



**BKI INVESTMENT
COMPANY LIMITED**

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ABN 23 106 719 868

**ASX Appendix 4D
Half Year Financial Report
31 December 2009**

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half-year ended 31 December 2009 with the previous corresponding period to 31 December 2008.

BKI Investment Company Limited

Half Year ended 31 December 2009

Results for Announcement to the Market

		% Change		\$'000
Revenue Performance:				
Dividend / distribution income - Ordinary	Up	4.6%	to	10,124
Dividend / distribution income - Special	Up	761.4%	to	11,155
Total revenue from ordinary activities	Up	88.5%	to	22,778
Profits:				
Operating profit after tax but before special dividend income, realised and unrealised losses on investment portfolio and discount on acquisition	Up	11.7%	to	10,676
Dividend income - Special	Up	761.4%	to	11,155
Net realised losses on investment portfolio before tax	Down	168.3%	to	(2,358)
Discount recognised on acquisition of controlled entity	Down	100.0%	to	<u>(46)</u>
Net profit from ordinary activities after tax attributable to shareholders	Up	36.4%	to	19,427
Net profit attributable to shareholders	Up	36.4%	to	19,427
Portfolio:				
Total Portfolio Value	Up	26.3%	to	603,980
Earnings per share: *				Cents
Basic earnings per share before special dividend income and losses on investment portfolio	Down	18.5%	to	2.63
Basic earnings per share after special dividend income and losses on investment portfolio	Up	2.8%	to	4.79
* Includes increased share capital post the acquisition of Huntley Investment Company Limited				
Dividends:				
Interim - Ordinary				2.50
Interim - Special				0.50
Total				3.00

BKI Investment Company Limited

Half Year ended 31 December 2009

Results for Announcement to the Market - Continued

Explanation of Operating Results

The reported consolidated profit for the half-year ended 31 December 2009 was \$19,427,000, an increase of 36.4% over the previous corresponding period, and includes a significant special dividend paid by New Hope Corporation during the half.

NTA Backing

	31/12/2009	31/12/2008
Net tangible asset backing per ordinary share before tax	145.4 cents	113.1 cents
Net tangible asset backing per ordinary share after tax	136.0 cents	112.8 cents

Additional Dividend Information

An interim dividend of 2.5 cents per share fully franked at the tax rate of 30% and a special dividend of 0.5 cents per share fully franked at the tax rate of 30% will be paid on 12 March 2010. The Record date for determining entitlements to the dividend will be Friday, 26 February 2010.

The Company has a Dividend Reinvestment Plan in operation offering shareholders a 2.5% discount to the market price instead of receiving cash dividends. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is 26 February 2010.

Shareholders can update their election notices electronically by following the link on the Share Registry page of the BKI Investment Company Limited website. (<http://www.bkilimited.com.au>)

BKI Investment Company posts 12 per cent lift in profit to \$10.7 million

- Operating profit up 11.7 per cent to \$10.7 million.
- Net Profit After Tax increased 36.4 per cent to \$19.4m, boosted by special dividend income.
- Income from ordinary dividends and distributions rose 4.6 per cent to \$10.1m.
- Internally managed model helps reduce operating expenses by 48.3 per cent.
- MER fell to 0.17 per cent as at December 31, 2009.
- Total portfolio value has increased 25.9 per cent to \$605.6m.
- Net tangible asset backing per ordinary share before tax has increased to \$1.45, up from \$1.22 at 30 June 2009.
- Interim dividend includes an ordinary dividend of 2.5cps plus a special dividend of 0.5cps, both fully franked.

Listed investment company BKI today announced a 12 per cent lift in operating profit to \$10.7 million.

Net profit after tax increased 36.4 per cent to \$19.4 million, boosted by a significant special dividend paid by New Hope Corporation.

BKI Chairman Robert Millner said the 11.7 per cent increase in operating profit before the special dividend to \$10.7 million was a significant result in a challenging market.

"The longer-term performance of BKI has been very strong in one of the more difficult investment environments we've seen," he said.

The interim dividend will be made up of a 2.5 cents per share ordinary dividend as well as a 0.5 cents per share special dividend, both fully franked. The record date will be February 26, 2010 with a payment date of March 12, 2010. BKI's Dividend Reinvestment Plan will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI at a discount of 2.5 per cent.

