



2022

BKI INVESTMENT COMPANY LIMITED

ABN: 23 106 719 868

Annual Report  
for the year ended 30 June 2022

# Contents

|   |    |
|---|----|
| Financial Highlights  | 1  |
| Chair's Address   | 4  |
| Portfolio Managers Report   | 8  |
| Directors' Report   | 11 |
| Remuneration Report   | 16 |
| Statement of Profit or Loss   | 23 |
| Statement of Other Comprehensive Income                                       | 24 |
| Statement of Financial Position   | 25 |
| Statement of Changes in Equity  | 26 |
| Statement of Cash Flows   | 27 |
| Notes to the Financial Statements   | 28 |
| Directors' Declaration  | 46 |
| Independent Auditor's Report to the Members of BKI Investment Company Limited | 47 |
| Auditor's Independence Declaration  | 50 |
| Shareholder Information   | 51 |
| Corporate Directory   | 53 |

# Financial Highlights

|   | Change    |    | Jun 2022<br>\$'000 |      | Jun 2021<br>\$'000 |
|---|-----------|----|--------------------|------|--------------------|
| <b>Revenue performance</b>  |           |    |                    |      |                    |
| Total revenue – ordinary  | up 58%    | to | <b>63,390</b>      | from | 40,154             |
| Special investment revenue  | up 4,079% | to | <b>42,713</b>      | from | 1,022              |
| Total income from ordinary activities   | up 158%   | to | <b>106,103</b>     | from | 41,176             |
| <b>Profits</b>  |           |    |                    |      |                    |
| <b>Operating result after tax – before special investment revenue net of applicable tax</b> |           |    |                    |      |                    |
|   | up 63%    | to | <b>58,086</b>      | from | 35,660             |
| Special investment revenue net of applicable tax  | up 4,236% | to | <b>42,713</b>      | from | 985                |
| Net profit from ordinary activities after tax attributable to shareholders                  | up 175%   | to | <b>100,799</b>     | from | 36,645             |
| Net profit attributable to shareholders   | up 175%   | to | <b>100,799</b>     | from | 36,645             |
| <b>Portfolio</b>  |           |    |                    |      |                    |
| Total portfolio value (including cash & receivables)  | down 2%   | to | <b>1,236,581</b>   | from | 1,261,368          |

|   | Change  |    | Cents        |      | Cents |
|---|---------|----|--------------|------|-------|
| <b>Earnings per share (EPS)</b>                                       |         |    |              |      |       |
| Basic EPS <b>before</b> special investment revenue and applicable tax | up 62%  | to | <b>7.84</b>  | from | 4.83  |
| Basic EPS <b>after</b> special investment revenue and applicable tax  | up 173% | to | <b>13.60</b> | from | 4.97  |
| <b>Dividends</b>  |         |    |              |      |       |
| Interim – Ordinary  | up 75%  | to | <b>3.500</b> | from | 2.000 |
| Interim – Special   | up 100% | to | <b>0.500</b> | from | nil   |
| Final – Ordinary  | up 21%  | to | <b>3.650</b> | from | 3.000 |
| Final – Special   | up 100% | to | <b>1.000</b> | from | nil   |
| <b>Full Year Total</b>  | up 73%  | to | <b>8.650</b> | from | 5.000 |

## 10 Year Dividend History (cents per share)

| 30 June            | 2013        | 2014        | 2015        | 2016        | 2017        | 2018         | 2019         | 2020         | 2021         | 2022         |
|--------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Interim – Ordinary | 3.25        | 3.45        | 3.55        | 3.60        | 3.60        | 3.625        | 3.625        | 3.625        | 2.000        | <b>3.500</b> |
| Interim – Special  | 0.50        | –           | –           | –           | –           | –            | 2.500        | 1.000        | –            | <b>0.500</b> |
| Final – Ordinary   | 3.40        | 3.50        | 3.65        | 3.65        | 3.70        | 3.700        | 3.700        | 2.320        | 3.000        | <b>3.650</b> |
| Final – Special    | –           | –           | –           | –           | –           | –            | –            | –            | –            | <b>1.000</b> |
| <b>Total</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> | <b>8.650</b> |

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

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

| 30 June        | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022        |
|----------------|------|------|------|------|------|------|------|------|------|-------------|
| NTA before tax | 1.52 | 1.63 | 1.65 | 1.55 | 1.61 | 1.63 | 1.69 | 1.47 | 1.71 | <b>1.66</b> |
| NTA after tax  | 1.42 | 1.51 | 1.53 | 1.47 | 1.52 | 1.54 | 1.58 | 1.43 | 1.59 | <b>1.58</b> |

## Financial Highlights (continued)

### List of Securities as at 30 June 2022

|  | Number of securities held | Market value \$'000 | Portfolio weight % |
|--|---------------------------|---------------------|--------------------|
| <b>Financials</b>                        |                           |                     |                    |
| Macquarie Group Limited                  | 655,182                   | 107,784             | 8.72               |
| Commonwealth Bank of Australia           | 917,528                   | 82,926              | 6.71               |
| National Australia Bank Limited          | 2,501,904                 | 68,527              | 5.54               |
| Suncorp Group Limited                    | 1,531,408                 | 16,815              | 1.36               |
| Pendal Group Limited                     | 2,920,833                 | 12,910              | 1.04               |
| Equity Trustees Limited                  | 383,942                   | 10,059              | 0.81               |
| E&P Financial Group Limited              | 6,631,759                 | 3,216               | 0.26               |
|  |                           | <b>302,237</b>      | <b>24.44</b>       |
| <b>Materials</b>                         |                           |                     |                    |
| BHP Group Limited                        | 2,640,000                 | 108,900             | 8.81               |
| Rio Tinto Limited                        | 295,000                   | 30,297              | 2.45               |
| Ancor Limited                            | 1,670,000                 | 30,127              | 2.44               |
| Brickworks Limited                       | 436,209                   | 8,087               | 0.65               |
| Orora Limited                            | 1,600,000                 | 5,840               | 0.47               |
|  |                           | <b>183,251</b>      | <b>14.82</b>       |
| <b>Consumer Discretionary</b>            |                           |                     |                    |
| Wesfarmers Limited                       | 1,129,102                 | 47,321              | 3.83               |
| ARB Corporation Limited                  | 945,447                   | 26,699              | 2.16               |
| Harvey Norman Holdings Limited           | 7,040,162                 | 26,119              | 2.10               |
| Invocare Limited                         | 1,638,974                 | 17,144              | 1.39               |
|  |                           | <b>117,283</b>      | <b>9.48</b>        |
| <b>Energy</b>                            |                           |                     |                    |
| Woodside Energy Limited                  | 1,652,925                 | 52,629              | 4.26               |
| New Hope Corporation Limited             | 12,950,952                | 44,810              | 3.62               |
| Washington H Soul Pattinson & Co Limited | 391,908                   | 9,226               | 0.75               |
| Ampol Limited                            | 155,000                   | 5,306               | 0.43               |
|  |                           | <b>111,971</b>      | <b>9.06</b>        |
| <b>Utilities</b>                         |                           |                     |                    |
| APA Group                                | 8,775,389                 | 98,899              | 8.00               |
|  |                           | <b>98,899</b>       | <b>8.00</b>        |
| <b>Industrials</b>                       |                           |                     |                    |
| Transurban Group                         | 3,485,952                 | 50,128              | 4.05               |
| Aurizon Holdings Limited                 | 4,650,000                 | 17,670              | 1.43               |
| Reece Limited                            | 515,499                   | 7,104               | 0.57               |
| Lindsay Australia Limited                | 17,141,631                | 7,028               | 0.57               |
| IPH Limited                              | 665,000                   | 5,426               | 0.44               |
| Smartgroup Corporation Limited           | 600,000                   | 3,666               | 0.30               |
|  |                           | <b>91,022</b>       | <b>7.36</b>        |

## List of Securities as at 30 June 2022 (continued)

|                                | Number of securities held | Market value \$'000 | Portfolio weight % |
|--------------------------------|---------------------------|---------------------|--------------------|
| <b>Consumer Staples</b>        |                           |                     |                    |
| Woolworths Group Limited       | 1,159,906                 | 41,293              | 3.34               |
| Coles Group Limited            | 1,129,102                 | 20,109              | 1.63               |
| Metcash Limited                | 3,621,084                 | 15,353              | 1.24               |
| Treasury Wine Estates Limited  | 905,155                   | 10,274              | 0.83               |
|                                |                           | <b>87,029</b>       | <b>7.04</b>        |
| <b>Health Care</b>             |                           |                     |                    |
| Ramsay Health Care Limited     | 515,070                   | 37,723              | 3.05               |
| Sonic Healthcare Limited       | 960,899                   | 31,719              | 2.57               |
| Regis Healthcare Limited       | 1,807,428                 | 3,344               | 0.27               |
|                                |                           | <b>72,786</b>       | <b>5.89</b>        |
| <b>Telecommunications</b>      |                           |                     |                    |
| TPG Telecom Limited            | 5,748,362                 | 34,318              | 2.78               |
| Telstra Corporation Limited    | 8,524,451                 | 32,819              | 2.65               |
| Tuas Limited                   | 2,874,181                 | 3,190               | 0.26               |
|                                |                           | <b>70,327</b>       | <b>5.69</b>        |
| <b>Property</b>                |                           |                     |                    |
| Goodman Group                  | 945,000                   | 16,859              | 1.36               |
| Stockland                      | 1,225,000                 | 4,422               | 0.36               |
|                                |                           | <b>21,281</b>       | <b>1.72</b>        |
| <b>Total Portfolio</b>         |                           | <b>1,156,086</b>    | <b>93.50</b>       |
| Investment portfolio           |                           | 1,156,086           | 93.50              |
| Trading portfolio              |                           | -                   | -                  |
| <b>Total Portfolio</b>         |                           | <b>1,156,086</b>    | <b>93.50</b>       |
| Cash and dividends receivable  |                           | 80,495              | 6.50               |
| <b>Total Investment Assets</b> |                           | <b>1,236,581</b>    | <b>100.00</b>      |

The Group is a substantial shareholder, in accordance with the *Corporations Act 2001*, of Lindsay Australia Limited, holding 5.68% of the issued capital as at 30 June 2022. 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 19th Annual Report of BKI Investment Company Limited (BKI) for the year to 30 June 2022.

The Australian economy greatly benefited from a variety of stimulus packages over the last couple of years. This created a huge tailwind to households, consumers and businesses across Australia and the world. These strong economic conditions prevailed throughout FY2022 which saw company profits improve and dividends paid by Australian equities increase significantly throughout the year.

However, we are now beginning to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021. During the second half of FY2022 we faced ongoing challenges including, the war in Ukraine, labour shortages, localised flooding, inventory shortages and disruptions to energy supply. These issues impacted pricing and availability of almost every good and service within Australia, leading to a sharp rise in inflation. This forced Central Banks around the world to begin to lift interest rates which is taking a toll on the economy and equity markets.

