



**BKI INVESTMENT  
COMPANY LIMITED**

**BKI INVESTMENT COMPANY LIMITED**

ABN: 23 106 719 868

# Annual Report

for the year ended 30 June 2021

# 2021



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## Group Profile

**BKI Investment Company Limited (“BKI” or “the Group”) is a Listed Investment Company on the Australian Stock Exchange. The Group invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.**

**BKI shares were listed on the Australian Stock Exchange Limited commencing 12 December 2003.**

### Corporate Objectives

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

### Investment Strategy

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

### Dividend Policy

Having respect to prudent business practices, and ensuring the business retains sufficient working capital to allow the achievement of the Group’s Corporate Objectives and Business Strategy, the Group will pay the maximum prudent amount of realised profits after tax for that year to shareholders as fully franked dividends to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

Ordinary dividends will be declared by the Board of Directors out of the Company’s Net Operating Result, after tax but before special investment revenue.

In circumstances where the Group accumulates sufficient special investment revenue after ensuring the business retains sufficient working capital in accordance with its capital management objectives, the Board will consider declaring special fully franked dividends to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

In circumstances where the Group generates sufficient qualifying capital gains, LIC Gains will be distributed to shareholders to the extent permitted by the Corporations Act and the Income Tax Assessment Act.

### Management

The portfolio management and advisory function of BKI is performed by Contact Asset Management Pty Limited (“Contact”). Contact is majority owned by Mr Tom Millner and Mr Will Culbert, the former CEO and Portfolio Manager respectively of BKI, with the remaining 20% owned by Washington H. Soul Pattinson and Company Limited. The BKI Board of Directors and Investment Committee meet regularly to review the portfolio and set the investment strategy of BKI.

The Group also engages Corporate & Administrative Services Pty Ltd to provide accounting and group secretarial services. These services are overseen by the BKI Company Secretary, Mr Jaime Pinto.

## Financial Highlights

	Change			Jun 2021 \$'000		Jun 2020 \$'000
<b>Revenue performance</b>						
Total income – ordinary	down	14.1%	to	<b>40,154</b>	from	46,732
Special investment revenue	down	85.8%	to	<b>1,022</b>	from	7,182
Total income from ordinary activities	down	23.6%	to	<b>41,176</b>	from	53,914
<b>Profits</b>						
Operating result after tax – before special investment revenue net of applicable tax	down	14.2%	to	<b>35,660</b>	from	41,578
Special investment revenue net of applicable tax	down	86.0%	to	<b>985</b>	from	7,044
Net profit from ordinary activities after tax attributable to shareholders	down	24.6%	to	<b>36,645</b>	from	48,622
Net profit attributable to shareholders	down	24.6%	to	<b>36,645</b>	from	48,622
<b>Portfolio</b>						
Total portfolio value (including cash & receivables)	up	16.3%	to	<b>1,261,368</b>	from	1,084,667

	Change			Cents		Cents
<b>Earnings per share (EPS)</b>						
Basic EPS <b>before</b> special investment revenue and applicable tax	down	14.8%	to	<b>4.83</b>	from	5.67
Basic EPS <b>after</b> special investment revenue and applicable tax	down	25.0%	to	<b>4.97</b>	from	6.63
<b>Dividends</b>						
Interim – Ordinary	down	44.8%	to	<b>2.000</b>	from	3.625
Final – Ordinary	up	29.3%	to	<b>3.000</b>	from	2.320
Final – Special	down	100%	to	<b>nil</b>	from	1.000
Full Year Total	down	28.0%	to	<b>5.000</b>	from	6.945

### 10 Year Dividend History (cents per share)

30 June	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Interim	3.20	3.25	3.45	3.55	3.60	3.60	3.625	3.625	3.625	<b>2.000</b>
Final	3.20	3.40	3.50	3.65	3.65	3.70	3.700	3.700	2.320	<b>3.000</b>
Special	–	0.50	–	–	–	–	–	2.500	1.000	–
<b>Total</b>	<b>6.40</b>	<b>7.15</b>	<b>6.95</b>	<b>7.20</b>	<b>7.25</b>	<b>7.30</b>	<b>7.325</b>	<b>9.825</b>	<b>6.945</b>	<b>5.000</b>

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

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

30 June	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NTA before tax	1.30	1.52	1.63	1.65	1.55	1.61	1.63	1.69	1.47	<b>1.71</b>
NTA after tax	1.26	1.42	1.51	1.53	1.47	1.52	1.54	1.58	1.43	<b>1.59</b>

## Financial Highlights (continued)

### List of Securities as at 30 June 2021

	Number of securities held	Market value \$'000	Portfolio weight %
<b>Financials</b>			
Commonwealth Bank of Australia	1,093,077	109,166	8.65
Macquarie Group Limited	655,172	102,490	8.13
National Australia Bank Limited	2,501,904	65,600	5.20
ASX Limited	397,750	30,909	2.45
Magellan Financial Group Limited	383,500	20,655	1.64
Milton Corporation Limited	2,103,640	13,253	1.05
Pendal Group Limited	1,320,833	10,646	0.84
Suncorp Group Limited	951,408	10,570	0.84
Equity Trustees Limited	383,942	10,520	0.83
Platinum Asset Management Limited	1,738,000	8,534	0.68
E&P Financial Group Limited	5,674,572	4,874	0.39
		<b>387,217</b>	<b>30.70</b>
<b>Materials</b>			
BHP Group Limited	2,110,731	102,518	8.13
Arcor Limited	1,670,000	25,267	2.00
Fortescue Metals Group Limited	922,711	21,536	1.71
Rio Tinto Limited	154,441	19,559	1.55
Brickworks Limited	436,209	10,936	0.87
Orora Limited	1,600,000	5,328	0.42
		<b>185,144</b>	<b>14.68</b>
<b>Consumer Discretionary</b>			
Wesfarmers Limited	1,129,102	66,730	5.29
ARB Corporation Limited	945,447	40,834	3.24
Harvey Norman Holdings Limited	5,036,154	27,598	2.19
Invocare Limited	1,638,974	18,963	1.50
		<b>154,125</b>	<b>12.22</b>
<b>Consumer Staples</b>			
Woolworths Group Limited	1,428,744	54,478	4.32
Coles Group Limited	1,129,102	19,296	1.53
Treasury Wine Estates Limited	905,155	10,572	0.84
Metcash Limited	2,477,151	9,884	0.78
Endeavour Group Limited (Rights)	1,428,744	8,987	0.71
		<b>103,217</b>	<b>8.18</b>
<b>Industrials</b>			
Transurban Group	3,485,952	49,605	3.93
Reece Limited	515,499	12,171	0.96
Lindsay Australia Limited	17,141,631	6,428	0.51
Brambles Limited	500,576	5,727	0.45
IPH Limited	665,000	5,187	0.41
		<b>79,118</b>	<b>6.26</b>

## List of Securities as at 30 June 2021 (continued)

	Number of securities held	Market value \$'000	Portfolio weight %
<b>Health Care</b>			
Sonic Healthcare Limited	960,899	36,899	2.93
Ramsay Health Care Limited	515,070	32,424	2.57
Regis Healthcare Limited	1,807,428	3,524	0.28
		<b>72,847</b>	<b>5.78</b>
<b>Telecommunications</b>			
TPG Telecom Limited	5,748,362	35,985	2.85
Telstra Corporation Limited	8,524,451	32,052	2.54
Tuas Limited	2,874,181	1,854	0.15
		<b>69,891</b>	<b>5.54</b>
<b>Utilities</b>			
APA Group	7,775,389	69,201	5.49
		<b>69,201</b>	<b>5.49</b>
<b>Energy</b>			
Woodside Petroleum Limited	1,175,876	26,116	2.07
New Hope Corporation Limited	12,950,952	22,405	1.78
		<b>48,521</b>	<b>3.85</b>
<b>Property</b>			
Goodman Group	945,000	20,006	1.59
Stockland	1,225,000	5,708	0.45
		<b>25,714</b>	<b>2.04</b>
<b>Total Portfolio</b>		<b>1,194,994</b>	<b>94.74</b>
Investment portfolio		<b>1,194,994</b>	94.74
Trading portfolio		Nil	Nil
<b>Total Portfolio</b>		<b>1,194,994</b>	<b>94.74</b>
Cash and dividends receivable		66,374	5.26
<b>Total Investment Assets</b>		<b>1,261,368</b>	<b>100.00</b>

The Group is a substantial shareholder, in accordance with the *Corporations Act 2001*, of Lindsay Australia Limited, holding 5.71% of the issued capital as at 30 June 2021. The Group is not a substantial shareholder in any other investee corporation as each equity investment represents less than 5% of the issued capital of the investee corporation.

## Chair's Address

Dear Shareholders,

I am pleased to enclose the 18th Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2021.

Australia's performance in controlling the COVID-19 epidemic and economic stimulus packages was of significant benefit to the Australian household and consumer during the last year. The Government's substantial economic support packages and the banks' loan deferrals were very well received and placed the economy in a strong position. We were concerned in February, when BKI presented first half results, that the forecast growth in unemployment and the completion of payment deferral programs would create a headwind for the Australian economy. Fortunately, these issues were not as severe as we first thought and did not materially impact the local economy.

### Result Highlights

The severe fluctuations in global share markets we experienced in FY2020 and early in FY2021 dissipated with the backdrop of a stronger global economy. However, many Australian equity investors continued to receive lower dividends than they received 12–18 months ago. These cuts impacted BKI's results in FY2021, with Ordinary Investment Revenue down 17% to \$39.7 million. The result was impacted by lower ordinary dividends received over the last year from New Hope Corporation (down 73% on the previous corresponding period (**pcp**)), Invocare Limited (down 70% on the pcp), Woodside Petroleum (down 62% on the pcp), Commonwealth Bank (down 42% on the pcp), AGL Energy (down 26% on the pcp) and Transurban Group (down 22% on the pcp).