BKI raised \$24.1m under its Share Purchase Plan, which closed on September 21, 2009. Shareholders were given the opportunity to purchase shares up to a maximum value of \$14,998.98 at \$1.18 per share.

Operating Expenses were \$476,000 at December 31, 2009, a reduction of 48.3 per cent on the corresponding period.

Chief Executive Officer Tom Millner said: "BKI's Management Expense Ratio has now decreased from 0.42 per cent to 0.17 per cent over the last twelve months. This has been achieved by significantly cutting costs whilst also increasing the value of the Investment Portfolio."

BKI's Net Portfolio Return (after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends) for the 6 months to 31st December 2009 was 22.0 per cent. The S&P/ASX 300 Accumulation Index increased by 25.7 per cent over the same period.

BKI's Share Price Performance (including the reinvestment of dividends) for the 6 months to 31st December 2009 was 25.9 per cent compared to the S&P/ASX 300 Accumulation Index which increased by 25.7 per cent.

The volatile markets have provided further investment opportunities for BKI.

Tom Millner said: "We have continued with our long-term investment strategy, investing further in well managed, profitable businesses.

"There are companies that are currently representing good value in this market. Many stocks are trading at discounts to historical averages and are presenting good opportunities for the long term investor on both a valuation and an income basis. We are prepared to look past the markets short term negativity and continue to invest for the future."

"We invested some \$12.5m into the market over the last six months with major investments including ANZ Banking Group, Metcash, Telstra, UGL Limited, Ramsay Health Care, Coca-Cola Amatil, Foster's Group, Invocare, ASX Limited, Woolworths, QBE Insurance, Wesfarmers and ARB Corporation.

"Major divestments from the BKI Investment Portfolio as a result of significantly reduced dividend payments or uncertainty surrounding future dividend payments include Macquarie Group, Alumina and Qantas Airways," he added.

At December 31, 2009 BKI held \$65.7m in cash and dividends receivables. The cash position represents some 10.8 per cent of the total assets.

Outlook

Tom Millner said the long term outlook for the Australian equity market looks bright; however it will be vital that companies in the forthcoming reporting season hit their earnings targets.

"Any delay in companies returning to positive growth rates in FY11 could see some significant downward pressure on their share prices," he said.

"Two issues that will influence local stocks in particular will be the Australian dollar and higher funding costs."

"Those companies who have little to no debt, strong cash flows and attractive dividend yields will again be a standout."

Rob Millner said: "The Board and management of BKI are confident that the investment portfolio is well positioned for both income and capital growth over the coming years.

"BKI is in a strong position to continue to take advantage of investment opportunities when they arise."

Contact:

Media

Matthew Horan 0403 934 958

Investors

Tom Millner 02 9238 0522

BKI Investment Company Limited
Half Year ended 31 December 2009

TOP 20 INVESTMENTS AT 31 DECEMBER 2009

Stock	Market Value (\$'000)	Portfolio Weight * %
1 New Hope Corporation Limited	69,227	12.8%
2 BHP Billiton Limited	59,190	11.0%
3 National Australia Bank Limited	48,305	8.9%
4 Commonwealth Bank	44,936	8.3%
5 Westpac Banking Corporation	28,693	5.3%
6 Wesfarmers Limited	20,579	3.8%
7 Telstra Corporation Limited	19,196	3.6%
8 Woolworths Limited	17,556	3.3%
9 Woodside Petroleum Limited	16,992	3.1%
10 QBE Insurance Group Limited	15,727	2.9%
11 AGL Energy Limited	15,043	2.8%
12 Campbell Brothers Limited	11,174	2.1%
13 Westpac Stapled Preferred Securities II	9,467	1.8%
14 Australia and New Zealand Banking Group Limited	9,360	1.7%
15 Metcash Limited	8,180	1.5%
16 Coca Cola Amatil Limited	7,733	1.4%
17 AMP Limited	6,776	1.3%
18 ASX Limited	6,573	1.2%
19 TPG Telecom Limited	6,254	1.2%
20 Brambles Limited	6,097	1.1%
	<hr/>	
	427,058	79.1%

* Excludes cash and includes both trading and investment portfolios



ABN 23 106 719 868

HALF-YEAR REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

BKI INVESTMENT COMPANY LIMITED**ABN: 23 106 719 868****CORPORATE DIRECTORY****Directors**

Robert Dobson Millner	Non-Executive Director and Chairman
David Capp Hall	Non-Executive Director
Alexander James Payne	Non-Executive Director
Ian Thomas Huntley	Non-Executive Director

Chief Executive Officer

Thomas Charles Dobson Millner

Company Secretary

Richard James Pillinger

Registered Office

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GPO Box 5015
Sydney 2001

Auditors

Ruwald & Evans
Level 1
276 Pitt Street
SYDNEY NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney 2000

Australian Stock Exchange Code

Ordinary Shares BKI

Website

www.bkilimited.com.au

BKI Investment Company Limited

Half Year ended 31 December 2009

DIRECTORS' REPORT

The directors of BKI Investment Company Limited (the Company) present the following report for the six months to 31 December 2009.