## Result Highlights

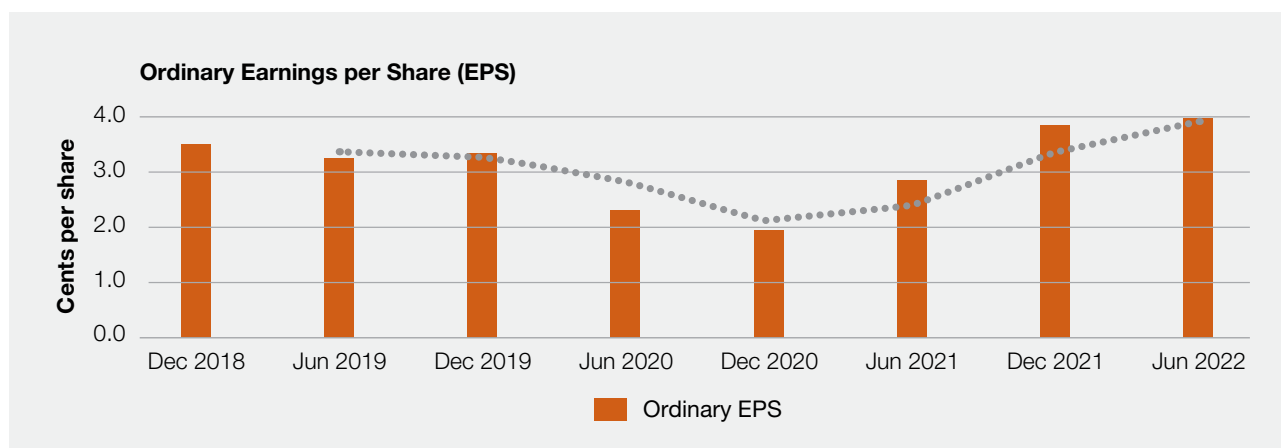
Over FY2022, the S&P/ASX 300 Accumulation Index declined by 6.8%. Despite this, and with the backdrop of a stronger global economy for much of the financial year, many Australian companies were able to return to paying solid dividends to their shareholders. BKI's Revenue from investment portfolio was up 58% to \$62.6 million. The result was boosted by higher ordinary dividends received over the last year from Woodside Energy (formerly Woodside Petroleum), New Hope Corporation, BHP Group, Rio Tinto, Commonwealth Bank, National Australia Bank, Transurban Group and Macquarie Group.

BKI realised \$0.6 million from the trading portfolio, after participating in some minor trading positions. Due to the extremely low interest rates on offer, BKI's interest received was only \$0.1 million, down 29% on FY2021. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$58.1 million, an increase of 63% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 62% higher to 7.84 cents per share.

Special Investment Revenue was significantly higher in FY2022, rising from \$1.0 million to \$42.7 million. Special Dividends were received from New Hope Corporation, Telstra Corporation, Smartgroup Limited and Rio Tinto Limited. BKI participated in off market buy-backs conducted by Commonwealth Bank, Woolworths Limited and Metcash Limited. Also, during the period, BKI received a fully franked in-specie distribution following the Woodside Energy acquisition of BHP Petroleum International Pty Ltd. The distribution was non-cash with BKI receiving additional Woodside Energy shares post the transaction.

This significant lift in Special Investment Revenue resulted in BKI's Net Operating Profit After Tax, including special investment revenue for FY2022 of \$100.8 million, up 175% on the previous corresponding period and a record for the company. BKI's FY2022 basic earnings per share, including special investment revenue, increased 173% to 13.60 cents per share from 4.97 cents per share in FY2021.

As illustrated in the chart below, it is pleasing that in FY2022, BKI continued to record an increase in ordinary earnings per share. We are hopeful the outlook for dividends received from BKI's investments should continue to improve in the periods ahead.



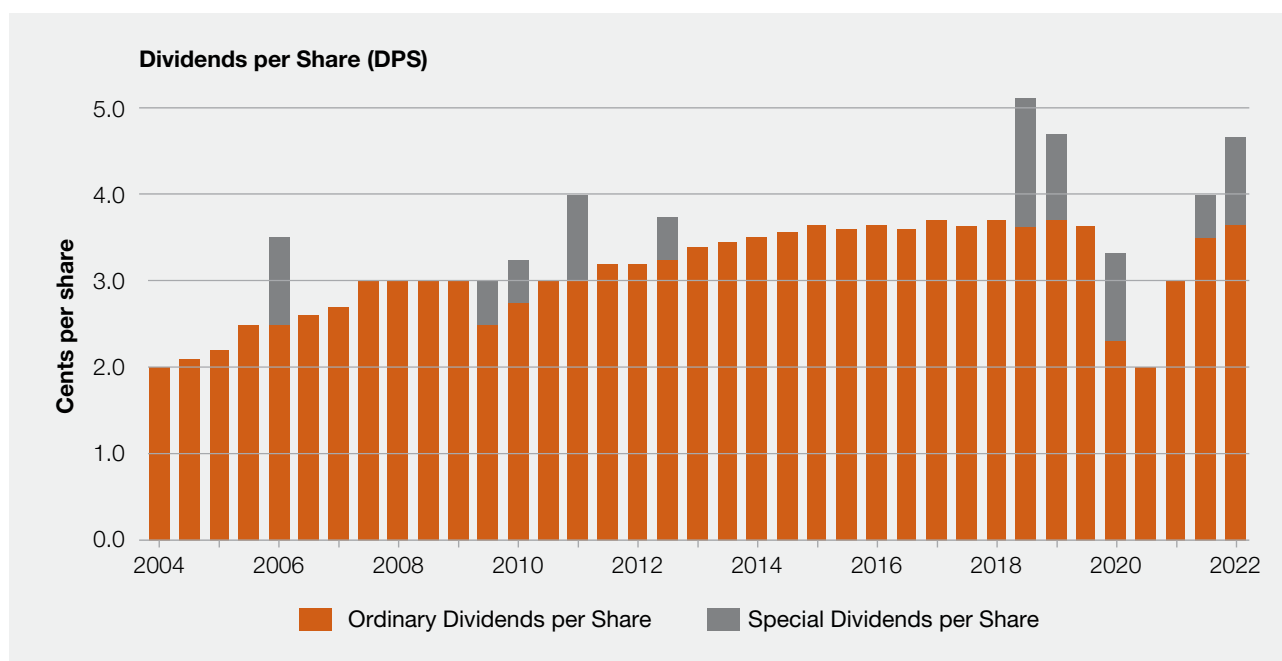
## Chair's Address (continued)

### Dividends

The BKI Board has declared a final ordinary dividend of 3.65cps. In addition, the Board has also declared a final special dividend of 1.00cps. Both dividends will be fully franked.

This takes total dividends paid for the FY2022 year to 8.65cps, up 73% on last year. Including the payment of FY2022 dividends, BKI has now paid out \$878 million or \$1.23 per share in dividends and franking credits to Shareholders since listing.

Based on the 4.00cps FY2022 interim dividends and 3.65cps FY2022 final dividend and 1.00cps final special dividend, the current BKI grossed up dividend yield is 7.4%, based on a tax rate of 30% and a share price of \$1.66, as at 30 June 2022.



### Dividend Key Dates

The last trading date to be eligible for the FY2022 Final Dividends is Monday 8 August 2022. Key dates for the fully franked final dividends are as follows:

| Event  | Date                     |
|--|--------------------------|
| Last trading date to be eligible for BKI's Dividends | Monday 8 August 2022     |
| Ex-Dividend Date                                     | Tuesday 9 August 2022    |
| Record Date  | Wednesday 10 August 2022 |
| DRP Nomination                                       | Thursday 11 August 2022  |
| Payment Date   | Tuesday 30 August 2022   |

## Chair's Address (continued)

### Dividend Reinvestment Plan (DRP)

The BKI Board has confirmed that BKI's Dividend Reinvestment Plan (DRP) will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will not be offered at a discount. The last day to nominate for participation in the DRP is Thursday 11 August 2022.

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

The DRP price will be calculated using the average of the daily volume weighted average sale price of BKI's shares sold in the ordinary course of trading on the ASX during the 5 trading days after, but not including, the Record Date (Wednesday 10 August 2022).

### Management Expense Ratio (MER)

BKI's MER as at 30 June 2022 was maintained at 0.17%. The Board and Portfolio Managers are shareholders in BKI. We invest for the long term and do not charge excessive external portfolio management fees or any performance fees. Our focus is on creating wealth for all shareholders by keeping costs low, increasing fully franked dividends and generating capital growth over the long-term. BKI has no debt and thus shareholder returns are not diluted by interest payable on such a facility.

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

### Top 25 Investments as at 30 June 2022

| Stock                     | % of Total Portfolio | Stock  | % of Total Portfolio |
|---------------------------|----------------------|--|----------------------|
| 1 BHP Group               | 8.8%                 | 14 Sonic Healthcare  | 2.6%                 |
| 2 Macquarie Group         | 8.7%                 | 15 Rio Tinto Limited                                       | 2.5%                 |
| 3 APA Group               | 8.0%                 | 16 Amcor   | 2.4%                 |
| 4 Commonwealth Bank       | 6.7%                 | 17 ARB Corporation   | 2.2%                 |
| 5 National Australia Bank | 5.5%                 | 18 Harvey Norman Holdings                                  | 2.1%                 |
| 6 Woodside Energy Group   | 4.3%                 | 19 Coles Group   | 1.6%                 |
| 7 Transurban Group        | 4.1%                 | 20 Aurizon Holdings  | 1.4%                 |
| 8 Wesfarmers Limited      | 3.8%                 | 21 Invocare Limited  | 1.4%                 |
| 9 New Hope Corporation    | 3.6%                 | 22 Goodman Group   | 1.4%                 |
| 10 Woolworths Limited     | 3.3%                 | 23 Suncorp Group   | 1.4%                 |
| 11 Ramsay Healthcare      | 3.1%                 | 24 Metcash Limited   | 1.2%                 |
| 12 TPG Telecom Limited    | 2.8%                 | 25 Pandal Group  | 1.0%                 |
| 13 Telstra Corporation    | 2.7%                 |  |                      |
|                           |                      | Cash and cash equivalents                                  | 6.5%                 |
|                           |                      | <b>Total of Top 25 including cash and cash equivalents</b> | <b>93.1%</b>         |



## Chair's Address (continued)

### Outlook

The last couple of years were extraordinary and we continue to experience the secondary effects of flooding the world economy with cash through global stimulus packages distributed during 2020 and 2021.

Throughout the remainder of 2022, we expect to see further challenges emerging from the war in Ukraine, labour shortages, localised flooding, inventory shortages and disruptions to energy supply. We believe that Central Banks around the world will continue to lift interest rates. This will continue to impact our economy and equity markets over the short to medium term.

