarmers Limited	4.5%
8 ANZ Banking Group	3.8%
9 Woolworths Limited	3.6%
10 ALS Limited	2.8%
11 AGL Energy Limited	2.4%
12 TPG Telecom Limited	2.3%
13 Woodside Petroleum Limited	2.0%
14 QBE Insurance Group	1.6%
15 InvoCare Limited	1.6%
16 Metcash Limited	1.6%
17 Coca-Cola Amatil	1.6%
18 ARB Corporation	1.4%
19 APA Group	1.4%
20 Milton Corporation	1.4%
Cash & cash equivalents	6.3%
% of Total Portfolio Value	83.9%
(Including cash and cash equivalents)	

Outlook

Although there has been a minor improvement, global economic activity has continued to be subdued. The US economic recovery is playing out slowly and European economies remain under pressure. Many Asian economies (with a particular focus on China) have stabilised, however the Japanese economic situation remains a concern.

Locally, our share market has performed well over the last 12 months with the S&P/ASX 300 Accumulation Index gaining 21.9% to 30 June 2013, driven by investors chasing dividend yield and defensive industrial stocks. However, our broader economy appears to be stalling, with employment, business confidence and retail spending all on the decline. A high Australian Dollar has also been a catalyst for the Reserve Bank to reduce the cash rate to encourage spending and support non-resource related sectors.

Investors are facing a changing dynamic within the resource sector, especially those companies in exploration and development phase. Spending has deteriorated substantially due to continual pressure on mining and drilling costs as well as lower commodity prices. However, the better quality resource companies; those with a diversified portfolio of assets, strong balance sheet and exposure to multiple commodities have seen some of the pressure ease with a recent fall in the Australian dollar and lower costs associated with labour.

The upcoming reporting season will give investors an insight into the financial health of many companies and sectors within our market.

BKI continues to be in a strong financial position with no debt, and cash and cash equivalents representing 6.3% of the total portfolio. With this in mind, BKI will continue to take advantage of investment opportunities when they arise.



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Performance Highlights

- Total Ordinary Dividend and Distribution Income increased 9.8% to \$30.3m.
- Net Operating Result before special dividend income increased 8.0% to \$29.9m.
- MER - 0.19% as at 30 June 2013.
- Basic Earnings per Share up 4.7% to 6.81cps from 6.51cps.
- Fully Franked Final Dividend of 3.40cps, up from 3.20cps.
- Special Dividend of 0.50cps, Fully Franked (declared in January 2013).
- BKI's Share Price Performance for the 12 months to 30 June 2013 outperformed the S&P/ASX 300 Accumulation Index by 7.5%.

Performance Overview

BKI Investment Company Limited's ("BKI") Full Year Results to 30 June 2013 saw the Net Operating Result before special dividend income increase 8.0% to \$29.9m, whilst Earnings per Share before special dividend income increased 4.7% to 6.81cps.

Total Fully Franked Dividends for FY2013 were 11.7% higher and is made up of an Ordinary Interim Dividend of 3.25cps, a Special Dividend of 0.50cps (declared in January 2013) and an Ordinary Final Dividend of 3.40cps.

BKI continues to be an internally managed investment company, operating for the benefit of its shareholders at a very low cost. BKI doesn't charge external portfolio management or performance fees.

The Net Operating Result was boosted by additional income received from Commonwealth Bank, National Australia Bank, Westpac Bank, ANZ Bank, Wesfarmers, Invocare, APA Group, Insurance Australia, Woolworths and ALS Limited.

A decrease in ordinary income received from QBE Insurance, Seven West Media, Salmat Limited and GWA International were the main negatives.

BKI also received special dividend income from Woodside Petroleum, Coca Cola Amatil, Salmat Limited, Westpac Banking Corporation and Graincorp Limited during the year. These special dividends helped lift the Net Profit attributable to shareholders by 12.4% to \$33.6m.

Portfolio Movements

In October 2012 BKI successfully completed a Share Purchase Plan (SPP), raising \$19.1m. BKI deployed all of the funds raised in the SPP into the market during October/November 2012 with major investments including ANZ Banking Corporation, National Australia Bank, Westpac Banking Corporation, APA Group, Transurban Group and Metcash Limited. Yields on offer at this time were very compelling to the long term shareholder.