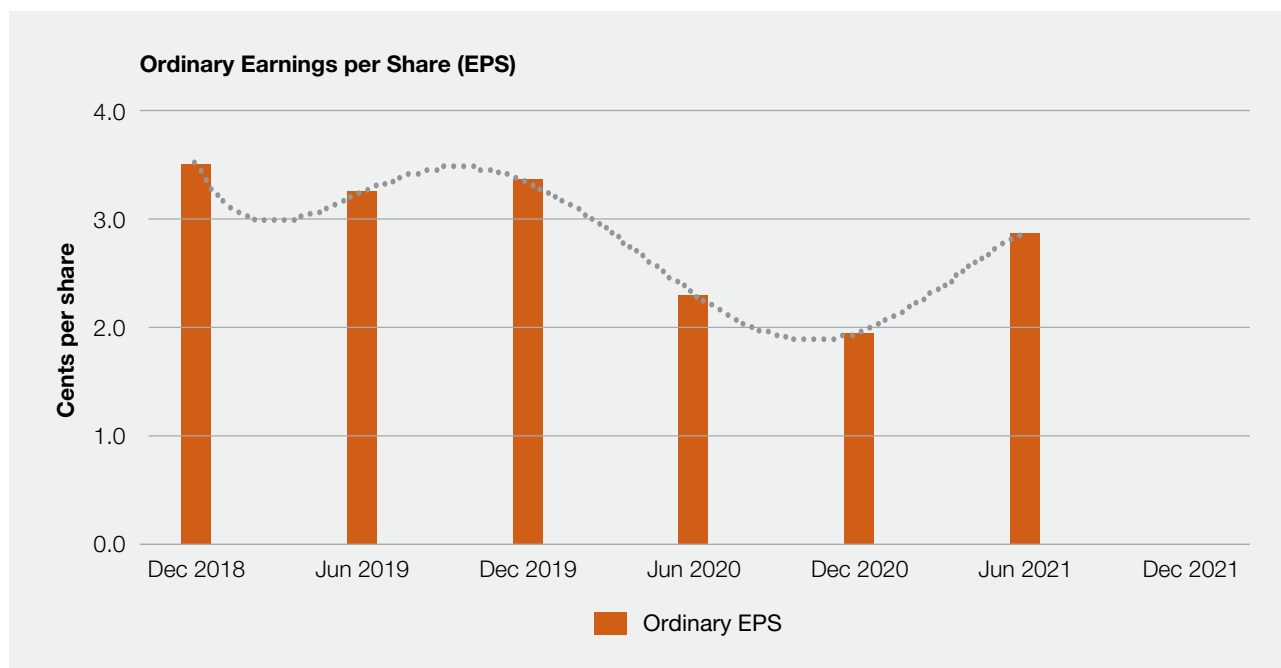
BKI realised \$0.3 million from the trading portfolio, after participating in some minor trading positions. BKI's interest received was only \$0.1 million, down 82% on FY2020 due to the extremely low interest rates on offer. BKI's Net Operating Profit After Tax, before special investment revenue, was \$35.7 million, a decrease of 14% over the previous corresponding period. BKI's basic earnings per share before special investment revenue decreased 15% to 4.83 cents per share.

Special Dividend Revenue was lower in FY2021, falling from \$7.2 million to \$1.0 million. Special Dividends were received from Telstra Corporation, AGL Energy and Rio Tinto Limited. Woolworths Group Limited undertook the demerger of Endeavour Group Limited during the period, but BKI did not recognize the demerger dividend as special dividend income. BKI's Net Operating Profit After Tax including special investment revenue for FY2021 was \$36.6 million, down 25% on the previous corresponding period. BKI's FY2021 basic earnings per share, including special investment revenue, decreased 25% to 4.97 cents per share from 6.63 cents per share in FY2020.

It is pleasing that in the second half of FY2021 BKI recorded an increase of 46% in ordinary EPS excluding special investment revenue over the first half of FY2021, as can be seen in the chart below. In the last six-month period, BKI received increased dividends from major investments including Macquarie Group (up 155% on the pcp), Fortescue (up 71% on the pcp), Rio Tinto (up 48% on the pcp), BHP Group (up 34% on the pcp), National Australia Bank (up 30% on the pcp), Harvey Norman (up 20% on the pcp) and Wesfarmers Limited (up 13% on the pcp). The outlook for dividends received from BKI's investments should continue to improve in the periods ahead.



## Chair's Address (continued)



### Dividends

The BKI Board declared a final ordinary dividend of 3.00cps, taking total dividends paid for the FY2021 year to 5.00cps, down 28% on last year. This is again disappointing; however, the Board and Management remain very proud that the Company has now paid out over \$780 million or \$1.14 per share in Dividends and Franking Credits to Shareholders since listing.

The current BKI grossed up dividend yield is 4.4%, based on the 2.00cps FY2021 interim dividend and 3.00cps FY2021 final dividend, a tax rate of 30% and the share price of \$1.62 as at 30 June 2021.

### Dividend Key Dates

The last trading date to be eligible for the FY2021 Final Dividend is Thursday 5 August 2021. Key dates for the fully franked Final Dividend are as follows:

Event	Date
Last trading date to be eligible for the Final Dividend	Thursday 5 August 2021
Ex-Dividend Date	Friday 6 August 2021
Record Date	Monday 9 August 2021
DRP Nomination	Tuesday 10 August 2021
Payment Date	Thursday 26 August 2021

### Dividend Reinvestment Plan (DRP)

The BKI Board 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 10 August 2021.

## Chair's Address (continued)

To learn more about the DRP and access a DRP form to download and complete, use the following link:  
<https://bkilimited.com.au/dividend-information/>

The last trading day to be eligible for BKI's fully franked dividends is Thursday 5 August 2021.

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 (Monday 9 August 2021).

### Management Expense Ratio (MER)

BKI's MER as at 30 June 2021 was 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.

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 the interest payable on such a facility.

### Top 25 Investments

Stock	% of Total Portfolio
1 Commonwealth Bank	8.7%
2 BHP Group	8.1%
3 Macquarie Group	8.1%
4 APA Group	5.5%
5 Wesfarmers Limited	5.3%
6 National Australia Bank	5.2%
7 Woolworths Group Limited	4.3%
8 Transurban Group	3.9%
9 ARB Corporation	3.2%
10 Sonic Healthcare	2.9%
11 TPG Telecom Limited	2.9%
12 Ramsay HealthCare	2.6%
13 Telstra Corporation	2.5%
14 ASX Limited	2.5%
15 Harvey Norman Holdings	2.2%
16 Woodside Petroleum	2.1%
17 Amcor	2.0%
18 New Hope Corporation	1.8%
19 Fortescue Metals Group	1.7%
20 Magellan Financial Group	1.6%
21 Goodman Group Limited	1.6%
22 Rio Tinto Limited	1.6%
23 Coles Group	1.5%
24 Invocare Limited	1.5%
25 Milton Corporation	1.1%
Cash and cash equivalents	5.3%
<b>Total of Top 25 including cash and cash equivalents</b>	<b>89.7%</b>

## Chair's Address (continued)

### Outlook

The global stimulus packages distributed during 2020 were a lifeline for many countries, businesses and individuals. Many of these packages continued into 2021 and are only just now rolling off. Few initially appreciated the impact these handouts would have, but Australia's economy is well placed due to their implementation. The phasing out of payment deferral programs was well handled and the unemployment number is tracking better than expectations. Retail sales numbers are encouraging and regional tourism continues to grow. The continual growth in commodity prices ensures Australia's current trade balance remains positive.

However, while the initial results of stimulus packages and handouts have been positive, the secondary effects of flooding the economy with cash have been extraordinary. An increasing challenge of the demand surge is the resulting pressure on the supply response - we are all experiencing capacity challenges, price rises and a significant wait time due to a global supply chain bursting at the seams. This impact on the economy may outweigh the positives of inflation. There is such a significant demand for goods and services, that we are now seeing substantial shortages in supply which is concerning to us. There are shortages in labour across many industries, a shortage in manufacturing, in shipping and in containers themselves. The system is extremely stretched.

The behaviour of consumers will continue to be influenced by low rates, the rate of the vaccination roll-out and the easing of travel restrictions. Many countries outside Australia are in a good place, with a relatively fast vaccine rollout and large parts of their economies opening up. This should mean that consumers will continue to spend, and their economies will recover quickly. However, Australia has experienced a poor vaccine rollout and we are now seeing the emergence of additional lockdowns which may mean our economic recovery slows compared to other developed nations.

Despite a slow vaccine rollout, ongoing lockdowns and travel restrictions, as well as some serious supply chain issues, we believe that Australia is currently in a very fortunate economic position and the outlook for dividends received from BKI's investments should continue to improve in the years ahead. BKI continues to be well positioned with a portfolio of high-quality dividend paying stocks. BKI has available cash and no debt. We will continue to ensure BKI achieves its objective of investing for the long term in profitable, high yielding and well managed companies.



**Robert Millner**  
*Chairman*

# Portfolio Manager's Report

Dear Shareholders,

Contact Asset Management, as the Investment Manager of BKI Investment Company, is pleased to include our report for FY2021.

## Market Commentary

Strength in global markets continued in financial year 2021, led by technology heavy markets in the US. The NASDAQ climbed by 45.2% and the S&P500 increased by 40.8%. Jobs data in the US remains extremely robust and markets continue to assume that the US Fed will not rush to taper its stimulus program any time soon. While inflationary fears remain a concern, investors continue to take advantage of cheap money.

Global bond yields continued to retrace from previously elevated levels, with the US 10-year government bond yield finishing the financial year at 1.44% and Australian 10-year yield at 1.51%.

Commodity prices continued to rise, with Iron Ore closing at \$US215.50/Mt, while Oil finished the year at \$US75.13\$/bbl. Interestingly, gold prices finished flat as inflationary expectations retraced. The Australian Dollar finally tracked below US\$0.77, a level it had traded at for some months, closing the year at \$0.75.