However, despite times of uncertainty there are always opportunities to invest within equity markets. Our goal is to always invest in high quality businesses with a strong balance sheet, competitive advantage and managed by capable and trustworthy people. We seek to invest in businesses that will pay us an attractive and sustainable dividend stream throughout the cycle. We will target those companies that have pricing power and the ability to pass on prices to their customers in this environment to ensure continued profitability, earnings growth and dividend growth for our shareholders. We look to invest in these businesses at a reasonable price with a view of holding them for the long-term.

BKI holds a portfolio of high-quality dividend paying stocks and has no debt. We are well positioned to take advantage of any market opportunity which may present itself over the year ahead with 6.5% of the portfolio currently in cash.



**Robert Millner**  
*Chair*

# Portfolio Manager's Report

Dear Shareholders,

Contact Asset Management, as the Investment Manager of BKI Investment Company, is pleased to include our Investment Report for FY2022.

## Market Commentary

Most Global equities fell hard in the latter part of FY2022 on increased concerns over rising inflation and the chance of an economic recession. Over the year the NASDAQ fell 23.4%, Hang Seng fell 21.9%, Euro STOXX fell 15.4%, China CSI 300 fell 12.4% and the S&P 500 dropped 10.6%. The Australian S&P/ASX 300 was not immune, falling 6.8% during the year.

In particular it has been a very weak first half of 2022 for global equity markets. The 21% pullback in the S&P 500 in the first half of the year was the poorest showing since 1970. The Dow's 15% decline was the worst since 1962. As for the Nasdaq, down 29% and the Russell 2000, down 24%, both are the biggest first-half falls on record.

In the Australian market large stocks continue to outperform smaller stocks. The S&P/ASX 20 index decreased by 5.3% over the year, while the S&P/ASX Small Ordinaries Index declined by 19.5%. It is interesting to note that large resources through the S&P/ASX 200 Resources Index delivered a positive 3.3% return for the year, massively outperforming the small industrials through the S&P/ASX Small Industrials index which returned negative 24.0%.

Commodity markets were generally strong over the year, led by Energy. Oil, Gas and Thermal Coal prices continue to trade at elevated levels and demand continues to be very strong. While Oil prices finished the year off its highs at US\$114/bbl after hitting US\$120/bbl, the price is well above where it was a year ago when it traded at US\$75/bbl and was on a downward trajectory. Thermal Coal had a spectacular year, with the Thermal Coal gc NEWC (6,000 kcal/kg NAR) price closing near record territory. Gold continues to hover around US\$1,800/oz and soft commodities continue to remain elevated and are currently very positive for the Australian agricultural sector. However, the last quarter has been mixed, with Copper prices in particular tumbling to a 17-month low, falling 20% in the quarter ended 30 June 2022. Copper is widely considered a barometer of the world economy. Iron Ore is also off its recent highs but demand remains robust and we are confident on the future of this sort after commodity. The lower Australian Dollar is also a positive tailwind for Australian resource companies and helps underpin our investment case in the sector.

The main issue for investors as we head into FY2023 is the monetary policy tightening underway by Central Banks. There seems to be a "whatever it takes" attitude to combat inflation. It appears that Central Bankers remain convinced economies are strong enough to handle the perceived rate increases. The pace of rate hikes remains an overhang as does the level at which interest rates settle. The RBA, which increased rates again in early July to 1.35%, is hoping that it can burst the inflation bubble and settle rates at around 3.0% - 3.5% by mid-2023. While this is a significant percentage increase from the pandemic low-rate environment, a rate of 3.5% is still very accommodative in a historical context.

Given the declines in equity markets, valuation multiples now look very compelling with the S&P/ASX 300 index trading on a P/E multiple of 13 times for FY2022. This is the same multiple as the low of the COVID-19 panic selling. The challenge, of course, is the outlook for earnings. The current dividend yield for the market is just under 5.0%.

The upcoming August earnings season will be interesting. It is anticipated that earnings will be robust as the recent interest rate increases would not have had a material impact on household budgets as yet. We expect outlook statements to be very cautious. Nevertheless, with the S&P/ASX 300 Accumulation Index already down over 12% from recent highs, some of the negativity could be already priced in.

## Portfolio Manager's Report (continued)

### Portfolio Movements

In the first half of this financial year, we realised approximately \$80 million worth of sales through exiting positions in Brambles, Platinum Asset Management and Magellan Financial. These sales were prompted by a reduction in our confidence for these companies to increase dividends over the short to medium term. Endeavour Group was traded out of the portfolio after receipt as a demerger dividend from Woolworths. BKI also traded the Transurban Rights received as part of the entitlement offer following the successful bid for the Westconnex assets. BKI reduced its exposure to ASX Limited and reduced positions in Commonwealth Bank, Woolworths Limited and Metcash Limited following their off-market buybacks.

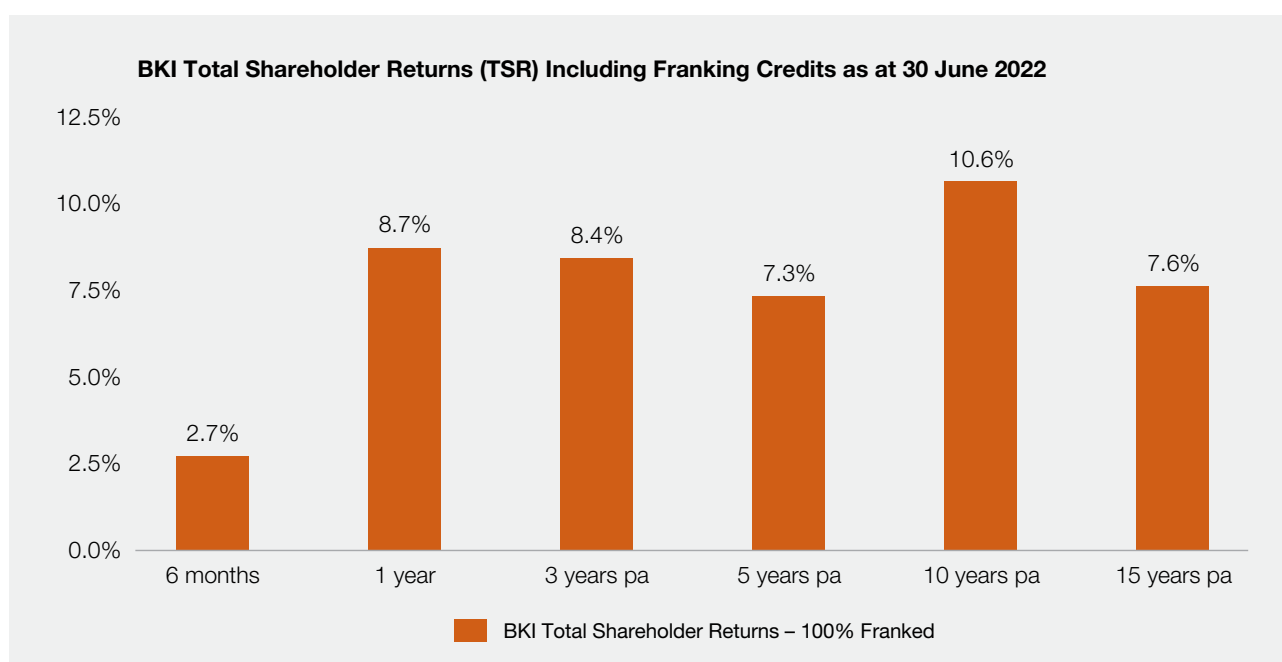
This enabled us to add to several existing positions, all of which offered significant grossed up dividend yields. They are companies well known to the BKI Investment Committee and provided a very good opportunity to increase BKI's Investment Revenue and Net Profits. The main investments over the first half of FY2022 were made in Aurizon Holdings, Rio Tinto, BHP Group, Fortescue Metals, Harvey Norman, APA Group, Pental Limited, Suncorp Group and Metcash Limited. BKI also accepted the Washington H. Soul Pattinson (SOL) Proposal to merge with Milton Corporation, which was implemented on 5 October 2021. BKI now holds 391,908 shares in SOL.

In the second half of FY2022 BKI realised approximately \$40 million worth of further sales with the exit of positions in Fortescue Metals and ASX Limited. These divestments allowed BKI to reinvest capital into other companies within the portfolio including BHP Group, Metcash Limited and Aurizon Holdings. We also added Ampol Limited and Smartgroup Corporation to the portfolio. Following the Woodside Energy (formerly Woodside Petroleum) acquisition of BHP Petroleum International Pty Ltd, BKI received a non-cash distribution from the transaction by receiving 477,049 additional Woodside Energy shares.

As at the end of June 2022, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 93.1% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.24 billion, with the cash position of \$80 million representing 6.5%.

### Performance

For the year to 30 June 2022, BKI's Total Shareholder Return was positive 6.8% this compares very favorably to the S&P/ASX 300 Accumulation Index which returned negative 6.8% for the same period. BKI's Total Shareholder Returns including franking credits for the year to 30 June 2022 was positive 8.7%, outperforming the index by 14.0%.

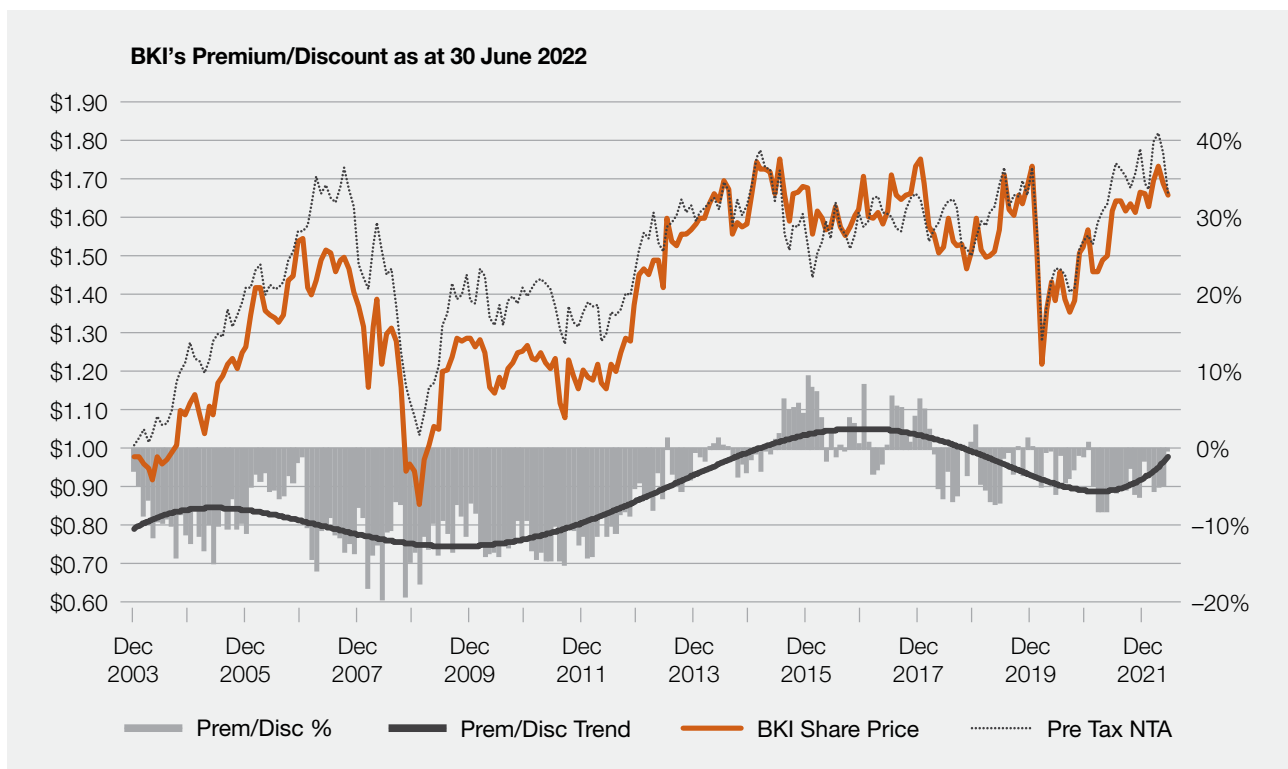


## Portfolio Manager's Report (continued)

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 2022 was positive 1.5% compared to the S&P/ASX 300 Accumulation Index which returned negative 6.8% for the same period.