1. Directors

The following persons were directors of the Company during the half-year to the date of this report:

Robert Dobson Millner, Chairman
David Capp Hall, Non Executive Director
Alexander James Payne, Non Executive Director
Ian Thomas Huntley, Non Executive Director

Mr Geoffrey Guild Hill resigned as a Director on 8th September 2009.

2. Review of the Company's operations and results

Corporate Objectives

The Company aims to generate a positive income stream for distribution to its shareholders in the form of franked dividends, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Investment Strategy

The Company is a long-term investor in companies, trusts and interest bearing securities with a focus on Australian entities. It primarily seeks to invest in well-managed businesses with a profitable history and with the expectation of sound dividend and distribution growth.

Financial Performance

The consolidated profit for the half year ending 31 December 2009 was \$19,427,000 (2008: \$14,238,000).

There was a strong growth in operating profit after tax but before special investment revenue, other gains and realised gains on investment portfolio which was up by 11.7% to \$10,676,000 (2008: \$9,554,000). Special investment revenue was up by 761.4% to \$11,155,000 (2008: \$1,295,000).

There was a net realised loss on the investment portfolio of \$2,358,000 (2008: loss \$879,000).

DIRECTORS' REPORT (continued)

3. Significant changes in the state of affairs

Other than as stated above and in the Financial Report, there were no significant changes in the state of affairs of the Company during the reporting period.

4. Auditor's Independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

5. Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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

Robert D Millner
Director

Sydney
9 February 2010

BKI Investment Company Limited
Half Year ended 31 December 2009

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR TO 31 DECEMBER 2009

	Note	Dec-09 \$ '000	Dec-08 \$ '000
Revenue from investment portfolio	2 (a)	10,147	9,679
Revenue from bank deposits	2 (c)	923	1,414
Other income	2 (d)	16	-
Other gains	2 (e)	537	(301)
Income from operating activities before special investment revenue and net gains / (losses) on investment portfolio		11,623	10,792
Operating expenses	3	476	920
Operating profit before income tax expense, special investment revenue and net gains / (losses) on investment portfolio		11,147	9,872
Income tax expense		(471)	(318)
Net operating profit before special investment revenue and net gains / (losses) on investment portfolio		10,676	9,554
Special investment revenue	2 (b)	11,155	1,295
Net operating profit before net gains / (losses) on investment portfolio		21,831	10,849
Realised (losses) / gains on investment portfolio		(3,368)	(1,253)
Tax credit / (expense) relating to net realised (losses) / gains on investment portfolio		1,010	374
Net realised (losses) / gains on investment portfolio		(2,358)	(879)
Discount on acquisition of controlled entity		(46)	4,122
Profit for the half year after net (losses)/gains on investment portfolio, discount on acquisition and unrealised impairment loss		19,427	14,092
Net loss attributable to Minority Interest		-	146
Profit for the half year attributable to members of the Company		19,427	14,238
		Cents	Cents
Basic and diluted earnings per share on operating profit before special investment revenue, other gains and realised gains on investment portfolio	4	2.63	3.23
Basic and diluted earnings per share including after tax special investment revenue, other gains and realised gains on investment portfolio	4	4.79	4.66

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

BKI Investment Company Limited
Half Year ended 31 December 2009

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 DECEMBER 2009

	Dec-09	Dec-08
	\$ '000	\$ '000
Profit for the half year attributable to members of the Company	19,427	14,238
Other Comprehensive Income		
Unrealised gains / (losses) on investment portfolio	93,191	(102,377)
Deferred tax (expense) / credit on unrealised gain / (losses) on investment portfolio	(27,957)	30,713
Net capital gains / (losses) not recorded through the Income Statement	<u>65,234</u>	<u>(71,664)</u>
Total Comprehensive Income	<u>84,661</u>	<u>(57,426)</u>