Australia's S&P/ASX 300 Accumulation Index increased by 28.5% in FY2021. Corporate activity continues to ramp up and upbeat household confidence is driving the market higher. Consensus expectations for the August reporting season continue to be revised higher.

Retail sales have continued to deliver stronger than expected numbers during the year. The most recent underlying inflation rate of 1.1% continues to remain below the RBA's target range of between 2% and 3%. Employment numbers are also ahead of expectations and the unemployment rate continued to fall during the past year. With employment already above pre-COVID levels, we believe the rate could decline to around 4.5% by the end of calendar 2021.

Domestically, the Reserve Bank of Australia (RBA) continues to hold the cash rate at an historic low of 0.10%, noting its no-rate-hike stance until 2024 at the earliest because sustaining the economic expansion means "ensuring that demand continues to be supported for as long as spare capacity remains". The RBA is also continuing its quantitative easing program (QE) to purchase bonds with maturities of around 5 to 10 years in order to control the yield curve and further support economic recovery.

Late in June 2021, many parts of Australia were placed under lockdown as the COVID Delta strain continued to spread. The number of cases linked to Sydney's Bondi cluster was the main area of concern and State Governments were again quick to shut borders regardless of the economic impact. Early in July 2021 the Federal Government announced a four-part plan to return to normal, much of which seems to be tied to vaccination rates. The market seemingly looked through a lot of the lockdown news, albeit there were a few stock-specific reactions.

Valuation multiples for the Australian market have settled around 18 times FY21 earnings as market moves are matched by earnings upgrades. The dividend yield for the S&P/ASX 300 index is also now more compelling and is back above 3.5%.

## Portfolio Movements

We made \$83 million worth of sales in the first half of this financial year, including exiting positions in Westpac Banking Corporation, Sydney Airports, IAG Limited, SEEK Limited and selling a small parcel of New Hope Corporation. These sales were prompted by the significant reduction in dividends received from these companies during the period. BKI realised a further \$81 million worth of sales in the second half of the financial year, including exiting the positions in AGL Energy Limited, Lend Lease, NAB Convertible Notes and Inghams Group, as well as slightly trimming positions in Commonwealth Bank and Transurban Group.

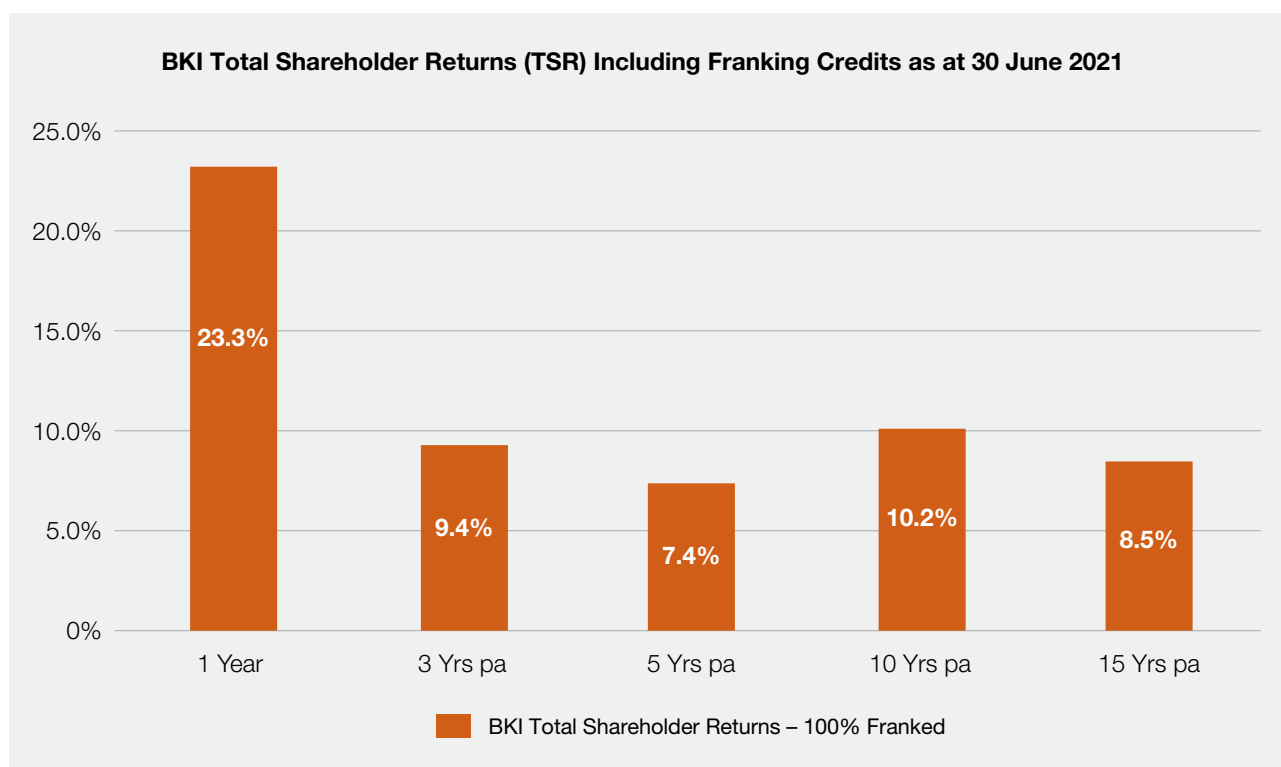
## Portfolio Manager's Report (continued)

These divestments allowed BKI to reinvest capital into other positions within the portfolio to offset further declines in Ordinary Income. BKI invested \$95 million during the first half and \$65 million during the second half of FY2021. The largest investments over the year were APA Group, Transurban Group, Fortescue Metals, Rio Tinto Limited, Commonwealth Bank, National Australia Bank, BHP Group, Amcor, Harvey Norman Holdings and Equity Trustees. A new position was established in Metcash Limited in the second half of the year, and BKI also now has a holding in Endeavour Group Limited following its demerger from Woolworths Group Limited in June 2021.

As at the end of June 2021, there were 42 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 89.7% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.3 billion, with the cash position of \$66 million representing 5.3%.

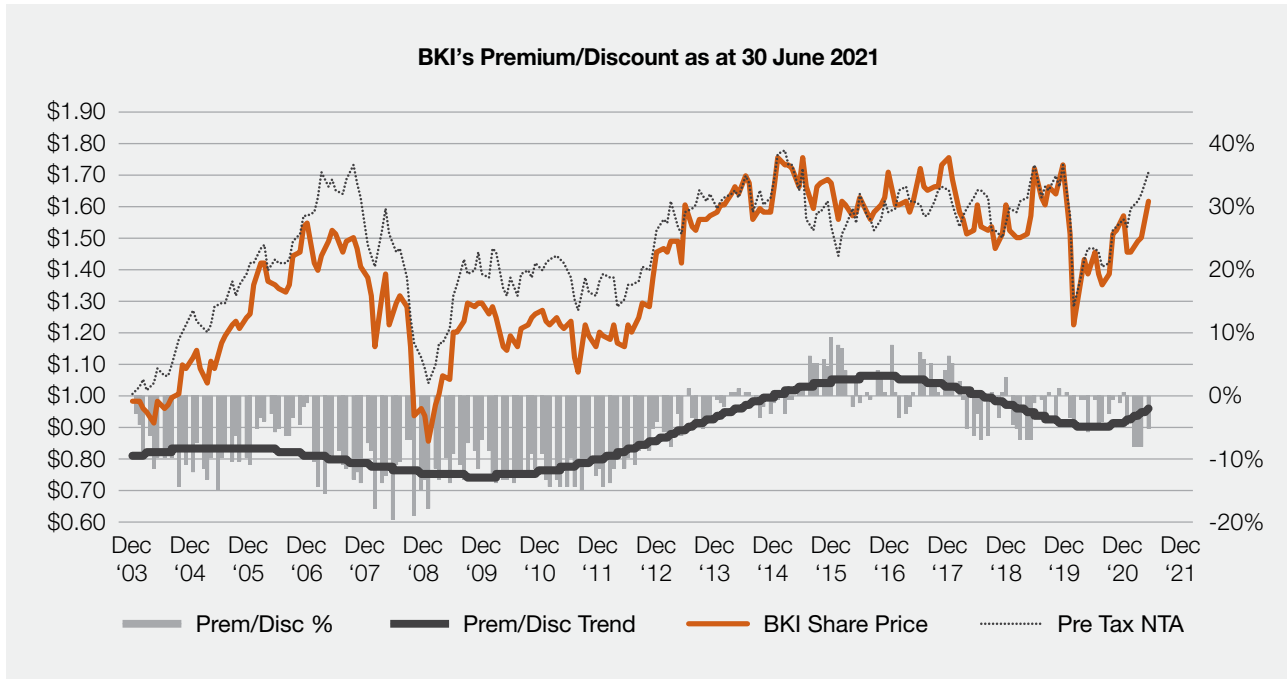
### Performance

For the year to 30 June 2021, the S&P/ASX 300 Accumulation Index return was 28.5%. BKI's Total Shareholder Return was 21.4%. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2021 was 23.3%.



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 2021 was 20.1%. BKI's Pre-Tax Net Tangible Assets per share as at 30 June 2021 was \$1.71, up from \$1.47 last year.

## Portfolio Manager's Report (continued)



### Investment Team

During the year we appointed Jakov Males as Senior Investment Analyst at Contact Asset Management. Jakov has over 20 years asset management experience as an Analyst and Portfolio Manager. Jakov was most recently Head of Australian Equities at UBS Asset Management for 12 years. He was previously Head of Equities at Allianz Global. We believe that Jakov will be a great fit for Contact Asset Management, and he brings significant experience to our business. We remain committed to investing for better outcomes for all BKI Shareholders. Our focus is on earnings growth and dividend payments – not generating excessive fees.

### Research and Ratings

BKI was once again well endorsed by various investment product research and ratings companies during the year. BKI currently has a Recommended rating from LONSEC, a Recommended-Plus rating from Independent Investment Research (IIR) and a Neutral rating from Morningstar.