### BKI's Premium/Discount to NTA

BKI's Pre-Tax Net Tangible Assets as at 30 June 2022 was \$1.66, and represented a 0% discount to the BKI share price.



## Research and Ratings

During the year, BKI was recognised at the Self Managed Super Fund Awards for 2021 as a Finalist in the Listed Investment Company Advisor Choice category. BKI was also once again well endorsed by various investment product research and ratings companies. BKI currently has a Recommended rating from LONSEC, a Recommended-Plus rating from Independent Investment Research (IIR) and a Neutral rating from Morningstar.

### Tom Millner and Will Culbert

Contact Asset Management

# Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of BKI Investment Company Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

## Directors

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

|                       |  |
|-----------------------|--|
| Robert Dobson Millner | Non-Executive Director and Chair                   |
| David Capp Hall AM    | Non-Executive Director                             |
| Ian Thomas Huntley    | Non-Executive Director                             |
| Alexander James Payne | Non-Executive Director                             |
| Jacqueline Ann Clarke | Non-Executive Director (appointed 18 January 2022) |

## Principal Activities

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

## Dividends

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| Final ordinary dividend for the year ended 30 June 2021 of 3.0 cents per share (2020: 2.32 cents per share) fully franked at the tax rate of 30%, paid on 26 August 2021 | 22,170         | 17,065         |
| Final special dividend for the year ended 30 June 2021 of nil cents per share (2020: 1.00 cent per share fully franked at the tax rate of 30%)                           | –              | 7,355          |
| Interim ordinary dividend for the year ended 30 June 2022 of 3.5 cents per share (2021: 2.00 cents per share) fully franked at the tax rate of 30%, paid on 3 March 2022 | 25,874         | 14,754         |
| Interim special dividend for the year ended 30 June 2022 of 0.5 cents per share (2021: nil cents per share) fully franked at the tax rate of 30%, paid on 3 March 2022   | 3,756          | –              |
| <b>Total dividends paid</b>  | <b>51,800</b>  | <b>39,174</b>  |

## Operating Results

BKI's Ordinary Revenue from investment portfolio was up 58% to \$62.6 million. The result was boosted by higher ordinary dividends received during the last year from Woodside Energy (formerly Woodside Petroleum), New Hope Corporation, BHP Group, Rio Tinto, Commonwealth Bank, National Australia Bank, Transurban Group and Macquarie Group.

BKI realised \$0.6 million from the trading portfolio, after participating in some minor trading positions. Due to the extremely low interest rates on offer, BKI's interest received was only \$0.1 million, down 29% on FY2021. BKI's Net Operating Profit After Tax, before special investment revenue, was a record \$58.1 million, an increase of 63% over the previous corresponding period. BKI's basic earnings per share before special investment revenue was 62% higher to 7.84 cents per share.

## Directors' Report (continued)

### Operating Results (continued)

Special Investment Revenue was significantly higher in FY2022, rising from \$1.0 million to \$42.7 million. Special Dividends were received from New Hope Corporation, Telstra Corporation, Smart Group Limited and Rio Tinto Limited. BKI participated in off market buy-backs conducted by Commonwealth Bank, Woolworths Limited and Metcash Limited. Also, during the period, BKI received a fully franked in-specie distribution following the Woodside Energy acquisition of BHP Petroleum International Pty Ltd. The distribution was non-cash with BKI receiving additional Woodside Energy shares.

This significant lift in Special Investment Revenue resulted in BKI's Net Operating Profit After Tax, including special investment revenue for FY2022 of \$100.8 million, up 175% on the previous corresponding period and a record for the company. BKI's FY2022 basic earnings per share, including special investment revenue, increased 173% to 13.60 cents per share from 4.97 cents per share in FY2021.

Total Shareholder Return including franking credits for the year to 30 June 2022 was positive 8.7%, compared to the S&P/ASX 300 Accumulation Index, which returned negative 5.3% over the same period, an outperformance of 14.0%. BKI's Total Shareholder Return including Franking Credits for 15 years was positive 7.6% per annum compared to the S&P/ASX 300 Accumulation Index, which returned positive 6.3%.

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 2022 was positive 1.5%.

### Review of Operations

Operating expenses increased slightly to \$2.1m (2021: \$2.0m), with most cost categories in line with the previous year. As a result, BKI was able to maintain its MER at 0.17% for the year (2021: 0.17%).

BKI made a number of changes to the portfolio during FY2022. We realised approximately \$117 million worth of sales through exiting positions in Brambles, Platinum Asset Management, Magellan Financial, Fortescue Metals and ASX Limited. Endeavour Group was traded out of the portfolio after receipt as a demerger dividend from Woolworths. BKI also traded the Transurban Rights received as part of the entitlement offer following the successful bid for the Westconnex Assets. BKI reduced the exposure to positions in Commonwealth Bank, Woolworths Limited and Metcash Limited following the participation in their off-market buybacks.

Main investments over FY2022 were made in BHP Group, Rio Tinto, Aurizon Holdings, Fortescue Metals, Harvey Norman, APA Group, Pandal Limited, Suncorp Group and Metcash Limited. Ampol Limited and Smartgroup Corporation were added to the portfolio.

BKI also accepted the Washington H. Soul Pattinson (SOL) Proposal to merge with Milton Corporation, which was implemented on the 5 October 2021. BKI now holds 391,908 shares in SOL. Following the Woodside Energy (formerly Woodside Petroleum) acquisition of BHP Petroleum International Pty Ltd, BKI received a non-cash distribution from the transaction in the form of receiving 477,049 additional Woodside Energy shares.

As at the end of June 2022, there were 39 stocks within the BKI Portfolio, with the Top 25 holdings and cash accounting for 93.1% of the total Portfolio. The Investment Portfolio (including cash) was valued at \$1.24 billion, with the cash position of \$80 million representing 6.5%.

### Financial Position

Net assets of the Group decreased marginally during the financial year to \$1,171.6m (2021: \$1,172.4m). Non-current assets decreased during the financial year to \$1,164.0m (2021: \$1,210.6m) primarily driven by the devaluation of the investment portfolio.

## Directors' Report (continued)

### Employees

The Group had no employees as at 30 June 2022 (2021: nil).

### Significant changes in the state of affairs

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

### Matters subsequent to the end of the financial year

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2022 of 3.65 cents per share and a special dividend of 1.0 cents per share, both fully franked at the tax rate of 30% are payable on 30 August 2022, but are not recognised as a liability at the year end.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

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

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

The advent of the COVID-19 economic crisis created significant social and economic upheaval in FY2020 and FY2021, 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 have continued in FY2022. 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, central bank policies 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.

### Environmental regulation

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

## Directors' Report (continued)

### Information on Directors

**Robert Dobson Millner** 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.

**Other current directorships:**

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

**Former directorships (last 3 years):**

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

**Special responsibilities:**

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

**Interests in shares:** 10,794,971

**David Capp Hall**, AM FCA, FAICD  
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.

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Special responsibilities:**

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

**Interests in shares:** 3,014,753

**Ian Thomas Huntley** BA  
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 his partners sold the business to Morningstar Inc of the USA in mid-2006.



## Directors' Report (continued)

Information on Directors (continued)

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Special responsibilities:**

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

**Interests in shares:** 11,218,920

**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.

**Other current directorships:** None

**Former directorships (last 3 years):** None

**Special responsibilities:**

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

**Interests in shares:** 530,000

**Jacqueline Ann Clarke** FCA, CTA, JP, GAICD  
Non-Executive Director

(appointed 18 January 2022)

Ms Clarke has over 30 years of experience, including over 20 years with PwC and Deloitte, 15 of which as partner of Deloitte. Having held a number of executive roles across Australia, New Zealand and Asia, her experience covers many industries and sectors including retail, property, automotive, professional services (accounting, legal and engineering), technology, financial services, agriculture and oil & gas. Ms Clarke currently sits on the Paul Fudge Group Advisory Board, acts as Treasurer and Non-executive Director of the Humpty Dumpty Foundation and is also founder of boutique accounting and advisory firm Maxima Private.

**Other current directorships:**

- Empire Energy Group Limited (alternate Director) (appointed 16 August 2021)

**Former directorships (last 3 years):** None

**Special responsibilities:**

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

**Interests in shares:** 69,121

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

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

## Directors' Report (continued)

### Company Secretaries

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.

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

### Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

|                         | Full Board |      | Investment |      | Audit & Risk |      | Remuneration |      | Nomination <sup>1</sup> |      |
|-------------------------|------------|------|------------|------|--------------|------|--------------|------|-------------------------|------|
|                         | Attended   | Held | Attended   | Held | Attended     | Held | Attended     | Held | Attended                | Held |
| R D Millner             | 8          | 8    | 11         | 11   | –            | –    | 2            | 2    | 1                       | 1    |
| A J Payne               | 7          | 7    | 11         | 11   | 2            | 2    | 2            | 2    | 2                       | 2    |
| D C Hall                | 8          | 8    | –          | –    | 2            | 2    | 2            | 2    | 2                       | 2    |
| I T Huntley             | 7          | 7    | 10         | 11   | 2            | 2    | 2            | 2    | 1                       | 1    |
| J A Clarke <sup>2</sup> | 3          | 3    | 5          | 6    | 1            | 1    | –            | –    | –                       | –    |

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

<sup>1</sup> During the year, two meetings of the Nomination Committee were held and at the time of the first meeting held in July 2021, both Mr R D Millner and Mr I T Huntley were not members as they were each scheduled for re-election as Directors under the Company's Director rotation policy. Subsequent to each being re-elected as Directors at the 2021 AGM, Mr Millner and Mr Huntley were reappointed to the Nomination Committee and eligible to attend the second Nomination Committee meeting held during the year.