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

BKI Investment Company Limited
Half Year ended 31 December 2009

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	Dec-09 \$ '000	Jun-09 \$ '000
Current Assets			
Cash and cash equivalents		64,142	35,818
Trade and other receivables		1,606	2,919
Trading Portfolio	5	1,132	247
Prepayments		81	39
Total Current Assets		66,961	39,023
Non-Current Assets			
Investment Portfolio	5	538,706	442,210
Property, Plant & Equipment		10	11
Deferred tax assets		4,176	3,300
Total Non-Current Assets		542,892	445,521
Total Assets		609,853	484,544
Current Liabilities			
Trade and other payables		106	84
Current tax liabilities		11	2,043
Employee Benefits		6	3
Total Current Liabilities		123	2,130
Non-Current Liabilities			
Trade and other payables		-	-
Deferred tax liabilities		39,436	11,275
Total Non-Current Liabilities		39,436	11,275
Total Liabilities		39,559	13,405
Net Assets		570,294	471,139
Equity			
Share capital	6	447,243	420,925
Revaluation reserve		91,676	26,442
Realised capital gains reserve		1,384	3,742
Retained profits		29,991	20,030
Total Equity		570,294	471,139

This Balance Sheet should be read in conjunction with the accompanying notes.

BKI Investment Company Limited
Half Year ended 31 December 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR TO 31 DECEMBER 2009

CONSOLIDATED ENTITY	Share Capital \$ '000	Revaluation Reserve \$ '000	Realised Capital Gains Reserve \$ '000	Minority Interests \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Total equity at 1 July 2008	322,915	67,381	6,048	-	15,079	411,423
Issue of shares, net of cost	89,510	-	-	-	-	89,510
Dividends paid or provided for	-	-	-	-	(8,729)	(8,729)
Revaluation of investment portfolio	-	(102,377)	-	-	-	(102,377)
Provision for tax on unrealised losses	-	30,713	-	-	-	30,713
Minority Interest in controlled entity	-	-	-	6,776	-	6,776
Profit for the year	-	-	(879)	-	15,117	14,238
Total equity at 31 December 2008	412,425	(4,283)	5,169	6,776	21,467	441,554
Total equity at 1 July 2009	420,925	26,442	3,742	-	20,030	471,139
Issue of shares, net of cost	26,318	-	-	-	-	26,318
Dividends paid or provided for	-	-	-	-	(11,824)	(11,824)
Revaluation of investment portfolio	-	93,191	-	-	-	93,191
Provision for tax on unrealised losses	-	(27,957)	-	-	-	(27,957)
Profit / (Loss) for the year	-	-	(2,358)	-	21,785	19,427
Total equity at 31 December 2009	447,243	91,676	1,384	-	29,991	570,294

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

BKI Investment Company Limited
Half Year ended 31 December 2009

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR TO 31 DECEMBER 2009

	Note	Dec-09 \$ '000	Dec-08 \$ '000
Cash flows from operating activities			
Payments to suppliers and employees		(524)	(1,103)
Other receipts in the course of operations		16	29
Dividends and distributions received		23,763	14,343
Payments for held for trading financial assets		(1,376)	-
Proceeds from sale of held for trading financial assets		1,028	75
Interest received		569	1,501
Income tax paid		(2,164)	-
Net cash inflows from operating activities		21,312	14,845
Cash flows from investing activities			
Cash acquired on acquisition of controlled entity		-	16,331
Payment for available for sale investments		(16,327)	(15,427)
Proceeds from sale of available for sale investments		8,845	3,934
Payments for plant and equipment		-	(11)
Net cash (outflow) / inflow from investing activities		(7,482)	4,827
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs	6 (b)	24,030	(80)
Dividends paid		(9,536)	(7,310)
Net cash inflow / (outflow) from financing activities		14,494	(7,390)
Net increase in cash held		28,324	12,282
Cash at the beginning of the period		35,818	43,645
Cash at the end of the period		64,142	55,927

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

BKI Investment Company Limited
Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations act 2001, Australian Accounting Standard AASB 134: Interim Financial reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by BKI Investment Company Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies are consistent with those applied in the 30 June 2009 Annual Report, except as follows:

AASB 101 (revised): *Presentation of Financial Statements*

With effect from 1 July 2009, the Company has adopted the revised AASB 101 – *Presentation of Financial Statements*. This standard requires the presentation of a new Statement of Comprehensive Income separate from changes in equity arising from transactions with shareholders.