#### Tom Millner and Will Culbert

*Contact Asset Management*

# Directors' Report

The Directors of BKI Investment Company Limited ("the Company", or "BKI") present the following report on the Company and its controlled entities ("the Group") for the year to 30 June 2021.

## 1. Directors

The following persons were Directors since the start of the financial year and up to the date of this report:

### **Robert Dobson Millner, FAICD** – Non-Executive Director and Chair

Mr Millner was appointed Non-executive Chair upon the Company's formation in October 2003. Mr Millner has extensive experience in the investment industry, and is currently a Director of the following listed companies:

- 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)
- Milton Corporation Limited (appointed 1998, Chair since 2002)
- Apex Healthcare Berhad (appointed 2000)
- TPG Telecom Limited (appointed July 2020)
- Tuas Limited (appointed May 2020)

Below is a list of former listed company directorships held by Mr Millner in the past three years:

- 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

### **David Capp Hall, AM, FCA, FAICD** – Independent Non-Executive Director

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.

Special Responsibilities:

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

### **Ian Thomas Huntley, BA** – Independent Non-Executive Director

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 partners sold the business to Morningstar Inc of the USA in mid 2006.

Special Responsibilities:

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

## Directors' Report (continued)

### 1. Directors (continued)

#### **Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM** – Non-Executive Director

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.

Special Responsibilities:

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

### 2. Key Management Personnel

#### **Jaime Pinto, BComm, CA, AGIA** – 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.

### 3. Meetings of Directors

Summarised below are the numbers of Board meetings and Committee meetings held during the year to 30 June 2021, and the numbers of meetings attended by each Director.

	Board		Investment		Audit & Risk		Remuneration		Nomination <sup>1</sup>	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	7	7	14	14	–	–	2	2	1	1
AJ Payne	7	7	14	14	2	2	2	2	1	1
DC Hall	7	7	–	–	2	2	2	2	–	–
IT Huntley	7	7	14	14	2	2	2	2	1	1

<sup>1</sup> The sole meeting of the Nomination Committee was held in July 2020. Mr DC Hall was not a member of the Committee at this time as he was scheduled for re-election as a Director under the Company's Director rotation policy. Subsequent to being re-elected as a Director at the 2020 AGM, Mr Hall was reappointed to the Nomination Committee, and Mr RD Millner and Mr IT Huntley DC resigned from the Committee as they are due for re-election as Directors at the 2021 AGM.

### 4. Principal Activities

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.

### 5. Operating Results

BKI's Total Ordinary Revenue from its investment portfolio was \$39.7m, 12.6% lower than the \$45.4m generated in 2020, driving a 14.2% decrease in Net Operating Result before special investment revenue to \$35.7m, from \$41.6m in 2020. Basic and diluted earnings per share before special dividend revenue was down 14.8% to 4.83 cents per share.

The result was impacted by lower ordinary dividends received over the last year from New Hope Corporation (down 73% on the previous corresponding period (pcp)), Invocare Limited (down 70% on the pcp), Woodside Petroleum (down 62% on the pcp), Commonwealth Bank (down 42% on the pcp), AGL Energy (down 26% on the pcp) and Transurban Group (down 22% on the pcp).

BKI realised \$0.3 million from the trading portfolio, after participating in some minor trading positions. BKI's interest received was only \$0.1 million, down 82% on FY2020 due to the extremely low interest rates on offer.



## Directors' Report (continued)

### 5. Operating Results (continued)

Special Dividend Revenue was lower in FY2021, falling from \$7.2 million to \$1.0 million. Special Dividends were received from Telstra Corporation, AGL Energy and Rio Tinto Limited. Woolworths Group Limited undertook a demerger of Endeavour Group Limited during the period, but BKI did not recognise the demerger dividend as special investment revenue. BKI's Net Operating Profit After Tax, including special investment revenue for FY2021 was \$36.6 million, down 25% on the previous corresponding period. BKI's FY2021 basic earnings per share, including special investment revenue, decreased 25% to 4.97 cents per share from 6.63 cents per share in FY2020.

Total Shareholder Return including franking credits for the year to 30 June 2021 was 23.3%, compared to the S&P/ASX 300 Accumulation Index, which returned 28.5% over the same period. BKI's Total Shareholder Return including Franking Credits for 15 years was 8.5% per annum compared to the S&P/ASX 300 Accumulation Index, which returned 8.6%.

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 year to 30 June 2021 was 20.1%.

### 6. Review of Operations

BKI was able to maintain its MER at 0.17% for the year (2020: 0.17%) as operating expenses were held steady at \$2.0m (2020: \$2.0m), with all cost categories in line with the previous year.

BKI made a number of changes to the portfolio during FY2021. We executed \$83 million worth of sales in the first half of this financial year, including exiting positions in Westpac Banking Corporation, Sydney Airports, IAG Limited, SEEK Limited and selling a small parcel of New Hope Corporation. These sales were prompted by the significant reduction in dividends received from these companies during the period. BKI realised a further \$81 million worth of sales in the second half of the financial year, including exiting the positions in AGL Energy Limited, Lend Lease, NAB Convertible Notes and Inghams Group, as well as slightly trimming positions in Commonwealth Bank and Transurban Group.

These divestments allowed BKI to reinvest capital into other positions within the portfolio to offset further declines in Ordinary Income. BKI invested \$95 million during the first half and \$65 million during the second half of FY2021. The largest investments over the year were APA Group, Transurban Group, Fortescue Metals, Rio Tinto Limited, Commonwealth Bank, National Australia Bank, BHP Group, Amcor, Harvey Norman Holdings and Equity Trustees. A new position was established in Metcash Limited in the second half of the year, and BKI also now has a holding in Endeavour Group Limited following its demerger from Woolworths Group Limited in June 2021.

### 7. Financial Position

Net assets of the Group increased during the financial year to \$1,172.4m (2020: \$1,047.9m), primarily driven by a positive revaluation of the investment portfolio.

### 8. Employees

The Group had no employees as at 30 June 2021 (2020: nil).

### 9. Significant Changes in the State of Affairs

Other than as stated in this Directors' Report and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Group during the reporting year.

### 10. Likely Developments and Expected Results

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.

## Directors' Report (continued)

### 10. Likely Developments and Expected Results (continued)

The advent of the COVID-19 economic crisis created significant social and economic upheaval in FY2020, causing heightened economic uncertainty across all industries globally, and resulting in extreme fluctuations in global sharemarkets. The social, economic and financial impacts of COVID-19 continued in FY2021. The extent of future impacts will be influenced by both medical advances to address the underlying pandemic, as well as further changes in government policy and regulations in order to address these impacts. All of these changes will potentially impact the intention and/or ability of companies to generate returns and pay dividends, including those companies in which BKI invests.

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.

### 11. Significant Events after Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

- i. the operations of the Company and the entities that it controls;
- ii. the results of those operations; or
- iii. the state of affairs of the Group in subsequent years.

### 12. Dividends

There were two dividend payments made during the year to 30 June 2021:

- On 27 August 2020, a final ordinary dividend of 2.32 cents per share and a final special dividend of 1.00 cents per share (both fully franked) totalling \$24.4 million was paid out of retained profits at 30 June 2020.
- On 25 February 2021, an interim ordinary dividend of 2.00 cents per share (fully franked) totalling \$14.8 million was paid out of retained profits at 31 December 2020.

In addition, the Directors declared a final ordinary dividend of 3.00 cents per share fully franked at 30%, payable on 26 August 2021.

At 30 June 2021 there are \$14,541,470 of franking credits available to the Group (2020: \$16,040,832) assuming receipt of franked dividends receivable at 30 June 2021, payment of expected income tax in respect of the 2021 tax year, and after allowing for payment of the final, fully franked dividend in August 2021.

### 13. Environmental Regulations

The Group's operations are not materially affected by environmental regulations.

### 14. Directors' and Officers' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by the *Corporations Act 2001*.

During the year to 30 June 2021, the Group paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities. The Directors have not included details of the nature of liabilities covered or the amount of premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

### 15. Proceedings on Behalf of the Group

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

## Directors' Report (continued)

### 16. Non-audit Services

During the year ended 30 June 2020 and the year ended 30 June 2021 MGI Sydney did not provide any non-audit services to the Group, nor did the Group pay any fees for such services.

### 17. Auditor's Independence Declaration

The Auditor's Independence Declaration for the year to 30 June 2021 is on page 49.

### 18. Beneficial and Relevant Interest of Directors and Other Key Management Personnel in Shares

As at the date of this report, details of Directors and Other Key Management Personnel who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

Name	Number of Shares
RD Millner	9,874,304
DC Hall	2,499,444
AJ Payne	430,000
IT Huntley	11,224,980
J Pinto	130,568

### 19. Corporate Governance Statement

BKI's Corporate Governance Statement can be found on the Company's website at the following address: <http://bkilimited.com.au/about-us/corporate-governance/#cgs>

## Remuneration Report

### 20. Remuneration Report (Audited)

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 function to Contact Asset Management Pty Limited, and currently has no employees. In addition to the Directors, the only individual classified as Key Management Personnel is Mr Jaime Pinto, the Company Secretary, and there are no Other Key Executives.

#### 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.

## Directors' Report (continued)

### 20. Remuneration Report (Audited) (continued)

#### **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.
- All 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.

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.

#### **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.

As at 1 July 2020 and as at the date of this report the only participant in the BKI Executive Incentive Scheme was Mr Jaime Pinto. In July 2021 the Remuneration Committee resolved to cease making any new grants under the BKI Incentive Scheme until further notice. However, grants that have not yet lapsed will remain on foot, and will be tested against vesting criteria in accordance with the terms of the BKI Incentive Scheme until all grants have either vested or lapsed.

To achieve the objectives of BKI, the BKI Executive Incentive Scheme is required to include several components with separate measurement criteria.

#### **Short Term Incentive**

The Short Term Incentive is determined by reference to BKI's annual Total Portfolio Return compared to the S&P ASX 300 Accumulation Index. BKI's Total Portfolio Returns are measured by the change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends.