<sup>2</sup> Ms J A Clarke was appointed to the Board on 18 January 2022 and will be scheduled for re-election at the 2022 AGM.

## Remuneration Report

### Remuneration Report (Audited)

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

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

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

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

## Directors' Report (continued)

### Remuneration Report (continued)

#### **Principles used to determine the nature and amount of remuneration**

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

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

#### **Remuneration Policy**

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

#### **Elements of Director and Key Management Personnel (KMP) remuneration**

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

- The Director Remuneration Policy and Executive Remuneration Policy are developed by the Remuneration Committee and approved by the Board. Professional advice is sought from independent external consultants if deemed appropriate.
- 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.

#### **Non-executive directors remuneration**

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

The combined annual payment to all Non-Executive Directors is capped at \$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 2022 financial year (2021: nil). At the next Annual General meeting, anticipated to be in October 2022, BKI will seek the approval of its shareholders by way of ordinary resolution, to increase the remuneration pool from \$300,000 to \$400,000.

## Directors' Report (continued)

### Remuneration Report (continued)

#### **Performance-based remuneration**

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

The aims of the BKI Incentive Scheme are:

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

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

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

#### **Use of remuneration consultants**

The Group did not engage remuneration consultants during the year ended 30 June 2022.

#### **Voting and comments made at the Company's 12 October 2021 Annual General Meeting ('AGM')**

At the 12 October 2021 AGM, 94.57% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Details of remuneration

#### **Amounts of remuneration**

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

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

- R D Millner – Non-Executive Director and Chair
- D C Hall – Non-Executive Director
- I T Huntley – Non-Executive Director
- A J Payne – Non-Executive Director
- J A Clarke – Non-Executive Director (appointed 18 January 2022)

And the following person:

- J P Pinto – Company Secretary\*

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

## Directors' Report (continued)

### Remuneration Report (continued)

|                                       | Short-term benefits  | Post-employment benefits | Share-based payments |                |
|---------------------------------------|----------------------|--------------------------|----------------------|----------------|
|                                       | Cash salary and fees | Super-annuation          | Equity-settled       | Total          |
|                                       | \$                   | \$                       | \$                   | \$             |
| <b>2022</b>                           |                      |                          |                      |                |
| <b>Non-Executive Directors</b>        |                      |                          |                      |                |
| R D Millner                           | 68,727               | 6,873                    | –                    | 75,600         |
| D C Hall                              | 57,682               | 5,768                    | –                    | 63,450         |
| I T Huntley                           | 47,909               | 4,791                    | –                    | 52,700         |
| A J Payne                             | 47,909               | 4,791                    | –                    | 52,700         |
| J A Clarke*                           | 26,227               | 2,623                    | –                    | 28,850         |
| <b>Other Key Management Personnel</b> |                      |                          |                      |                |
| J P Pinto**                           | –                    | –                        | –                    | –              |
| <b>Total</b>                          | <b>248,454</b>       | <b>24,846</b>            | <b>–</b>             | <b>273,300</b> |
| <b>2021</b>                           |                      |                          |                      |                |
| <b>Non-Executive Directors</b>        |                      |                          |                      |                |
| R D Millner                           | 69,041               | 6,559                    | –                    | 75,600         |
| D C Hall                              | 53,379               | 5,071                    | –                    | 58,450         |
| I T Huntley                           | 43,562               | 4,138                    | –                    | 47,700         |
| A J Payne                             | 43,562               | 4,138                    | –                    | 47,700         |
| <b>Other Key Management Personnel</b> |                      |                          |                      |                |
| J P Pinto**                           | –                    | –                        | 2,752                | 2,752          |
| <b>Total</b>                          | <b>209,544</b>       | <b>19,906</b>            | <b>2,752</b>         | <b>232,202</b> |

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

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

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

|                                       | Fixed remuneration |      | At risk – STI |      | At risk – LTI |      |
|---------------------------------------|--------------------|------|---------------|------|---------------|------|
|                                       | 2022               | 2021 | 2022          | 2021 | 2022          | 2021 |
| <b>Non-Executive Directors</b>        |                    |      |               |      |               |      |
| R D Millner                           | 100%               | 100% | –             | –    | –             | –    |
| D C Hall                              | 100%               | 100% | –             | –    | –             | –    |
| I T Huntley                           | 100%               | 100% | –             | –    | –             | –    |
| A J Payne                             | 100%               | 100% | –             | –    | –             | –    |
| J A Clarke                            | 100%               | –    | –             | –    | –             | –    |
| <b>Other Key Management Personnel</b> |                    |      |               |      |               |      |
| J P Pinto                             | –                  | –    | –             | –    | –             | 100% |

## Directors' Report (continued)

Remuneration Report (continued)

### Service agreements

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

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022.

#### Options

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

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

### Additional disclosures relating to key management personnel

#### Shareholding

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

|                        | Balance at the start of the year | Received as part of remuneration | Additions        | Disposals/ others | Balance at the end of the year |
|------------------------|----------------------------------|----------------------------------|------------------|-------------------|--------------------------------|
| <b>Ordinary shares</b> |                                  |                                  |                  |                   |                                |
| R D Millner            | 9,874,304                        | –                                | 920,667          | –                 | 10,794,971                     |
| D C Hall               | 2,499,444                        | –                                | 515,309          | –                 | 3,014,753                      |
| I T Huntley            | 11,224,980                       | –                                | –                | (6,060)           | 11,218,920                     |
| A J Payne              | 430,000                          | –                                | 100,000          | –                 | 530,000                        |
| J A Clarke             | –                                | –                                | 69,121           | –                 | 69,121                         |
| J P Pinto              | 130,568                          | –                                | 5,701            | –                 | 136,269                        |
| <b>Total</b>           | <b>24,159,296</b>                | <b>–</b>                         | <b>1,610,798</b> | <b>(6,060)</b>    | <b>25,764,034</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.

## Directors' Report (continued)

### Remuneration Report (continued)

#### Option holding

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

|                              | Balance at the start of the year | Granted  | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------------------------|----------------------------------|----------|-----------|---------------------------|--------------------------------|
| Options over ordinary shares |                                  |          |           |                           |                                |
| J P Pinto                    | 100,000                          | –        | –         | 100,000                   | –                              |
| <b>Total</b>                 | <b>100,000</b>                   | <b>–</b> | <b>–</b>  | <b>100,000</b>            | <b>–</b>                       |

**This concludes the remuneration report, which has been audited.**

#### Shares under option

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

#### Shares issued on the exercise of options

There were no ordinary shares of BKI Investment Company Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

#### Indemnity and insurance of officers

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

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

#### Indemnity and insurance of auditor

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

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

#### Proceedings on behalf of the Company

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

#### Non-audit services

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

## Directors' Report (continued)

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

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

### **Rounding of amounts**

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

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

### **Auditor**

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

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

On behalf of the directors



**Robert D Millner**

Chair

Sydney

19 July 2022



# Statement of Profit or Loss

for the year ended 30 June 2022

|  | Note | Consolidated   |                |
|--|------|----------------|----------------|
|  |      | 2022<br>\$'000 | 2021<br>\$'000 |
| Ordinary revenue from investment portfolio   |      | 62,604         | 39,738         |
| Revenue from bank deposits   |      | 141            | 109            |
| Other income   |      | –              | 2              |
| Other gains  |      | 645            | 305            |
| <b>Income from operating activities before special investment revenue</b>  | 5    | <b>63,390</b>  | 40,154         |
| Operating expenses   | 6    | (2,139)        | (1,979)        |
| Operating result before income tax expense and special investment revenue  |      | 61,251         | 38,175         |
| Special investment revenue   | 5    | 42,713         | 1,022          |
| <b>Operating result before income tax expense</b>  |      | <b>103,964</b> | 39,197         |
| Income tax expense   | 7    | (3,165)        | (2,552)        |
| <b>Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited</b> | 13   | <b>100,799</b> | 36,645         |

|   | Note | 2022         | 2021  |
|---|------|--------------|-------|
|   |      | Cents        | Cents |
| <b>Basic and diluted earnings per share before special investment revenue</b> | 25   | <b>7.84</b>  | 4.83  |
| <b>Basis and diluted earnings per share after special investment revenue</b>  | 25   | <b>13.60</b> | 4.97  |

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

# Statement of Other Comprehensive Income

for the year ended 30 June 2022

|   | Note | Consolidated    |                |
|---|------|-----------------|----------------|
|   |      | 2022<br>\$'000  | 2021<br>\$'000 |
| Operating result after income tax expense for the year attributable to the owners of BKI Investment Company Limited |      | 100,799         | 36,645         |
| <b>Other comprehensive income</b>   |      |                 |                |
| <i>Items that may be reclassified subsequently to profit or loss</i>  |      |                 |                |
| Unrealised (losses)/gains on investment portfolio   |      | (100,681)       | 141,324        |
| Deferred tax benefit/(expense) on unrealised gains/losses on investment portfolio                                   |      | 30,204          | (42,397)       |
| Realised gains on investment portfolio  |      | 20,120          | 32,903         |
| Tax expense relating to realised gains on investment portfolio  | 7    | (6,036)         | (9,871)        |
| <b>Other comprehensive income for the year, net of tax</b>  |      | <b>(56,393)</b> | 121,959        |
| <b>Total comprehensive income for the year attributable to the owners of BKI Investment Company Limited</b>         |      | <b>44,406</b>   | 158,604        |

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

# Statement of Financial Position

as at 30 June 2022

|                                      | Note | Consolidated     |                |
|--------------------------------------|------|------------------|----------------|
|                                      |      | 2022<br>\$'000   | 2021<br>\$'000 |
| <b>Assets</b>                        |      |                  |                |
| <b>Current assets</b>                |      |                  |                |
| Cash and cash equivalents            | 8    | 72,078           | 40,606         |
| Trade and other receivables          | 9    | 8,594            | 36,105         |
| Income tax refund due                | 7    | 51               | –              |
| Other                                |      | 58               | 52             |
| <b>Total current assets</b>          |      | <b>80,781</b>    | 76,763         |
| <b>Non-current assets</b>            |      |                  |                |
| Investment portfolio                 | 10   | 1,156,086        | 1,194,994      |
| Property, plant and equipment        |      | 1                | 1              |
| Deferred tax                         | 7    | 7,836            | 15,601         |
| <b>Total non-current assets</b>      |      | <b>1,163,923</b> | 1,210,596      |
| <b>Total assets</b>                  |      | <b>1,244,704</b> | 1,287,359      |
| <b>Liabilities</b>                   |      |                  |                |
| <b>Current liabilities</b>           |      |                  |                |
| Trade and other payables             |      | 270              | 10,363         |
| Income tax                           | 7    | –                | 1,190          |
| <b>Total current liabilities</b>     |      | <b>270</b>       | 11,553         |
| <b>Non-current liabilities</b>       |      |                  |                |
| Deferred tax                         | 7    | 72,855           | 103,414        |
| <b>Total non-current liabilities</b> |      | <b>72,855</b>    | 103,414        |
| <b>Total liabilities</b>             |      | <b>73,125</b>    | 114,967        |
| <b>Net assets</b>                    |      | <b>1,171,579</b> | 1,172,392      |
| <b>Equity</b>                        |      |                  |                |
| Share capital                        | 11   | 935,766          | 929,185        |
| Reserves                             | 12   | 144,047          | 200,440        |
| Retained profits                     | 13   | 91,766           | 42,767         |
| <b>Total equity</b>                  |      | <b>1,171,579</b> | 1,172,392      |

