

## BKI's Top 20 Holdings at 30 June 2011

| Stock                         | Amount \$'000  | % of Total Portfolio |
|-------------------------------|----------------|----------------------|
| 1 New Hope Corporation        | 76,312         | 12.70%               |
| 2 BHP Billiton Limited        | 59,968         | 10.00%               |
| 3 National Australia Bank     | 47,112         | 7.90%                |
| 4 Commonwealth Bank           | 46,254         | 7.70%                |
| 5 Westpac Banking Corporation | 27,279         | 4.60%                |
| 6 Wesfarmers Limited          | 22,051         | 3.70%                |
| 7 Telstra Corporation Limited | 20,057         | 3.30%                |
| 8 Woolworths Limited          | 19,739         | 3.30%                |
| 9 Campbell Brothers Limited   | 17,807         | 3.00%                |
| 10 AGL Energy Limited         | 16,693         | 2.80%                |
| 11 Woodside Petroleum Limited | 15,990         | 2.70%                |
| 12 ANZ Banking Group          | 14,718         | 2.50%                |
| 13 QBE Insurance Group        | 12,706         | 2.10%                |
| 14 Metcash Limited            | 10,126         | 1.70%                |
| 15 Coca Cola Amatil Limited   | 9,653          | 1.60%                |
| 16 Westpac Preference Shares  | 9,539          | 1.60%                |
| 17 TPG Telecom Limited        | 7,426          | 1.20%                |
| 18 InvoCare Limited           | 7,058          | 1.20%                |
| 19 ASX Limited                | 6,560          | 1.10%                |
| 20 AMP Limited                | 6,416          | 1.10%                |
| Cash and cash equivalents     | 38,248         | 6.40%                |
|                               | <b>491,712</b> | <b>82.20%</b>        |

## Portfolio Movements

During FY2011 BKI invested \$38m into the market with major purchases including ANZ Banking Corporation, Milton Corporation, Telstra Corporation, Commonwealth Bank, Coca Cola Amatil, AMP Limited, QUBE Logistics, UGL Limited, QBE Insurance Group and Woolworths Limited.

The holding in Milton Corporation was increased due to the acquisition of Choiseul Investments as was the

holding in AMP Limited due to the acquisition of AXA Asia Pacific Holdings.

Major divestments from the BKI Investment Portfolio totalled \$16m and included Westfield Retail Trust, Boral Limited, GPT Group, Consolidated Media Holdings and Fosters Group.

Divestments from the portfolio as a result of corporate activity were Choiseul Investments, Intoll Group, The Mac Services Group, AXA Asia Pacific Holdings and AWB Limited.

## Outlook

Investing in this environment requires a disciplined focus on the merits of individual companies rather than market and economic trends. The management and Board of BKI believe your Investment Portfolio is well placed for the longer term.

Many companies are trading at significant discounts to their long term historical averages whilst offering very attractive fully franked yields. BKI remains in a strong position to take advantage of investment opportunities when they arise.

Balance sheets of quality companies appear more robust than ever. With this in mind, BKI remains confident that dividend distributions will continue to improve during the FY2011 reporting season and into FY2012. BKI will, however, be cautious of companies whose earnings are exposed to the high Australian Dollar and consumer activity in the upcoming reporting season.

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## Full Year Review 30 June 2011

### Performance Highlights

Total Ordinary Income rose 12% to \$27.6m

Net Operating Profit before special dividend income increased 13% to \$25.3m.

BKI's MER as at 30 June 2011 was 0.18%, down from 0.19%.

BKI's Net Portfolio Return for the 12 months to 30 June 2011 was 12.0%.

Net tangible asset backing per ordinary share before tax has increased to \$1.42, up from \$1.32 at 30 June 2010.

Final dividend of 3.0cps, fully franked.

Special dividend of 1.0cps fully franked.

## Results for Full Year 2011

### Revenue Performance:

Total Ordinary Income Up 12.2% to \$27.6m

### Profits:

Operating Profit After Tax\* Up 13.1% to \$25.3m

### Portfolio:

Total Portfolio Value Up 8% to \$599.5m

\*Before special dividend income.

### Earnings Per Share:

Basic earnings per share before special dividend income was up 10.6% to 6.02 cents per share.

Basic earnings per share after special dividend income and losses on investment portfolio was down 6.2% to 7.10 cents per share.

## Commentary for Full Year 2011

Retail investors continue to be bombarded with negativity surrounding weak global economies, high local interest rates and pressure on household affordability. As a defensive reaction to these circumstances we have seen household savings increase as the uncertainty on the future cost of living escalates.

This is therefore having a negative impact on the local stock market as many individuals reduce their exposure to Australian shares. Offshore investors have also fled our market due to the high Australian Dollar and uncertainty surrounding federal government policies.

BKI can understand the caution that many investors have shown, in particular over the past 3 months. Being a long term investor, however, BKI has continued to act upon these opportunities and invest for the future.

### Dividends

The Final dividend declared is 3.0 cents per share fully franked. BKI also declared a fully franked special dividend of 1.0 cent per share. BKI is currently trading on a fully franked dividend yield of 5.8% and a grossed up yield of 8.3% (based on the share price as at 30 June 2011 of \$1.21).

BKI's Dividend Reinvestment Plan has been maintained.

### Net Asset Backing Per Share

BKI's Pre Tax net asset backing of the company's shares at 30 June 2011 was \$1.42. This is up from \$1.32 as at 30 June 2010.

As at 30 June 2011 BKI was trading at a 15% discount to the Pre Tax NTA. This discount represents a good opportunity for investors to acquire BKI shares at a discount to the true value of the share portfolio.

### Performance

BKI's Net Portfolio Return (after all operating expenses, provision and payment of income and capital gains tax and the reinvestment of dividends) for the 12 months to 30 June 2011 was 12.0% compared to the S&P/ASX 300 Accumulation Index which increased by 11.9%.

BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 30

June 2011 was 11.2% compared to the S&P/ASX 300 Accumulation Index which increased by 11.9%.

BKI reports "Net" performance numbers, which include all operating expenses, provision and payment of both income and capital gains tax. Performance numbers also don't capture the benefit of franking credits to shareholders.

### Management Expense Ratio (MER)

Operating expenses for the 12 months were kept low. BKI's MER as at 30 June 2011 was 0.18%, down from 0.19% as at 30 June 2010.

BKI is internally managed and does not charge shareholders external management fees or a performance fee.

BKI's MER continues to compare very favourably with those of the largest and long established LICs within the industry.

As can be seen from Chart 1 below, BKI has been successful in significantly reducing the Company's MER since listing in 2003.

Chart 1 – BKI MER (FY2004 – FY2011)