As income from cash products began to decline, investors were forced to re-enter the market looking for additional income and franking credits. This created a significant push for dividend yield in the Australian share market over the last 6 months, with many labeling it a "Yield Bubble". While many companies were still

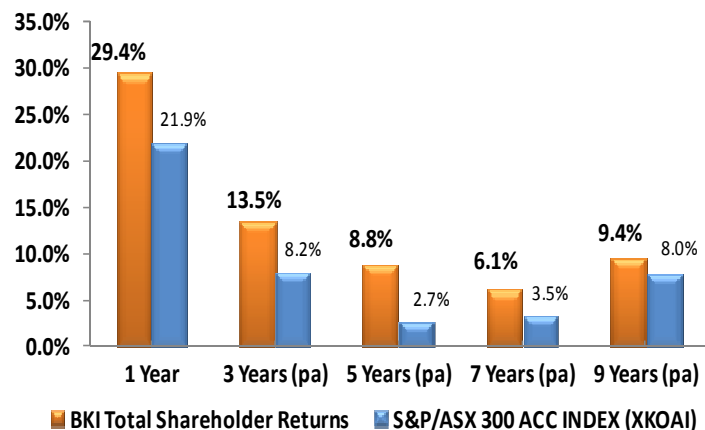
offering a fully franked dividend yield well in excess of the cash rate, the BKI Investment Committee took the view that the share market in general was trading at fair value, and accordingly BKI invested only \$2.2m during the second half of FY2013.

The Company's main divestments from the investment portfolio during FY2013 were: the balance of the Westpac Preference Shares, Clover Corporation and Ten Network Holdings. Divestments from the trading portfolio were Entitlements from Seven West Media and Ten Network Holdings, Renounceable Rights from ASX Limited and shares in SCA Property Group, issued as an In-Specie Capital Return from Woolworths Limited.

Performance

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the 12 months to 30 June 2013 was 22.2%, compared to the S&P/ASX 300 Accumulation Index which returned 21.9% over the same period.

BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 30 June 2013 was 29.4%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 7.5%.



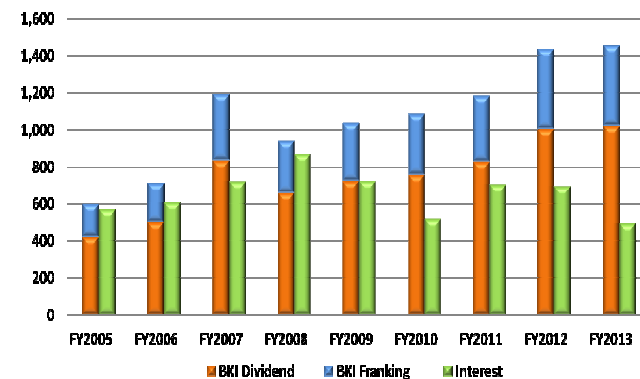
Dividends

A further increase in the Net Operating Result enabled the Board to again meet one of BKI's core objectives - to provide an increasing income stream for the owners of the company; the shareholders. A Fully Franked Final Ordinary Dividend of 3.40cps was declared, up from 3.20cps in FY2012.

Based on a closing share price of \$1.56 on 23 July 2013, BKI's fully franked dividend yield was 4.6% (Includes FY2013 Interim Ordinary Dividend of 3.25cps, FY2013 Interim Special Dividend of 0.50cps and FY2013 Final Ordinary Dividend of 3.40cps). BKI's grossed up yield as at 23 July 2013 was 6.5% (based on a tax rate of 30%).

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 DRP price will be calculated using the average of the daily volume weighted average sale price of BKI's shares sold in the ordinary course of trading on the ASX during the 5 trading days after, but not including, the Record Date (19 August 2013).

The following graph shows Dividends + Franking Credits received from a \$10,000 Investment in BKI at inception V's Bank Quarterly Interest. It highlights the opportunity of a fully franked dividend in a falling interest rate environment. Assumes Cash and Dividends are reinvested. Ignores capital appreciation of BKI shares.



Management Expense Ratio (MER)

BKI's MER continues to be very competitive within the funds management industry. BKI does not charge shareholders a performance fee.