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

# Statement of Changes in Equity

for the year ended 30 June 2022

| Consolidated   | Share capital<br>\$'000 | Revaluation reserve<br>\$'000 | Realised capital gains reserve<br>\$'000 | Retained profits<br>\$'000 | Total equity<br>\$'000 |
|--|-------------------------|-------------------------------|--|----------------------------|------------------------|
| <b>Balance 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>       |
| Operating result after income tax expense for the year       | –                       | –                             | –  | 36,645                     | 36,645                 |
| Other comprehensive income for the year, net of tax          | –                       | 98,927                        | 23,032                                   | –                          | 121,959                |
| Total comprehensive income for the year                      | –                       | 98,927                        | 23,032                                   | 36,645                     | 158,604                |
| <i>Transactions with owners in their capacity as owners:</i> |                         |                               |  |                            |                        |
| Contributions of equity, net of transaction costs (note 11)  | 5,055                   | –                             | –  | –                          | 5,055                  |
| Dividends paid (note 14)                                     | –                       | –                             | –  | (39,174)                   | (39,174)               |
| <b>Balance 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>       |
| <b>Balance at 1 July 2021</b>                                | <b>929,185</b>          | <b>229,584</b>                | <b>(29,144)</b>                          | <b>42,767</b>              | <b>1,172,392</b>       |
| Operating result after income tax expense for the year       | –                       | –                             | –  | 100,799                    | 100,799                |
| Other comprehensive income for the year, net of tax          | –                       | (70,477)                      | 14,084                                   | –                          | (56,393)               |
| Total comprehensive income for the year                      | –                       | (70,477)                      | 14,084                                   | 100,799                    | 44,406                 |
| <i>Transactions with owners in their capacity as owners:</i> |                         |                               |  |                            |                        |
| Contributions of equity, net of transaction costs (note 11)  | 6,581                   | –                             | –  | –                          | 6,581                  |
| Dividends paid (note 14)                                     | –                       | –                             | –  | (51,800)                   | (51,800)               |
| <b>Balance at 30 June 2022</b>                               | <b>935,766</b>          | <b>159,107</b>                | <b>(15,060)</b>                          | <b>91,766</b>              | <b>1,171,579</b>       |

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

# Statement of Cash Flows

for the year ended 30 June 2022

|   | Note | Consolidated    |                |
|---|------|-----------------|----------------|
|   |      | 2022<br>\$'000  | 2021<br>\$'000 |
| <b>Cash flows from operating activities</b>                       |      |                 |                |
| Other receipts in the course of operations                        |      | –               | 2              |
| Payments to suppliers and employees                               |      | (2,100)         | (1,703)        |
| Dividends and distributions received                              |      | 104,512         | 41,996         |
| Interest received   |      | 141             | 109            |
| Proceeds from sale of trading portfolio                           |      | 9,961           | 42,925         |
| Payments for trading portfolio                                    |      | (9,316)         | (42,620)       |
| Income taxes paid   |      | (3,032)         | (2,628)        |
| <b>Net cash from operating activities</b>                         | 24   | <b>100,166</b>  | 38,081         |
| <b>Cash flows from investing activities</b>                       |      |                 |                |
| Payments for investments  |      | (171,601)       | (147,630)      |
| Proceeds from sale of investment portfolio                        |      | 145,865         | 135,990        |
| Capital returns received from investment portfolio                |      | 2,261           | –              |
| <b>Net cash used in investing activities</b>                      |      | <b>(23,475)</b> | (11,640)       |
| <b>Cash flows from financing activities</b>                       |      |                 |                |
| Share issue transaction costs                                     |      | (16)            | (21)           |
| Dividends paid  | 14   | (45,203)        | (34,104)       |
| <b>Net cash used in financing activities</b>                      |      | <b>(45,219)</b> | (34,125)       |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |      | <b>31,472</b>   | (7,684)        |
| Cash and cash equivalents at the beginning of the financial year  |      | 40,606          | 48,290         |
| <b>Cash and cash equivalents at the end of the financial year</b> | 8    | <b>72,078</b>   | 40,606         |

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

# Notes to the Financial Statements

for the year ended 30 June 2022

## Note 1. General information

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

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

Suite 302, Level 3  
1 Castlereagh Street  
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 July 2022. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### New or amended Accounting Standards and Interpretations adopted

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

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

### Basis of preparation

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

### Historical cost convention

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

### Critical accounting estimates

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

### Parent entity information

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

## Notes to the Financial Statements (continued)

### Note 2. Significant accounting policies (continued)

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BKI Investment Company Limited ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. BKI Investment Company Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

#### Operating segments

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

#### Financial instruments

##### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

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

##### Valuation of investment portfolio

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

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

##### Valuation of trading portfolio

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

## Notes to the Financial Statements (continued)

### Note 2. Significant accounting policies (continued)

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.

#### **Revenue**

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

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

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

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

#### **Income tax**

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

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

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

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

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

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

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

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

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



## Notes to the Financial Statements (continued)

### Note 2. Significant accounting policies (continued)

#### Cash and cash equivalents

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

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

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

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

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

#### Comparative figures

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

#### Rounding of amounts

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

#### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### Note 3. Critical accounting judgements, estimates and assumptions

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

#### Deferred tax balances

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

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

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

## Notes to the Financial Statements (continued)

### Note 4. Operating segments

#### Identification of reportable operating segments

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

### Note 5. Revenue

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2022<br>\$'000 | 2021<br>\$'000 |
| <b>(a) Ordinary revenue from investment portfolio</b>     |                |                |
| Fully franked dividends                                   | 50,673         | 28,437         |
| Unfranked dividends                                       | 5,998          | 4,777          |
| Trust distributions                                       | 5,933          | 6,524          |
| <b>Total ordinary revenue from investment portfolio</b>   | <b>62,604</b>  | <b>39,738</b>  |
| <b>(b) Special investment revenue</b>                     |                |                |
| Fully franked dividends                                   | 42,713         | 899            |
| Unfranked dividends                                       | –              | 123            |
| <b>Total special investment revenue</b>                   | <b>42,713</b>  | <b>1,022</b>   |
| <b>(c) Revenue from bank deposits</b>                     |                |                |
| Interest received   | 141            | 109            |
| <b>(d) Other income</b>                                   |                |                |
| Other income  | –              | 2              |
| <b>(e) Other gains</b>                                    |                |                |
| Net realised gain on sale of investments held for trading | 645            | 305            |
| <b>Total revenue</b>                                      | <b>106,103</b> | <b>41,176</b>  |

### Note 6. Operating expenses

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Administration expenses         | 463          | 414          |
| Employment expenses             | 175          | 239          |
| Investment management           | 1,320        | 1,167        |
| Professional fees               | 181          | 159          |
| <b>Total operating expenses</b> | <b>2,139</b> | <b>1,979</b> |

## Notes to the Financial Statements (continued)

### Note 7. Income tax

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| <b>(a) Income tax expense on operating profit before net gains on investments</b>  |                |                |
| Current tax  | 787            | 2,300          |
| Deferred tax – origination and reversal of temporary differences   | 1,684          | 658            |
| Adjustment recognised for prior periods  | 694            | (406)          |
| <b>Aggregate income tax expense</b>  | <b>3,165</b>   | <b>2,552</b>   |
| <b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>  |                |                |
| Operating result before income tax expense   | 103,964        | 39,197         |
| Tax at the statutory tax rate of 30%   | 31,189         | 11,759         |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income:<br>Franked dividends and distributions received | (28,718)       | (8,801)        |
|  | 2,471          | 2,958          |
| Adjustment recognised for prior periods  | 694            | (406)          |
| <b>Income tax expense</b>  | <b>3,165</b>   | <b>2,552</b>   |
| <b>(b) Total tax expense</b>   |                |                |
| Net income tax expense on operating profit before net gains on investments   | 3,165          | 2,552          |
| Income tax on net realised gains/(losses) on investment portfolio  | 6,036          | 9,871          |
| <b>Total tax expense</b>   | <b>9,201</b>   | <b>12,423</b>  |

#### (c) Movements in deferred tax assets

|                                    | Opening<br>balance<br>\$'000 | Credited/<br>(charged) to<br>statement of<br>comprehensive<br>income<br>\$'000 | Credited/<br>(charged)<br>to equity<br>\$'000 | Closing<br>balance<br>\$'000 |
|------------------------------------|------------------------------|--|---|------------------------------|
| 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>                |
| Transaction costs on equity issues | 257                          | (243)  | –   | 14                           |
| Accrued expenses                   | 39                           | (30)   | –   | 9                            |
| Realised capital tax losses        | 15,305                       | (7,492)  | –   | 7,813                        |
| <b>Balance as at 30 June 2022</b>  | <b>15,601</b>                | <b>(7,765)</b>   | <b>–</b>                                      | <b>7,836</b>                 |

## Notes to the Financial Statements (continued)

### Note 7. Income tax (continued)

#### (d) Movements in deferred tax liabilities

|  | Opening<br>balance<br>\$'000 | Credited/<br>(charged) to<br>statement of<br>comprehensive<br>income<br>\$'000 | Credited/<br>(charged)<br>to equity<br>\$'000 | Closing<br>balance<br>\$'000 |
|--|------------------------------|--|---|------------------------------|
| 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>               |
| Revaluation of investment portfolio                    | 101,911                      | –  | (30,513)                                      | 71,398                       |
| Unfranked dividends receivable and interest receivable | 1,503                        | (46)   | –   | 1,457                        |
| <b>Balance as at 30 June 2022</b>                      | <b>103,414</b>               | <b>(46)</b>  | <b>(30,513)</b>                               | <b>72,855</b>                |

|                                     | Consolidated   |                |
|-------------------------------------|----------------|----------------|
|                                     | 2022<br>\$'000 | 2021<br>\$'000 |
| <b>(e) Income tax refund due</b>    |                |                |
| Income tax refund due               | 51             | –              |
| <b>(f) Provision for income tax</b> |                |                |
| Provision for income tax            | –              | 1,190          |