The adoption of this new standard has no impact on the Company's net assets, net profit or total recognised gains and losses, but changes the statement where certain gains and losses are presented. Previously, unrealised gains / (losses) on the investment portfolio and the associated deferred tax (charge) / credit were presented in the Statement of Changes in Equity. These items are now presented as components of "Other Comprehensive Income" in the new Statement of Comprehensive Income.

AASB 9: *Financial Instruments*

The Company has early adopted AASB 9 – *Financial Instruments*, with effect from 31 December 2009. Under this new standard, the Company has designated the investments in the investment portfolio held at that date as at "fair value through other comprehensive income".

Application of the new standard results in realised gains and losses arising from the disposal of investments in the investment portfolio (and the associated tax charge / (credit)) being recognised as "Other Comprehensive Income" in the new Statement of Comprehensive Income instead of forming a component of profit in the Income Statement.

BKI Investment Company Limited

Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2009

1. BASIS OF PREPARATION (continued)

Under the old accounting standard where there was objective evidence of impairment, an impairment charge was required to be booked through the income statement, even where no loss had been realised. There are no such impairment provisions for the Company's investments in the new standard. The adoption of this accounting standard has no impact on the valuation of the Company's investments and therefore no impact on the Company's net assets or total comprehensive income.

The adoption of both of these standards results in all realised and unrealised gains and losses on the investment portfolio being reported through the Statement of Comprehensive Income.

AASB 9 may only be applied retrospectively for those investments held on the date of adoption, 31 December 2009. However, investments which were sold prior to 31 December 2009 continue to be accounted for under AASB 139, resulting in the realised gains or losses on these sales continuing to form a component of profit.

Therefore both the comparative period and the current period profits include realised gains or losses from the sale of investments from the investment portfolio. All sales from the investment portfolio subsequent to 31 December 2009 will be accounted for through other comprehensive income and not profit. Comparatives have only been restated in respect of those investments the Company held at 31 December 2009. This restatement only impacts the allocation of reserves at 30 June 2009, with no impact on net profit or net assets. Further information has been provided in note 13.

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

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities

Reporting Basis and Conventions

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

BKI Investment Company Limited
Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009 (continued)

	Dec-09 \$ '000	Dec-08 \$ '000
2. Revenues		
(a) Revenue from investment portfolio		
Rebateable dividends:		
- other corporations	8,929	9,108
Non - rebateable dividends:		
- other corporations	613	180
Distributions:		
- other corporations	582	391
Interest received - notes	23	-
	<u>10,147</u>	<u>9,679</u>
(b) Special investment revenue		
Rebateable dividends - special:		
- other corporations	11,155	1,295
	<u>11,155</u>	<u>1,295</u>
(c) Revenue from bank deposits		
Interest received	923	1,414
	<u>923</u>	<u>1,414</u>
(d) Other income		
Other revenue	16	-
	<u>16</u>	<u>-</u>
(e) Other gains / losses		
Net gain on sale of investments held for trading	152	6
Unrealised net gain / (loss) on investments held for trading	385	(307)
	<u>537</u>	<u>(301)</u>
Total Income	<u>22,778</u>	<u>12,087</u>
3. Operating Expenses		
Administration expenses	210	189
Occupancy Costs	4	2
Employee and Directors expense	196	97
Professional fees	65	102
Depreciation	1	-
Management fees	-	530
Total Expenditure	<u>476</u>	<u>920</u>

BKI Investment Company Limited
Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009 (continued)

4. Earnings per Share

	Dec-09	Jun-09
	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	405,709,202	305,451,570
	Dec-09	Jun-09
	\$ '000	\$ '000

5. Financial Assets - Investment Portfolio

Current Investment Portfolio

Listed securities at fair value held for trading:

- Shares in other corporations	1,132	247
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Non-Current Investment Portfolio

Listed securities at fair value available for sale:

- Shares in other corporations	538,706	442,210
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Total Investment Portfolio	539,838	442,457
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6. Share Capital

(a) Issued and paid-up capital

416,573,537 ordinary shares fully paid (2008: 394,143,000)

447,243	420,925
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(b) Movement in ordinary shares