Short Term Incentives that vest are paid by way of BKI shares purchased on market by the Company.

For FY2021 the Short Term Incentive for the Company Secretary was set at 15,000 BKI shares.

## Directors' Report (continued)

### 20. Remuneration Report (Audited) (continued)

100% of the Short Term Incentive is based on the Total Portfolio Returns as follows:

BKI Total Portfolio Return Compared to S&P/ASX 300 Acc Index	% of Eligible Bonus
Less than Index	0%
Equal to Index	100%
Plus 1%	110%
Plus 2%	120%
Plus 3%	130%
Plus 4%	140%
Plus 5% or more	150%

The Short Term Incentive is subject to discretionary Board adjustment for the achievement of improved Management Expense Ratio and promotion of BKI.

The following table summarises performance for the year to 30 June 2021 against the Short Term Incentive measurement criteria:

1 Year BKI Total Portfolio Return	S&P/ASX 300 Acc Index over 1 Year	Over / (Under) Performance	% Entitlement to Eligible Bonus
20.1%	28.5%	(8.4)%	Nil

The vesting criteria for the 2021 Financial Year Short Term Incentives were therefore not satisfied, and the Company did not award any short term incentives in respect of 2021 Financial Year Short Term incentives.

#### Long Term Incentive

The Long Term Incentive is determined by reference to annual Total Shareholder Returns; compared to the S&P/ASX 300 Accumulation Index. Total Shareholder Returns are based on the change in BKI Share Price and include the reinvestment of dividends.

For the year ended 30 June 2021, the Company Secretary's Long Term Incentive was set at 25,000 BKI shares. All outstanding Long Term Incentives granted are to be awarded to participants after 4 years provided that BKI's 4 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index over the same period. Should that test fail on the day, it is to be retested in Year 5.

Long Term Incentives that vest are to be paid by way of BKI shares purchased on market by the Company. The Company accrues as an expense the appropriate portion of the future cost of all Long Term Incentives issued. Once an incentive has lapsed or it is probable that the incentive will not vest, the Company reverses prior year accruals previously recognised in respect of that Long Term Incentive. The net positive or negative expense is included in the disclosed remuneration of the Company Secretary.

During the 2021 Financial Year the following outstanding Long Term Incentives granted by the Company became eligible for vesting:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested	Number of rights yet to vest/ lapse
J Pinto 2018	01/07/2017	25,000	\$41,385	30/06/2021	30/06/2022	Nil	–

## Directors' Report (continued)

### 20. Remuneration Report (Audited) (continued)

The table below summarises the performance for the relevant four year period against the Long Term Incentive measurement criteria:

Period	4 year BKI total shareholder return	S&P/ASX 300 accumulation index over 4 years	Over/ (Under) performance	% Entitlement to eligible bonus
1/07/2017 to 30/06/2021	4.9%	10.6%	(5.7)%	Nil

Based on the above performance the vesting criteria for Long Term Incentives issued on 1 July 2017 were not satisfied. In accordance with the terms of the Long Term Incentive Scheme, these incentives will be retested as at 30 June 2022.

During the 2021 Financial Year the following outstanding Long Term Incentives granted by the Company became eligible for retesting:

Incentive issue	Issue date	Number of rights granted	Value of initial grant	Initial vesting date	Expiry date	Number of rights vested	Number of rights yet to vest/ lapse
J Pinto 2017	01/07/2016	24,030	\$37,800	30/06/2020	30/06/2021	Nil	–

The table below summarises the performance for the relevant five year period against the Long Term Incentive measurement criteria:

Period	5 year BKI total shareholder return	S&P/ASX 300 accumulation index over 5 years	Over/ (Under) performance	% Entitlement to eligible bonus
1/07/2016 to 30/06/2021	5.3%	11.3%	(6.0)%	Nil

Based on the above performance the vesting criteria for Long Term Incentives issued on 1 July 2016 were not satisfied. In accordance with the terms of the Long Term Incentive Scheme, these incentives lapsed as at 30 June 2021.

No outstanding Long Term Incentives granted by the Company became eligible for vesting between 1 July 2021 and the date of this report.

The following table summarises movements in Long Term Incentives granted by the Company that have not vested or lapsed as at the date of this report:

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

Incentives granted under the BKI Executive Incentive Scheme do not carry an entitlement to receive dividends.

## Directors' Report (continued)

### 20. Remuneration Report (Audited) (continued)

#### Remuneration Details for the Year to 30 June 2021

The following disclosures detail the remuneration of the Directors and the highest remunerated Executives of the Group.

The names and positions held of group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chair
DC Hall AM	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
JP Pinto <sup>1</sup>	Company Secretary <sup>1</sup>

<sup>1</sup> Services provided under contract through Corporate & Administrative Services Pty Limited

Details of the nature and amount of each Non-Executive Director's and Other Key Management Personnel's emoluments from the Parent and its controlled entities in respect of the year to 30 June are as follows:

#### Directors:

	Primary fee \$	Superannuation \$	Total \$
<b>2020</b>			
RD Millner	69,041	6,559	75,600
DC Hall	53,379	5,071	58,450
AJ Payne	43,562	4,138	47,700
IT Huntley	43,562	4,138	47,700
<b>Total</b>	<b>209,544</b>	<b>19,906</b>	<b>229,450</b>
<b>2021</b>			
RD Millner	69,041	6,559	75,600
DC Hall	53,379	5,071	58,450
AJ Payne	43,562	4,138	47,700
IT Huntley	43,562	4,138	47,700
<b>Total</b>	<b>209,544</b>	<b>19,906</b>	<b>229,450</b>

The combined annual payment to all Non-Executive Directors is capped at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided among the Directors as they may determine.

## Directors' Report (continued)

### 20. Remuneration Report (Audited) (continued)

#### Other Key Management Personnel:

	Fixed remuneration			Share based performance related remuneration			Total Remuneration
	Salary	Super-annuation	Total	STI	LTI	Total	
	\$	\$	\$	\$	\$	\$	
<b>2020</b>							
J Pinto	-	-	-	-	2,752	2,752	2,752
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,752</b>	<b>2,752</b>	<b>2,752</b>
<b>2021</b>							
J Pinto	-	-	-	-	9,601	9,601	9,601
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,601</b>	<b>9,601</b>	<b>9,601</b>

The value included in the preceding table for share based performance related remuneration (STI and LTI) is the portion of the estimated value of the performance rights which has been allocated as an expense in each relevant reporting period. It does not reflect the value of rights to BKI shares (if any) vested during that period.

The relative proportions of Total Remuneration that are fixed or linked to performance are as follows:

	Fixed remuneration		Performance-related – STI		Performance-related – LTI	
	2021	2020	2021	2020	2021	2020
	J Pinto	0%	0%	0%	0%	100%

There were no retirement allowances provided for the retirement of Non-Executive Directors or Other Key Management Personnel.

#### Contract of Employment

Mr J Pinto provides Company Secretarial services under contract through Corporate & Administrative Services Pty Limited. This is an open ended contract with a notice period of one month required to terminate.

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



**Robert D Millner**

Director

Sydney  
20 July 2021



# Consolidated Income Statement

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Ordinary revenue from investment portfolio	2(a)	39,738	45,368
Revenue from bank deposits	2(c)	109	614
Other income	2(d)	2	2
Other gains	2(e)	305	748
<b>Income from operating activities before special investment revenue</b>		<b>40,154</b>	46,732
Operating expenses	3	(1,979)	(2,034)
Operating result before income tax expense and special investment revenue		38,175	44,698
Special investment revenue	2(b)	1,022	7,182
<b>Operating result before income tax expense</b>		<b>39,197</b>	51,880
Income tax expense	4(a)	(2,552)	(3,258)
<b>Net operating profit</b>		<b>36,645</b>	48,622
<b>Profit for the year attributable to members of the Company</b>		<b>36,645</b>	48,622

	Note	2021 Cents	2020 Cents
<b>Basic and diluted earnings per share before special investment revenue (net of applicable tax)</b>	6	<b>4.83</b>	5.67
<b>Basic and diluted earnings per share after special investment revenue (net of applicable tax)</b>	6	<b>4.97</b>	6.63

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

# Consolidated Statement of Other Comprehensive Income

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Profit for the year attributable to members of the Company		36,645	48,622
<b>Other comprehensive income</b>			
Unrealised gains/(losses) on investment portfolio		141,324	(128,339)
Deferred tax (expense)/benefit on unrealised gains/losses on investment portfolio		(42,397)	38,502
Realised gains/(losses) on investment portfolio		32,903	(18,963)
Tax (expense)/benefit relating to realised gains/losses on investment portfolio	4(a)	(9,871)	5,689
<b>Total other comprehensive income</b>		<b>121,959</b>	<b>(103,111)</b>
<b>Total comprehensive income/(loss)</b>		<b>158,604</b>	<b>(54,489)</b>

*This Statement of Other Comprehensive income should be read in conjunction with the accompanying notes*

# Consolidated Statement of Financial Position

as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	40,606	48,290
Trade and other receivables	8	36,105	11,079
Prepayments		52	45
<b>Total current assets</b>		<b>76,763</b>	59,414
<b>Non-current assets</b>			
Investment portfolio	9	1,194,994	1,025,474
Property, plant & equipment		1	1
Deferred tax assets	10	15,601	25,744
<b>Total non-current assets</b>		<b>1,210,596</b>	1,051,219
<b>Total assets</b>		<b>1,287,359</b>	1,110,633
<b>Current liabilities</b>			
Trade and other payables		10,363	312
Current tax liabilities	11	1,190	2,438
<b>Total current liabilities</b>		<b>11,553</b>	2,750
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	103,414	59,976
<b>Total non-current liabilities</b>		<b>103,414</b>	59,976
<b>Total liabilities</b>		<b>114,967</b>	62,726
<b>Net assets</b>		<b>1,172,392</b>	1,047,907
<b>Equity</b>			
Share capital	13	929,185	924,130
Revaluation reserve	14	229,584	130,657
Realised capital gains reserve	15	(29,144)	(52,176)
Retained profits	16	42,767	45,296
<b>Total equity</b>		<b>1,172,392</b>	1,047,907