### Note 8. Current assets – cash and cash equivalents

|              |        |        |
|--------------|--------|--------|
| Cash at bank | 72,078 | 40,606 |
|--------------|--------|--------|

### Note 9. Current assets – trade and other receivables

|  |              |               |
|--|--------------|---------------|
| Dividends and distributions receivable | 8,417        | 7,465         |
| Outstanding settlements on share sales | –            | 28,316        |
| Other receivables                      | 177          | 324           |
|  | <b>8,594</b> | <b>36,105</b> |

## Notes to the Financial Statements (continued)

### Note 10. Non-current assets – Investment portfolio

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| Listed securities at fair value through other comprehensive income | 1,156,086      | 1,194,994      |

#### Fair value measurement

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

### Note 11. Equity – Share capital

|                              | Consolidated   |                |                |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2022<br>Shares | 2021<br>Shares | 2022<br>\$'000 | 2021<br>\$'000 |
| Ordinary shares – fully paid | 743,074,632    | 739,002,595    | 935,766        | 929,185        |

#### Movements in ordinary share capital

|                                | Shares             | \$'000         |
|--------------------------------|--------------------|----------------|
| Balance at 1 July 2020         | 735,513,845        | 924,130        |
| Dividend reinvestment plan     | 3,488,750          | 5,069          |
| Transaction costs              | –                  | (14)           |
| Balance at 30 June 2021        | 739,002,595        | 929,185        |
| Dividend reinvestment plan     | 4,072,037          | 6,597          |
| Transaction costs              | –                  | (16)           |
| <b>Balance at 30 June 2022</b> | <b>743,074,632</b> | <b>935,766</b> |

#### Ordinary shares

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

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

## Notes to the Financial Statements (continued)

### Note 11. Equity – Share capital (continued)

#### Share buy-back

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

#### Capital risk management

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

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 2022 net debt was \$nil (2021: \$nil).

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

## Note 12. Equity – reserves

|                             | Consolidated   |                |
|-----------------------------|----------------|----------------|
|                             | 2022<br>\$'000 | 2021<br>\$'000 |
| Revaluation surplus reserve | 159,107        | 229,584        |
| Capital profits reserve     | (15,060)       | (29,144)       |
|                             | 144,047        | 200,440        |

#### Financial assets at fair value through other comprehensive income reserve

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

#### Realised capital gains reserve

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

## Notes to the Financial Statements (continued)

Note 12. Equity – reserves (continued)

### Movements in reserves

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

| <b>Consolidated</b>  | <b>Revaluation<br/>reserve</b><br>\$'000 | <b>Realised<br/>capital gains<br/>reserve</b><br>\$'000 | <b>Total</b><br>\$'000 |
|--|--|---|------------------------|
| Balance at 1 July 2020   | 130,657                                  | (52,176)  | 78,481                 |
| Gross revaluation of investment portfolio  | 141,324                                  | –   | 141,324                |
| Deferred tax provision on unrealised gains/losses  | (42,397)                                 | –   | (42,397)               |
| Net gains/(losses) on investment portfolio transferred from<br>Statement of Comprehensive Income | –  | 23,032  | 23,032                 |
| Balance at 30 June 2021  | 229,584                                  | (29,144)  | 200,440                |
| Gross revaluation of investment portfolio  | (100,681)                                | –   | (100,681)              |
| Deferred tax provision on unrealised gains/losses  | 30,204                                   | –   | 30,204                 |
| Net gains/(losses) on investment portfolio transferred from<br>Statement of Comprehensive Income | –  | 14,084  | 14,084                 |
| <b>Balance at 30 June 2022</b>   | <b>159,107</b>                           | <b>(15,060)</b>   | <b>144,047</b>         |

### Note 13. Equity – retained profits

|  | <b>Consolidated</b>   |                       |
|--|-----------------------|-----------------------|
|  | <b>2022</b><br>\$'000 | <b>2021</b><br>\$'000 |
| Retained profits at the beginning of the financial year  | <b>42,767</b>         | 45,296                |
| Operating result after income tax expense for the year   | <b>100,799</b>        | 36,645                |
| Dividends paid (note 14)                                 | <b>(51,800)</b>       | (39,174)              |
| <b>Retained profits at the end of the financial year</b> | <b>91,766</b>         | 42,767                |

## Notes to the Financial Statements (continued)

### Note 14. Equity - dividends

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| <b>(a) Dividends paid during the year</b>  |                |                |
| Final ordinary dividend for the year ended 30 June 2021 of 3.0 cents per share (2020: 2.32 cents per share) fully franked at the tax rate of 30%, paid on 26 August 2021 | 22,170         | 17,065         |
| Final special dividend for the year ended 30 June 2021 of nil cents per share (2020: 1.00 cent per share fully franked at the tax rate of 30%)                           | –              | 7,355          |
| Interim ordinary dividend for the year ended 30 June 2022 of 3.5 cents per share (2021: 2.0 cents per share) fully franked at the tax rate of 30%, paid on 3 March 2022  | 25,874         | 14,754         |
| Interim special dividend for the year ended 30 June 2022 of 0.5 cents per share (2021: nil cents per share) fully franked at the tax rate of 30%, paid on 3 March 2022   | 3,756          | –              |
| <b>Total dividends paid</b>  | <b>51,800</b>  | <b>39,174</b>  |
| <b>(b) Reconciliation of total dividends paid to dividends paid in cash</b>  |                |                |
| Total dividends paid   | 51,800         | 39,174         |
| Less: Dividends reinvested in shares via DRP   | (6,597)        | (5,069)        |
| <b>Dividends paid in cash</b>  | <b>45,203</b>  | <b>34,105</b>  |
| <b>(c) Franking accounting 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           | 43,538         | 24,043         |
| Franking credits available for subsequent financial years based on a tax rate of 30%   | 43,538         | 24,043         |
| Estimated impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year (refer below)                          | (14,808)       | (9,501)        |
| <b>Net imputation credits available for future dividends</b>   | <b>28,730</b>  | <b>14,542</b>  |
| <b>Maximum fully franked dividends payable from available franking credits at the tax rate of 30% (2021: 30%)</b>  | <b>67,035</b>  | <b>33,931</b>  |

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

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

#### Dividends declared after balance date

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2022 of 3.65 cents per share and a special dividend of 1.0 cents per share, both fully franked at the tax rate of 30% (2021: final ordinary dividend of 3.00 cents per share, franked at the tax rate of 30%), payable on 30 August 2022, but not recognised as a liability at the year end.



## Notes to the Financial Statements (continued)

### Note 15. Financial instruments

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

#### Capital risk management

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

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

#### Financial instruments' terms, conditions and accounting policies

The Group's accounting policies are included in Note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

#### Net fair values

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

#### Credit risk

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

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

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

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

#### Market risk

##### Price risk

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

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

The market value of the portfolio changes continuously because the market value of individual companies within the portfolio fluctuates throughout the day. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 93% (2021: 93%) of total assets.

As at 30 June 2022, a 5% (2021: 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 (2021: 5%); and
- A movement of 7.8 cents per share in the net asset backing before provision for tax on unrealised capital gains (2021: 8.1 cents).

## Notes to the Financial Statements (continued)

### Note 15. Financial instruments (continued)

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 2022 and 30 June 2021, the spread of investments was in the following sectors:

|                               | Percentage of total investment |               | Amount           |                  |
|-------------------------------|--------------------------------|---------------|------------------|------------------|
|                               | 2022<br>%                      | 2021<br>%     | 2022<br>\$'000   | 2021<br>\$'000   |
| Financials                    | 24.44                          | 30.70         | 302,237          | 387,217          |
| Materials                     | 14.82                          | 14.68         | 183,251          | 185,144          |
| Consumer discretionary        | 9.48                           | 12.22         | 117,283          | 154,125          |
| Energy                        | 9.06                           | 3.85          | 111,971          | 48,520           |
| Utilities                     | 8.00                           | 5.49          | 98,899           | 69,201           |
| Industrials                   | 7.36                           | 6.26          | 91,022           | 79,118           |
| Consumer staples              | 7.04                           | 8.18          | 87,029           | 103,217          |
| Health care                   | 5.89                           | 5.78          | 72,786           | 72,847           |
| Telecommunications services   | 5.69                           | 5.54          | 70,327           | 69,891           |
| Property                      | 1.72                           | 2.04          | 21,281           | 25,714           |
| <b>Total investments</b>      | <b>93.50</b>                   | <b>94.74</b>  | <b>1,156,086</b> | <b>1,194,994</b> |
| Cash and dividends receivable | 6.50                           | 5.26          | 80,495           | 66,374           |
| <b>Total portfolio</b>        | <b>100.00</b>                  | <b>100.00</b> | <b>1,236,581</b> | <b>1,261,368</b> |

Securities representing over 5% of the investment portfolio at 30 June 2022 or 30 June 2021 were:

|                         | Percentage of total investment |           | Amount         |                |
|-------------------------|--------------------------------|-----------|----------------|----------------|
|                         | 2022<br>%                      | 2021<br>% | 2022<br>\$'000 | 2021<br>\$'000 |
| BHP Group               | 8.8                            | 8.1       | 108,900        | 102,518        |
| Macquarie Group         | 8.7                            | 8.1       | 107,784        | 102,490        |
| APA Group               | 8.0                            | 5.5       | 98,899         | 69,201         |
| Commonwealth Bank       | 6.7                            | 8.7       | 82,926         | 109,166        |
| National Australia Bank | 5.5                            | 5.2       | 68,527         | 65,600         |
| Wesfarmers              | 3.8                            | 5.3       | 47,321         | 66,730         |

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

#### Foreign currency risk

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

## Notes to the Financial Statements (continued)

### Note 15. Financial instruments (continued)

#### 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 2022 (2021: Nil).

#### Liquidity risk

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

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

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

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

## Note 16. Key management personnel disclosures

#### Compensation

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

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2022<br>\$'000 | 2021<br>\$'000 |
| Short-term employee benefits | 248            | 209            |
| Post-employment benefits     | 25             | 20             |
| Share-based payments         | –              | 3              |
|                              | <b>273</b>     | <b>232</b>     |

## Note 17. Remuneration of auditors

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| Audit services – MGI Sydney Assurance Services Pty Ltd |                |                |
| Audit or review of the financial statements            | 28             | 28             |

## Note 18. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2022 and 30 June 2021.

## Note 19. Commitments

The Group had no capital and leasing commitments as at 30 June 2022 and 30 June 2021.

## Notes to the Financial Statements (continued)

### Note 20. Related party transactions

#### Parent entity

BKI Investment Company Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 22.

#### Key management personnel

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

#### Transactions with related parties

##### *Corporate & Administrative Services Pty Limited*

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

Fees paid to CAS for services provided to the Parent and controlled entities for the year to 30 June 2022 were \$126,042 (2021: \$122,100, including GST) and are at standard market rates. As at 30 June 2022 the Group owed \$11,458 to CAS (2021: \$nil).