	Dec-09	
	Number of	\$'000
	Shares	
Beginning of the period	394,143,000	420,925
Issued during the half year:		
- dividend reinvestment plan	2,006,725	2,288
- share purchase plan	20,423,812	24,100
- less net transaction costs		(70)
End of the period	416,573,537	447,243

BKI Investment Company Limited
Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009 (continued)

	Dec-09 \$ '000	Dec-08 \$ '000
7. Dividends		
(a) Dividends paid		
Final dividend for the year ended 30 June 2009 of 3.0 cents per share (2008: 3.0 cents per share) fully franked at the tax rate of 30%	11,824	6,811

(b) Dividends declared after balance date

Since the end of the half year the directors have declared an interim dividend for the year ended 30 June 2010 of 2.5 cents per share (2009: final 3.0 cents per share) fully franked at the tax rate of 30% and a special dividend of 0.5 cents per share (2009: nil) fully franked at the tax rate of 30%, payable on 12 March 2010, but not recognised as a liability at the half year.

8. ACQUISITION OF CONTROLLED ENTITIES

During the half year ended 31 December 2009 the Company did not acquire any controlled entities.

During the half year ended 31 December 2008, BKI Investment Company Limited increased their holding in the issued share capital of Huntley Investment Company Limited, a listed investment company, from 4% to 94%. Consideration for the 90% acquired consisted of the issue of 92,808,955 shares in BKI Investment Company Limited.

The fair value of the net assets acquired by 31 December 2008 was \$99,522,000.

The remaining 6% of Huntley Investment Company Limited share capital was acquired under compulsory acquisition in January 2009, resulting in the issue of an additional 6,553,707 shares in BKI Investment Company Limited.

9. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2009 annual financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009 (continued)

10. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2009.

11. EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2009 to the date of this report there has been no event of which the directors are aware which has had a material effect on the Company or its financial position.

12. FINANCIAL REPORTING BY SEGMENTS

The Company operates predominately in the securities industry in Australia and has no reportable segments.

13. EFFECT OF CHANGES IN ACCOUNTING STANDARDS

The impact on comparative profit, other comprehensive income and the allocation of the company's reserves resulting from the adoption of AASB 9 is summarised below.

(i) Net profit

The adoption of AASB 9 has no impact on the profit for the 6 months ended 31 December 2008.

(ii) Other comprehensive income

The adoption of AASB 9 has no impact on the other comprehensive income for the 6 months ended 31 December 2008.

(iii) Shareholders' equity

During the year ended 30 June 2009, under the old AASB 139, the Company was required to book an impairment charge. There are no provisions for impairment in the new standard, which is retrospectively applied to investments held at the date of adoption, 31 December 2009.

BKI Investment Company Limited
Half Year ended 31 December 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2009 (continued)

13. EFFECT OF CHANGES IN ACCOUNTING STANDARDS (continued)

The Company has not sold the investments against which an impairment charge was taken at 30 June 2009, and therefore retrospectively applying AASB 9 at 30 June 2009 results in the reversal of this impairment charge (as this will be taken as an unrealised loss through other comprehensive income instead of an impairment loss through profit).

This results in the following restatement of reserves on the 30 June 2009 balance sheet.

	As previously reported \$'000	Reverse impairment charge \$'000	Restated \$'000
Share capital	420,925	-	420,925
Revaluation reserve	27,448	(1,006)	26,442
Realised capital gains reserve	3,742	-	3,742
Retained profits	19,024	1,006	20,030
Total Shareholder's Equity	<u>471,139</u>	<u>-</u>	<u>471,139</u>

BKI Investment Company Limited
Half Year ended 31 December 2009

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of BKI Investment Company Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity as set out on pages 11 to 22 are in accordance with the Corporations Act 2001, including:
 - 1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
 - 2. complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Robert D Millner
Director

Sydney
9 February 2010

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****BKI INVESTMENT COMPANY LIMITED**

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BKI Investment Company Limited, which comprises the balance sheet as at 31 December 2009, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BKI Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.



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Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BKI Investment Company Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

Ruwald + Evans

RUWALD & EVANS



Martin Bocxe

Partner

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SYDNEY NSW 2000

9 February, 2010

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Auditors' Independence Declaration

As lead auditor for the review of BKI Investment Company Limited and its controlled entities for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BKI Investment Company Limited and its controlled entities during the period.

Ruwald + Evans

RUWALD & EVANS


Martin Bocxe
Partner

Level 1, 276 Pitt Street
SYDNEY NSW 2000

9 February 2010