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

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Share capital \$'000	Revaluation reserve \$'000	Realised capital gains reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Total equity at 1 July 2019</b>	<b>916,233</b>	<b>220,494</b>	<b>(38,902)</b>	<b>57,603</b>	<b>1,155,428</b>
Issue of shares, net of issue costs	7,897	–	–	–	7,897
Dividends paid or provided for	–	–	–	(60,929)	(60,929)
Unrealised loss on revaluation of investment portfolio	–	(128,339)	–	–	(128,339)
Provision for tax on unrealised loss on revaluation of investment portfolio	–	38,502	–	–	38,502
Net operating profit for the year	–	–	–	48,622	48,622
Net realised loss through other comprehensive income	–	–	(13,274)	–	(13,274)
<b>Total equity at 30 June 2020</b>	<b>924,130</b>	<b>130,657</b>	<b>(52,176)</b>	<b>45,296</b>	<b>1,047,907</b>
<b>Total equity at 1 July 2020</b>	<b>924,130</b>	<b>130,657</b>	<b>(52,176)</b>	<b>45,296</b>	<b>1,047,907</b>
Issue of shares, net of issue costs	5,055	–	–	–	5,055
Dividends paid or provided for	–	–	–	(39,174)	(39,174)
Unrealised gain on revaluation of investment portfolio	–	141,324	–	–	141,324
Provision for tax on unrealised gain on revaluation of investment portfolio	–	(42,397)	–	–	(42,397)
Net operating profit for the year	–	–	–	36,645	36,645
Net realised gain through other comprehensive income	–	–	23,032	–	23,032
<b>Total equity at 30 June 2021</b>	<b>929,185</b>	<b>229,584</b>	<b>(29,144)</b>	<b>42,767</b>	<b>1,172,392</b>

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

# Consolidated Cash Flow Statement

for the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Dividends and distributions received		41,996	50,727
Other receipts in the course of operations		2	2
Payments to suppliers and employees		(1,703)	(2,045)
Proceeds from sale of trading portfolio		42,925	5,409
Payments for trading portfolio		(42,620)	(4,662)
Interest received		109	729
Income tax paid		(2,628)	(1,234)
<b>Net cash inflow from operating activities</b>	17(a)	<b>38,081</b>	48,926
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment portfolio		135,990	90,732
Payments for investment portfolio		(147,630)	(127,711)
Capital returns received from investment portfolio		–	527
<b>Net cash outflow from investing activities</b>		<b>(11,640)</b>	(36,452)
<b>Cash flows from financing activities</b>			
Proceeds from issues of ordinary shares less issue costs		(21)	(26)
Dividends paid	5(b)	(34,104)	(53,014)
<b>Net cash outflow from financing activities</b>		<b>(34,125)</b>	(53,040)
<b>Net decrease in cash held</b>		<b>(7,684)</b>	(40,566)
Cash at the beginning of the year		48,290	88,856
<b>Cash at the end of the year</b>	7	<b>40,606</b>	48,290

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

# Notes to the Financial Statements

for the year ended 30 June 2021

## 1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the parent entity of BKI Investment Company Limited and its controlled entities, with information relating to BKI Investment Company Limited as an individual parent entity summarised in Note 22. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity

### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### a. Principles of Consolidation

A controlled entity is any entity BKI Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 21(i) to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

## Notes to the Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BKI Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each entity in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

#### c. 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.

## Notes to the Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### **d. Employee Benefits**

##### *Share incentives*

Share incentives are provided under the Short and Long Term Incentive Plans (the Plans). The incentives awarded under the Plans are based on the performance of the Group over differing periods specified within the rules of the Plans. The Plans are settled in shares, but based on a cash amount.

Expenses are recognised over the assessment period based on the amount expected to be payable under the Plans, resulting in a provision for incentive payable being built up on the balance sheet over the assessment period. In the event that the executive does not complete the period of service, or the vesting criteria are not satisfied within the required period, the cumulative expense is reversed.

#### **e. 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).

#### **f. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts.

#### **g. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **h. Segment Reporting**

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 performance of the operating segments. The Group operates solely in the securities industry in Australia and has no reportable segments.

#### **i. 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.

#### **j. Rounding of Amounts**

The parent has applied the relief available to it under ASIC Corporations Instrument (Rounding in Financial / Directors' Reports) 2016/191 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000.

#### **k. Critical Accounting Estimates and Judgments**

##### *Deferred Tax Balances*

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Group's accounting policies.

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%.



## Notes to the Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 12. 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.

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

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

There are no new Accounting Standards and Interpretations issued by the AASB that have become effective in the current accounting period and that are applicable to the Company.

#### **m. Australian Accounting Standards not yet effective**

The Group has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2021 ("the inoperative standards"). The Group only intends to adopt the inoperative standards at the date at which their adoption becomes mandatory.

## 2. Revenues

	2021 \$'000	2020 \$'000
<b>(a) Ordinary revenue from investment portfolio</b>		
Fully franked dividends	28,437	34,206
Unfranked dividends	4,777	4,606
Trust distributions	6,524	6,556
<b>Total ordinary revenue from investment portfolio</b>	<b>39,738</b>	<b>45,368</b>
<b>(b) Special investment revenue</b>		
Fully franked dividends	899	6,724
Unfranked dividends	123	458
<b>Total special investment revenue</b>	<b>1,022</b>	<b>7,182</b>
<b>(c) Revenue from bank deposits</b>		
Interest received	109	614
<b>(d) Other income</b>		
Other income	2	2
<b>(e) Other gains</b>		
Net realised gain on sale of investments held for trading	305	748
<b>Total income</b>	<b>41,176</b>	<b>53,914</b>

## Notes to the Financial Statements (continued)

### 3. Operating expenses

	2021 \$'000	2020 \$'000
Administration expenses	414	454
Employment expenses	239	232
Investment Management	1,167	1,188
Professional fees	159	160
<b>Total operating expenses</b>	<b>1,979</b>	2,034

### 4. Tax expense

#### (a) Reconciliation of income tax expense

The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

Operating result before income tax expense, including special investment revenue	39,197	51,880
Tax calculated at 30% (2020: 30%)	11,759	15,564
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Franked dividends and distributions received	(8,801)	(12,279)
– Prior year over provision	(406)	(27)
Net income tax expense on operating profit before net gains on investments	2,552	3,258
Net realised gains/(losses) on investment portfolio	32,903	(18,963)
Tax calculated at 30% (2020: 30%)	9,871	(5,689)
<b>Total tax expense</b>	<b>12,423</b>	(2,431)

#### (b) The components of tax expense comprise

Current tax	2,300	3,356
Deferred tax	10,529	(5,760)
Prior year over provision	(406)	(27)
<b>Total tax expense</b>	<b>12,423</b>	(2,431)

## Notes to the Financial Statements (continued)

## 5. Dividends

	2021 \$'000	2020 \$'000
<b>(a) Dividends paid during the year</b>		
Final ordinary dividend for the year ended 30 June 2020 of 2.32 cents per share (2019: 3.70 cents per share) fully franked at the tax rate of 30%, paid on 27 August 2020	17,065	27,036
Final special dividend for the year ended 30 June 2020 of 1.00 cents per share (2019: 1.00 cents per share) fully franked at the tax rate of 30%, paid on 27 August 2020	7,355	7,306
Interim ordinary dividend for the year ended 30 June 2021 of 2.000 cents per share (2020: 3.625 cents per share) fully franked at the tax rate of 30%, paid on 25 February 2021	14,754	26,587
<b>Total dividends paid</b>	<b>39,174</b>	<b>60,929</b>
<b>(b) Reconciliation of total dividends paid to dividends paid in cash</b>		
Total dividends paid	39,174	60,929
Less: Dividends reinvested in shares via DRP	(5,069)	(7,915)
<b>Dividends paid in cash</b>	<b>34,105</b>	<b>53,014</b>
<b>(c) Franking account balance</b>		
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	24,043	26,506
Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer below)	(9,501)	(10,465)
<b>Net imputation credits available for future dividends</b>	<b>14,542</b>	<b>16,041</b>
<b>Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2020: 30%)</b>	<b>33,931</b>	<b>37,429</b>

**(d) 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 2021 of 3.00 cents per share fully franked at the tax rate of 30% (2020: final ordinary dividend of 2.32 cents per share and a special dividend of 1.00 cents per share, both fully franked at the tax rate of 30%), payable on 26 August 2021, but not recognised as a liability at the year end.