##### *Contact Asset Management Pty Limited*

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

Fees payable to Contact for services provided to the Parent and controlled entities for the year to 30 June 2022 were \$1,430,827 including GST (2021: \$1,252,911) and are at standard market rates. As at 30 June 2022 the Group owed \$125,125 to Contact (2021: \$116,588).

#### Loans to/from related parties

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

## Notes to the Financial Statements (continued)

### Note 21. Parent entity information

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

|   | Parent           |                  |
|---|------------------|------------------|
|   | 2022<br>\$'000   | 2021<br>\$'000   |
| <b>Statement of profit or loss and other comprehensive income</b> |                  |                  |
| Operating result after income tax                                 | 100,797          | 36,674           |
| Other comprehensive income for the year, net of tax               | –                | 121,959          |
| <b>Total comprehensive income</b>                                 | <b>100,797</b>   | <b>158,633</b>   |
| <b>Statement of financial position</b>                            |                  |                  |
| Total current assets  | 80,779           | 76,763           |
| Total non-current assets  | 1,365,275        | 1,411,948        |
| Total assets  | 1,446,054        | 1,488,711        |
| Total current liabilities   | 190              | 11,474           |
| Total non-current liabilities                                     | 282,247          | 312,806          |
| Total liabilities   | 282,437          | 324,280          |
| Net assets  | 1,163,617        | 1,164,431        |
| <b>Equity</b>   |                  |                  |
| Share capital   | 935,766          | 929,185          |
| Reserves  | 144,858          | 201,251          |
| Retained profits  | 82,993           | 33,995           |
| <b>Total equity</b>   | <b>1,163,617</b> | <b>1,164,431</b> |

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

#### Significant accounting policies

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

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

## Notes to the Financial Statements (continued)

### Note 22. Interests in subsidiaries

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

| Name                                      | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|---|---|--------------------|-----------|
|   |   | 2022<br>%          | 2021<br>% |
| Brickworks Securities Pty Limited         | Australia   | 100                | 100       |
| Huntley Investment Company Pty Limited    | Australia   | 100                | 100       |
| BKI Sub Pty Limited                       | Australia   | 100                | 100       |
| Pacific Strategic Investments Pty Limited | Australia   | 100                | 100       |

### Note 23. Events after the reporting period

Since the end of the year the Directors have declared a final ordinary dividend for the year ended 30 June 2022 of 3.65 cents per share and a special dividend of 1.0 cents per share, both fully franked at the tax rate of 30% are payable on 30 August 2022, but are not recognised as a liability at the year end.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Note 24. Cash flow information

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2022<br>\$'000 | 2021<br>\$'000 |
| Operating result after income tax expense for the year | 100,799        | 36,645         |
| Adjustments for:                                       |                |                |
| Dividend income – non-cash                             | –              | (1,954)        |
| Change in operating assets and liabilities:            |                |                |
| Decrease/(increase) in trade and other receivables     | (805)          | 3,291          |
| Increase in income tax refund due                      | (51)           | –              |
| Decrease in deferred tax assets                        | 31,933         | 400            |
| Increase in prepayments                                | (6)            | (7)            |
| Increase in trade and other payables                   | 45             | 37             |
| Decrease in provision for income tax                   | (1,190)        | (1,249)        |
| Increase/(decrease) in deferred tax liabilities        | (30,559)       | 918            |
| Net cash from operating activities                     | 100,166        | 38,081         |

#### Non-cash investing and financing activities

##### Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$6,597,000 (2021: \$5,069,000) of dividends were paid via the issue of 4,072,037 shares (2021: 3,488,750).

## Note 25. Earnings per share

### (a) Calculation of earnings

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2022<br>\$'000 | 2021<br>\$'000 |
| Operating result after income tax attributable to the owners of BKI Investment Company Limited      | 100,799        | 36,645         |
| Less: Special investment revenue  | (42,713)       | (1,022)        |
| Add: Tax expense attributable to special investment revenue   | –              | 37             |
| Earnings used in calculating basic and diluted earnings per share before special investment revenue | 58,086         | 35,660         |

### (b) Number of shares

|  | 2022        | 2021        |
|--|-------------|-------------|
|  | Number      | Number      |
| Weighted average number of ordinary shares used in calculating basic earnings per share, before after special investment revenue       | 741,249,270 | 737,798,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share, before and after special investment revenue | 741,249,270 | 737,798,000 |

### (c) Earnings per share

|  | 2022  | 2021  |
|--|-------|-------|
|  | Cents | Cents |
| Basic and diluted earnings per share before special investment revenue | 7.84  | 4.83  |
| Basic and diluted earnings per share after special investment revenue  | 13.60 | 4.97  |

# Directors' Declaration

for the year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



**Robert D Millner**

*Chair*

19 July 2022

Sydney



# Independent Auditor's Report

to the Members of BKI Investment Company Limited



MGI Sydney Assurance Services Pty Limited  
Level 14, 20 Martin Place  
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](http://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 2022, 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 2022 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.

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

Chartered Accountants  
and Taxation Advisors

## Independent Auditor's Report (continued)

### Key Audit Matters

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

| Key Audit Matter  | How Our Audit Addressed the Key Audit Matter  |
|---|---|
| <p><b>Valuation and Existence of Investments</b></p> <p>The investment portfolio at 30 June 2022 comprised of listed equity investments of <b>\$1,156.09 million</b>.</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 2022, 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 16 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2022, 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 2022 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, 19 July 2022

# Auditor's Independence Declaration



MGI Sydney Assurance Services Pty Limited  
Level 14, 20 Martin Place  
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](http://www.mgisyd.com.au)

## 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 2022, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*MGI Sydney Assurance Services*

**Name of Firm:** MGI Sydney Assurance Services Pty Limited  
*Chartered Accountants*

A handwritten signature in black ink, appearing to read 'Clayton Lawrence', written over a horizontal line.

**Name of Auditor:**

**Clayton Lawrence**  
*Director*

**Address:** Level 14, 20 Martin Place, Sydney NSW 2000

**Dated this:** 19th day of July 2022

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

Chartered Accountants  
and Taxation Advisors

# Shareholder Information

for the year ended 30 June 2022

The shareholder information set out below was applicable as at 30 June 2022.

## Distribution of equitable securities

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

| Number of shares held                               | Ordinary shares   |                          |
|---|-------------------|--------------------------|
|   | Number of holders | % of total shares issued |
| 1 – 1,000   | 1,603             | 0.08                     |
| 1,001 – 5,000                                       | 2,664             | 1.03                     |
| 5,001 – 10,000                                      | 2,461             | 2.51                     |
| 10,001 – 100,000                                    | 9,477             | 43.43                    |
| 100,001 and over                                    | 1,170             | 52.95                    |
|   | <b>17,375</b>     | <b>100.00</b>            |
| Holding less than a marketable parcel of 301 shares | 697               | –                        |

## Equity security holders

### Twenty largest quoted equity security holders

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

|   | Ordinary shares    |                          |
|---|--------------------|--------------------------|
|   | Number held        | % of total shares issued |
| Washington H Soul Pattinson and Company Limited | 63,311,002         | 8.52                     |
| HSBC Custody Nominees (Australia) Limited       | 12,320,612         | 1.66                     |
| Huntley Group Investments Pty Limited           | 8,523,274          | 1.15                     |
| BNP Paribas Nominees Pty Limited                | 7,766,364          | 1.05                     |
| J S Millner Holdings Pty Limited                | 6,216,300          | 0.84                     |
| J P Morgan Nominees Australia Pty Limited       | 3,404,701          | 0.46                     |
| I R McDonald Pty Limited                        | 3,000,000          | 0.40                     |
| Netwealth Investments Limited                   | 2,759,974          | 0.37                     |
| Jeanneau Cloud Nine Pty Limited                 | 2,669,612          | 0.36                     |
| 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                     |
| T N Phillips Investments Pty Limited            | 2,058,962          | 0.28                     |
| K C Perks Investments Pty Limited               | 2,004,223          | 0.27                     |
| Citicorp Nominees Pty Limited                   | 1,993,111          | 0.27                     |
| Fennybentley Pty Limited                        | 1,800,000          | 0.24                     |
| G Guglielmini Nominees Pty Limited              | 1,713,785          | 0.23                     |
| Mr Timothy Frank Robertson                      | 1,661,364          | 0.22                     |
|   | <b>132,167,514</b> | <b>17.80</b>             |

## Shareholder Information (continued)

Equity security holders (continued)

Article 5.12 of the Company's Constitution provides:

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

### Unquoted equity securities

There are no unquoted equity securities.

### Substantial Shareholders

As at 30 June 2022 the name and holding of each substantial shareholder as disclosed in a notice received by the Parent is listed below. The number of shares held and percentage ownership do not necessarily reflect the current ownership levels of these shareholders, as any subsequent movements of less than 1% would not need to be disclosed to ASX or the Company.

| Substantial Shareholder                                    | Number Held | % of total shares issued |
|--|-------------|--------------------------|
| Washington H Soul Pattinson & Company Limited <sup>1</sup> | 62,405,057  | 8.40                     |
| Brickworks Limited <sup>2</sup>                            | 62,405,057  | 8.40                     |

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

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

### Other Information:

- There is no current on-market buy-back in place.
- There were 109 (2021: 113) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$448,268 (2021: \$553,659).

### 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.

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------|------|------|------|------|------|------|------|------|
| 0.71 | 0.56 | 0.46 | 0.46 | 0.31 | 0.19 | 0.18 | 0.18 | 0.19 |
| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| 0.17 | 0.18 | 0.16 | 0.15 | 0.16 | 0.17 | 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*

**Jacqueline Ann Clarke**

*Independent Non-Executive Director*

## Investment Manager

**Contact Asset Management Pty Limited (Contact)**

**Thomas Charles Dobson Millner**

*Portfolio Manager*

**William Anthony Culbert**

*Portfolio Manager*

## Company Secretaries

Jaime Perry Pinto

Amanda Wong

Larina Tcherkezian (Alternate)

## Registered office and principal place of business

Suite 302, Level 3  
1 Castlereagh Street  
Sydney NSW 2000

Telephone: (02) 7251 6242

Facsimile: (02) 8355 1617

### Postal Address:

PO Box H280  
Australia Square NSW 1215

## Share Registry

**Advanced Share Registry Services Limited**

110 Stirling Highway  
Nedlands, WA 6009

Telephone: (08) 9389 8033

## Auditor

**MGI Sydney Assurance Services Pty Ltd**

20 Martin Place  
Sydney NSW 2000

## ASX

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

## Website

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

## Corporate Governance Statement

[www.bkilimited.com.au/about-us/corporate-governance/#statement](http://www.bkilimited.com.au/about-us/corporate-governance/#statement)



**BKI INVESTMENT  
COMPANY LIMITED**

ABN: 23 106 719 868

Suite 302, Level 3  
1 Castlereagh Street  
Sydney NSW 2000