## Notes to the Financial Statements (continued)

### 6. Earnings per share

	2021 \$'000	2020 \$'000
<b>(a) Calculation of earnings</b>		
Net operating profit	36,645	48,622
Earnings used in calculating basic and diluted earnings per share <b>after</b> special investment revenue	36,645	48,622
Less: Special investment revenue	(1,022)	(7,182)
Add: Tax expense attributable to special investment revenue	37	138
Earnings used in calculating basic and diluted earnings per share <b>before</b> special investment revenue	35,660	41,578
	No. '000	No. '000
<b>b) Number of shares</b>		
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share, before and after special investment revenue	737,798	733,696
	Cents	Cents
<b>c) Earnings per share</b>		
Basic and diluted earnings per share <b>before</b> special investment revenue	4.83	5.67
Basic and diluted earnings per share <b>after</b> special investment revenue	4.97	6.63

### 7. Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank	40,606	48,290
	40,606	48,290

### 8. Trade and other receivables

Dividends and distributions receivable	7,465	10,655
Capital returns receivable	–	248
Outstanding settlements on share sales	28,316	–
Other	324	176
	36,105	11,079

## Notes to the Financial Statements (continued)

## 9. Financial Assets – Equity Portfolio

	2021 \$'000	2020 \$'000
<b>Investment portfolio – non-current</b>		
Listed securities at fair value available for sale	1,194,994	1,025,474
<b>Total investment portfolio</b>	<b>1,194,994</b>	<b>1,025,474</b>

**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 1.c.

## 10. Deferred tax assets

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	257	510
Accrued expenses	39	34
Realised capital tax losses	15,305	25,200
<b>Total</b>	<b>15,601</b>	<b>25,744</b>

**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	778	(276)	8	510
Accrued expenses	32	2	–	34
Realised capital tax losses	19,420	5,780	–	25,200
<b>Balance as at 30 June 2020</b>	<b>20,230</b>	<b>5,506</b>	<b>8</b>	<b>25,744</b>
Transaction costs on equity issues	510	(259)	6	257
Accrued expenses	34	5	–	39
Realised capital tax losses	25,200	(9,895)	–	15,305
<b>Balance as at 30 June 2021</b>	<b>25,744</b>	<b>(10,149)</b>	<b>6</b>	<b>15,601</b>

## Notes to the Financial Statements (continued)

### 11. Current tax liabilities

	2021 \$'000	2020 \$'000
Provision for income tax	1,190	2,438

### 12. Deferred tax liabilities

The deferred tax asset balance comprises the following timing differences:		
Revaluation of investments held	101,911	58,853
Unfranked dividends receivable and interest receivable	1,503	1,123
<b>Total</b>	<b>103,414</b>	<b>59,976</b>

### 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	96,463	–	(37,610)	58,853
Unfranked dividends receivable and interest receivable	1,377	(254)	–	1,123
<b>Balance as at 30 June 2020</b>	<b>97,840</b>	<b>(254)</b>	<b>(37,610)</b>	<b>59,976</b>
Revaluation of investment portfolio	58,853	–	43,058	101,911
Unfranked dividends receivable and interest receivable	1,123	380	–	1,503
<b>Balance as at 30 June 2021</b>	<b>59,976</b>	<b>380</b>	<b>43,058</b>	<b>103,414</b>

## Notes to the Financial Statements (continued)

## 13. Share Capital

	2021		2020	
	\$'000		\$'000	
<b>(a) Issued and paid-up capital</b>				
739,002,595 ordinary shares fully paid (2020: 735,513,845)		<b>929,185</b>		924,130
	2021		2020	
	Number of shares	\$'000	Number of shares	\$'000
<b>(b) Movement in ordinary shares</b>				
Beginning of financial year	<b>735,513,845</b>	<b>924,130</b>	730,688,257	916,233
Issued during the year:				
– dividend reinvestment plan	<b>3,488,750</b>	<b>5,069</b>	4,825,588	7,915
<b>Gross funds raised</b>		<b>5,069</b>		7,915
– less net transaction costs		<b>(14)</b>		(18)
<b>End of financial year</b>	<b>739,002,595</b>	<b>929,185</b>	735,513,845	924,130

The Parent does not have an authorised share capital and the ordinary shares on issue have no par value.

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(c) Capital Management**

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

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

The Group's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2021 net debt was \$Nil (2020: \$Nil).

**(d) Acquisition of controlled entities**

The Company did not acquire shares in any unlisted investment companies during the 2020FY or 2021FY.

## Notes to the Financial Statements (continued)

### 14. Revaluation reserve

	2021 \$'000	2020 \$'000
The revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio, net of applicable income tax.		
Balance at the beginning of the year	130,657	220,494
Gross revaluation of investment portfolio	141,324	(128,339)
Deferred provision for tax on unrealised gains/losses	(42,397)	38,502
<b>Balance at the end of the year</b>	<b>229,584</b>	<b>130,657</b>

### 15. 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.		
Balance at the beginning of the year	(52,176)	(38,902)
Net gains/(losses) on investment portfolio transferred from statement of Comprehensive income	23,032	(13,274)
<b>Balance at the end of the year</b>	<b>(29,144)</b>	<b>(52,176)</b>

### 16. Retained profits

Balance at the beginning of the year	45,296	57,603
Net profit attributable to members of the Company	36,645	48,622
Dividends provided for or paid	(39,174)	(60,929)
<b>Balance at the end of the year</b>	<b>42,767</b>	<b>45,296</b>



## Notes to the Financial Statements (continued)

## 17. Notes to the statement of cash flows

	2021 \$'000	2020 \$'000
<b>(a) Reconciliation of cash flow from operating activities to net operating profit</b>		
Net operating profit	36,645	48,622
Non cash items:		
– Non-cash dividend income	(1,954)	–
Changes in assets and liabilities, net of effects from consolidation of subsidiaries:		
– Decrease/(increase) in trade and other operating receivables	3,291	(1,666)
– Increase in prepayments	(7)	(22)
– Decrease in deferred tax assets	400	380
– Increase payables	37	5
– (Decrease)/increase in current tax liabilities	(1,249)	1,166
– Increase in deferred tax liabilities	918	441
<b>Net cash inflow from operating activities</b>	<b>38,081</b>	<b>48,926</b>

**(b) Non-cash financing and investing activities***(i) Dividend reinvestment plan*

Under the terms of the dividend reinvestment plan, \$5,069,000 (2020: \$7,915,000) of dividends were paid via the issue of 3,488,750 shares (2020: 4,825,588).

## 18. Management of Financial Risk

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.

**a. 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.

**b. 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.

**c. 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.

## Notes to the Financial Statements (continued)

### 18. Management of Financial Risk (continued)

#### d. Market 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 93% (2020: 92%) of total assets.

As at 30 June 2021, a 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 (2020: 5%); and
- A movement of 8.1 cents per share in the net asset backing before provision for tax on unrealised capital gains (2020: 7.0 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 2021 and 30 June 2020, the spread of investments was in the following sectors:

	Percentage of total investment (%)		Amount (\$'000)	
	2021	2020	2021	2020
Financials	30.70	29.86	387,217	323,885
Materials	14.68	8.97	185,144	97,225
Consumer discretionary	12.22	9.08	154,125	98,526
Consumer staples	8.18	8.15	103,217	88,467
Industrials	6.26	10.51	79,118	113,984
Health care	5.78	6.09	72,847	66,051
Telecommunications services	5.54	7.02	69,891	76,196
Utilities	5.49	7.86	69,201	85,260
Energy	3.85	4.62	48,520	49,961
Property	2.04	2.38	25,714	25,920
<b>Total investments</b>	<b>94.74</b>	<b>94.54</b>	<b>1,194,994</b>	<b>1,025,474</b>
Cash and dividends receivable	5.26	5.46	66,374	59,193
<b>Total portfolio</b>	<b>100.00</b>	<b>100.00</b>	<b>1,261,368</b>	<b>1,084,667</b>

## Notes to the Financial Statements (continued)

## 18. Management of Financial Risk (continued)

Securities representing over 5% of the investment portfolio at 30 June 2021 or 30 June 2020 were:

	Percentage of total investment (%)		Amount (\$'000)	
	2021	2020	2021	2020
Commonwealth Bank	8.7	6.6	109,166	71,504
BHP Group	8.1	6.4	102,518	68,954
Macquarie Group	8.1	7.2	102,490	77,703
APA Group	5.5	5.9	69,201	64,225
Wesfarmers	5.3	4.7	66,730	50,618
National Australia Bank	5.2	3.6	65,600	39,102
Transurban Group	3.9	5.3	49,605	56,966

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.

**e. 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 2021 (2020: Nil).

**f. Foreign Currency Risk**

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

**g. 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.

**h. 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.

## Notes to the Financial Statements (continued)

### 19. Key Management Personnel Remuneration

The names and positions held of Group Directors and Other Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chair
DC Hall AM	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
JP Pinto	Company Secretary <sup>1</sup>

<sup>1</sup> Services provided under contract through Corporate & Administrative Services Pty Limited

Details of the nature and amount of each Non-Executive Director's and Other Key Management Personnel's emoluments from the Group in respect of the year to 30 June 2021 have been included in the Remuneration Report section of the Directors' Report.

The combined annual payment to all Non-Executive Directors is capped at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. 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 FY2021 (2020: nil).

### 20. Superannuation Commitments

The Group contributes superannuation payments on behalf of Directors and employees in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and employees and are independent of the Group.

### 21. Related Party Transactions

Related parties of the Group fall into the following categories:

#### (i) Controlled Entities

At 30 June 2021, subsidiaries of the Parent were:

	Country of incorporation	Percentage Owned (%)	
		2021	2020
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

There were no transactions between the Parent and controlled entities in FY2021 or FY2020.

There are loan balances due from the Parent to controlled entities. No interest is charged on the loan balance by the controlled entities and no repayment period is fixed for the loan.

## Notes to the Financial Statements (continued)

## 21. Related Party Transactions (continued)

**(ii) Directors/Officers Related Entities**

Persons who were Directors/Officers of BKI Investment Company Limited for the year ended 30 June 2021 were:

**Directors:** RD Millner  
DC Hall, AM  
AJ Payne  
IT Huntley

**Company Secretary:** JP Pinto<sup>1</sup>

<sup>1</sup> Services provided under contract through Corporate & Administrative Services Pty Limited

**Corporate & Administrative Services Pty Limited**

Corporate & Administrative Services Pty Limited (**CAS**), an entity in which Mr RD Millner has an indirect interest, provides the Group with administration, company secretarial and accounting services, including preparation of all financial accounts.

Fees paid to CAS for services provided to the Parent and controlled entities for the year to 30 June 2021 were \$122,100 (2020: \$122,100, including GST) and are at standard market rates. As at 30 June 2021 the Group owed \$nil to CAS (2020: \$nil).

**Contact Asset Management Pty Limited**

Contact Asset Management Pty Limited (**Contact**) is the Investment Manager of the Group. Contact is an entity in which Mr RD Millner has an indirect interest.

Fees payable to Contact for services provided to the Parent and controlled entities for the year to 30 June 2021 were \$1,252,911 including GST (2020: \$1,275,159) and are at standard market rates. As at 30 June 2021 the Group owed \$116,588 to Contact (2020: \$99,461).

**(iii) Transactions in securities****Share Holdings**

Aggregate number of listed securities of the Company held by Key Management Personnel (KMP) or their related entities:

	Balance as at 1 July	Granted as compensation	Net other changes	Balance as at 30 June	Net movements post balance date	Balance as at date of Annual Report
<b>2021</b>						
RD Millner	9,857,446	–	16,858	9,874,304	–	9,874,304
DC Hall	2,471,337	–	28,107	2,499,444	–	2,499,444
AJ Payne	430,000	–	–	430,000	–	430,000
IT Huntley	11,224,980	–	–	11,224,980	–	11,224,980
J Pinto	125,916	–	4,652	130,568	–	130,568
<b>Total</b>	<b>24,109,679</b>	<b>–</b>	<b>49,617</b>	<b>24,159,296</b>	<b>–</b>	<b>24,159,296</b>
<b>2020</b>						
RD Millner	8,810,842	–	1,046,604	9,857,446	–	9,857,446
DC Hall	2,460,607	–	10,730	2,471,337	–	2,471,337
AJ Payne	414,056	–	15,944	430,000	–	430,000
IT Huntley	11,224,980	–	–	11,224,980	–	11,224,980
J Pinto	119,761	–	6,155	125,916	–	125,916
<b>Total</b>	<b>23,030,246</b>	<b>–</b>	<b>1,079,433</b>	<b>24,109,679</b>	<b>–</b>	<b>24,109,679</b>

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

Other Key Management Personnel acquired shares through the Dividend Reinvestment Plan.

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

## Notes to the Financial Statements (continued)

### 22. Parent company information

	2021 \$'000	2020 \$'000
Information relating to the parent entity of the Group, BKI Investment Company Limited:		
Current assets	76,763	59,413
Non-current assets	1,411,948	1,252,571
Total assets	1,488,711	1,311,984
Current liabilities	11,474	2,670
Non-current liabilities	312,806	269,368
Total liabilities	324,280	272,038
Issued capital	929,185	924,130
Reserves	235,246	115,817
Total shareholders' equity	1,164,431	1,039,947
Net operating profit	36,644	48,622
Total other comprehensive income	121,959	(103,111)

The parent company has no contingent liabilities as at 30 June 2021.

### 23. Capital and Leasing Commitments

The Group has no capital and leasing commitments as at 30 June 2021.

### 24. Auditor's Remuneration

During the financial year the following fees were paid or payable for services provided to the Group by the auditor of the Group:

Auditing the financial report of the Parent and the controlled entities	28	27
Total remuneration for audit and other assurance services	28	27
Other non-audit services	-	-
Total remuneration of the auditor from the Group	28	27

### 25. Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2021.

### 26. Authorisation

The financial report was authorised for issue on 20 July 2021 by the Board of Directors.

## Directors' Declaration

The Directors of BKI Investment Company Limited declare that:

1. the financial statements and notes, as set out on pages 23 to 44, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations;
  - b. comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and
  - c. give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated entity.
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2021.

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



**Robert D Millner**

*Director*

**Sydney**

**20 July 2021**

# Independent Auditor's Report

to the Members of BKI Investment Company Limited



MGI Sydney Assurance Services Pty Limited  
Level 5, 6 O'Connell Street  
Sydney NSW 2000  
Tel: +61 2 9230 9200  
PO Box H258  
Australia Square  
Sydney NSW 1215  
ABN 24 160 063 525  
www.mgisyd.com.au

## Report on the Audit of the Financial Report

### Opinion

We have audited the accompanying financial report of BKI Investment Company Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2021, 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 consolidated entity comprising BKI Investment Company Limited and the entities it controlled at the year's 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 consolidated entity's financial position as at 30 June 2021 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 1.

### 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 BKI Investment Company Limited 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BKI Investment Company Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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



## Independent Auditor's Report (continued)

### Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p><b>Valuation and Existence of Investments</b></p> <p>The investment portfolio at 30 June 2021 comprised of listed equity investments of \$1,194.99 million.</p> <p>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.</p>	<p>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.</p> <p>We agreed the existence of a representative sample of listed investments by confirming shareholdings with share registries.</p> <p>No material differences were identified.</p>
<p><b>Revenue from Investments</b></p> <p>ASAs presume there are risks of fraud in revenue recognition unless rebutted.</p> <p>We focused on the cut-off, accuracy and completeness of dividend revenue and dividend receivables.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>No material differences were identified.</p>

### Other Information

The directors of BKI Investment Company Limited are responsible for the other information. The other information comprises the information in the annual report for the year ended 30 June 2021, 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.

## Independent Auditor's Report (continued)

### Responsibilities of the Directors for the Financial Report

The directors of BKI Investment Company Limited 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 1, 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 Company'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 Company 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](https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 22 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2021, 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.

### Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of BKI Investment Company Limited and Controlled Entities for the year ended 30 June 2021 included on BKI Investment Company Limited's web site. The directors of the Company are responsible for the integrity of BKI Investment Company Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

MGI Sydney Assurance Services

MGI Sydney Assurance Services Pty Limited  
Chartered Accountants



Clayton Lawrence  
Director  
Sydney, 20 July 2021

## Auditor's Independence Declaration



MGI Sydney Assurance Services Pty Limited  
Level 5, 6 O'Connell Street  
Sydney NSW 2000  
Tel: +61 2 9230 9200  
PO Box H258  
Australia Square  
Sydney NSW 1215  
ABN 24 160 063 525  
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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 Controlled Entities for the year ended 30 June 2021, 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.

Name of Firm:

*MGI Sydney Assurance Services*  
**MGI Sydney Assurance Services Pty Limited**  
*Chartered Accountants*

Name of Auditor:

  
**Clayton Lawrence**  
*Director*

Address:

Level 5, 6 O'Connell Street, Sydney NSW 2000

Dated this:

20th day of July 2021

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Chartered Accountants  
and Taxation Advisors

## ASX Additional Information

### 1) Equity Holders

At 30 June 2021 there were 18,076 holders of ordinary shares in the capital of the Parent. These holders were distributed as follow:

Number of shares held	
1 – 1,000	1,545
1,001 – 5,000	2,774
5,001 – 10,000	2,641
10,001 – 100,000	9,933
100,001 and over	1,183
<b>Total</b>	<b>18,076</b>
Holding less than a marketable parcel of 308 shares	658

The 20 largest holdings of the Parent's shares as at 30 June 2021 are listed below:

Name	Number of shares held	%
Washington H Soul Pattinson and Company Limited	63,311,002	8.57
Huntley Group Investments Pty Ltd	8,523,274	1.15
HSBC Custody Nominees (Australia) Limited	6,851,408	0.93
J S Millner Holdings Pty Limited	5,816,300	0.79
Jeanneau Cloud Nine Pty Limited	4,169,612	0.56
BNP Paribas Nominees Pty Limited	3,338,345	0.45
GM Pty Limited	3,300,414	0.45
I R McDonald Pty Limited	3,000,000	0.41
Netwealth Investments Limited	2,878,387	0.39
John E Gill Trading Pty Limited	2,284,877	0.31
Nibot Pty Limited	2,251,845	0.30
Donald Cant Pty Limited	2,198,698	0.30
Estate of Francis Albert Robertson	2,136,110	0.29
Snow Foundation Limited	2,092,700	0.28
JP Morgan Nominees Australia Pty Limited	2,047,259	0.28
K C Perks Investments Pty Ltd	2,004,233	0.27
Fennybentley Pty Limited	1,700,000	0.23
T N Phillips Investments Pty Limited	1,637,357	0.22
T G Millner Holdings Pty Limited	1,605,708	0.22
Mr Timothy Frank Robertson	1,591,852	0.22

## ASX Additional Information (continued)

### 1) Equity Holders (continued)

#### Votes of Members

Article 5.12 of the Company's Constitution provides:

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

### 2) Substantial Shareholders

As at 30 June 2021 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is listed below. The number of shares held and percentage ownership do not necessarily reflect the current ownership levels of these shareholders, as any subsequent movements of less than 1% would not need to be disclosed to ASX or the Company:

Substantial Shareholder	Shares Held	%
Washington H Soul Pattinson & Company Limited <sup>1</sup>	62,405,057	8.60%
Brickworks Limited <sup>2</sup>	62,405,057	8.60%

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.

### 3) Other Information:

- There is no current on-market buy-back in place.
- There were 113 (2020: 150) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$553,659 (2020: \$427,873).

### 4) 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.

2004	2005	2006	2007	2008	2009	2010	2011	2012
0.69	0.71	0.56	0.46	0.46	0.31	0.19	0.18	0.18
2013	2014	2015	2016	2017	2018	2019	2020	2021
0.19	0.17	0.18	0.16	0.15	0.16	0.17	0.17	0.17

## Corporate Directory

### Directors

**Robert Dobson Millner**  
*Non-Executive Chair*

**David Capp Hall AM**  
*Independent Non-Executive Director*

**Alexander James Payne**  
*Non-Executive Director*

**Ian Thomas Huntley**  
*Independent Non-Executive Director*

### Investment Manager

**Contact Asset Management Pty Limited**

**Thomas Charles Dobson Millner**  
*Portfolio Manager*

**William Anthony Culbert**  
*Portfolio Manager*

### Company Secretaries

Jaime Perry Pinto  
Larina Tcherkezian (Alternate)

### Registered Office

Level 14, 151 Clarence Street  
Sydney NSW 2000

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

#### Postal Address:

GPO Box 5015  
Sydney NSW 2001

### Auditor

**MGI Sydney Assurance Services Pty Ltd**  
Level 5, 6 O'Connell Street  
Sydney NSW 2000

### Share Registry

**Advanced Share Registry Services Limited**  
110 Stirling Highway  
Nedlands, WA 6009

Telephone: (08) 9389 8033

### Australian Stock Exchange Code

Ordinary Shares: **BKI**

### Website

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





**BKI INVESTMENT  
COMPANY LIMITED**

**ABN: 23 106 719 868**

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