



**BKI INVESTMENT
COMPANY LIMITED**

Office Level 2, 160 Pitt Street Mall, Sydney NSW 2000

Telephone +61 2 9210 7000 Fax +61 2 9210 7099

Web www.bkilimited.com.au

ABN 23 106 719 868

Appendix 4D - Half Year Report

31 December 2011

Lodged with the ASX under Listing Rule 4.2A

Contents

Appendix 4D – Half Year Report	2-3
Media Release	4-7
Interim Financial Report	8-21
Auditors Independent Review Report	22-23
Auditors Independence Declaration	24

Reporting Period

The reporting period is the Half-Year ended 31 December 2011 with the previous corresponding period being the Half-Year ended 31 December 2010.

BKI Investment Company Limited
Half Year ended 31 December 2011

Appendix 4D – Half Year Report

Results for Announcement to the Market

		% Change		\$'000
Revenue Performance:				
Dividend / distribution income - Ordinary	Up	12.4%	to	14,336
Dividend / distribution income - Special	Down	19.1%	to	2,258
Total revenue from ordinary activities	Up	4.5%	to	17,409

Profits:

Operating result after tax but before special dividend income	Up	10.5%	to	14,162
Dividend income - Special	Down	19.1%	to	2,258
Net profit from ordinary activities after tax attributable to shareholders	Up	5.2%	to	16,420
Net profit attributable to shareholders	Up	5.2%	to	16,420

		% Change		Cents
Earnings per share:				
Basic earnings per share before special dividend income	Up	9.2%	to	3.33
Basic earnings per share after special dividend income	Up	4.0%	to	3.87

Dividends:

Interim - Ordinary	Up	6.7%	to	3.20
--------------------	----	------	----	------

Appendix 4D – Half Year Report

Results for Announcement to the Market (continued)

Explanation of Operating Results

The reported operating result for the half-year ended 31 December 2011 excluding special dividend income was \$14,162,000, an increase of 10.5% over the previous corresponding period.

The net consolidated profit after tax for the half-year including special dividend income was \$16,420,000, an increase of 5.2% over the previous corresponding period.

NTA Backing

	31/12/2011	31/12/2010
Net tangible asset backing per ordinary share before tax	131.8 cents	142.0 cents
Net tangible asset backing per ordinary share after tax	127.5 cents	134.6 cents

Additional Dividend Information

An interim dividend of 3.2 cents per share fully franked at the tax rate of 30% will be paid on 12 March 2012. The ex dividend date is 24 February 2012 with the record date for determining entitlements to the dividend to be 1 March 2012.

The Company has a Dividend Reinvestment Plan in operation offering shareholders the opportunity to receive additional shares in the Company instead of receiving cash dividends. The Dividend Reinvestment Plan will not be offered at a discount. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is 1 March 2012.

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>)

30 January 2012

NET OPERATING RESULT BEFORE SPECIAL DIVIDENDS INCREASED 10.5%

ASX and Media Release - Half Year Result to 31 December 2011

BKI Performance Highlights

- Ordinary dividend and distribution income increased 12.4% to \$14.3m.
- Net Operating Result before special dividend income increased 10.5% to \$14.2m.
- MER of 0.18% as at 31 December 2011.
- Basic Earnings per Share up 9.3% from 3.05cps to 3.33cps.
- The Interim Dividend declared is 3.2cps, Fully Franked, up 6.7%.

BKI Performance Overview

Listed investment company BKI Investment Company Limited ("BKI") today announced that Net Operating Result before special dividend income increased 10.5% to \$14.2m. Basic Earnings per Share before special dividend income increased 9.3% on the previous corresponding period.

Net profit from ordinary activities after tax attributable to shareholders was up 5.2% to \$16.4m.

BKI CEO Mr Tom Millner commented: "Considering the difficult environment investors are faced with, we are pleased to present another strong result for BKI shareholders."

"We've again focused on investing in stocks with yield and value characteristics. As a result we've seen BKI's ordinary dividend income increase 12.4% and EPS grow 9.3% over the previous corresponding period. The Company also received another fully franked special dividend of 15cps from New Hope Corporation following their solid full year result for 2011."

Dividends

The interim dividend will be 3.2cps, up 6.7% on the 3.0cps declared last year. The interim dividend will be fully franked and will be paid on 12 March 2012. The ex-dividend date is 24 February 2012 with the record date 1 March 2012.

BKI is currently trading on a fully franked dividend yield of 6.1% and a grossed up yield of 8.7% (based on the last traded share price of \$1.185 on 27 January 2012).

BKI's Dividend Reinvestment Plan (DRP) will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will not be offered at a discount. The DRP price will be calculated using the average of the daily volume weighted average sale price of BKI's shares sold in the ordinary course of trading on the ASX during the period of 5 trading days after, but not including, the Record Date (1 March 2012).

Operating Expenses

Operating expenses for the half were \$0.5m. BKI's MER as at 31 December 2011 was 0.18%, steady from 30 June 2011. BKI is internally managed and does not charge shareholders external management fees or a performance fee.

Performance

BKI's Net Portfolio Return (after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends) for the 12 months to 31 December 2011 was negative 2.3%, outperforming the S&P/ASX 300 Accumulation Index by 8.7%, which decreased by 11.0% over the same period.

BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 31 December 2011 was negative 2.4%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 8.6%.

Portfolio Movements

We continued to invest for the long term, reviewing and strategically adjusting the composition of the portfolio with a view of delivering an increasing income stream and long term capital growth to our shareholders.

BKI made purchases totalling approximately \$16m during the first half of FY2012. Major investments included Westpac Banking Corp, National Australia Bank, Fleetwood Corporation, Wesfarmers Limited, Telstra Corporation, Commonwealth Bank, and QUBE Logistics.

The Company also divested a number of holdings during the period, including BlueScope Steel, Echo Entertainment, Suncorp Metway Preference Shares, and Westpac Preference Shares (WBCPA). During the period Orica Step-up Preference Shares were redeemed by Orica Limited.

Mr Millner said: "We continue to like the growth prospects of the Australian mining and mining services sector with our exposure through New Hope Corporation, BHP Billiton, Woodside Petroleum, Campbell Brothers, Fleetwood Corporation and UGL Limited. We do remain cautious however of companies exposed to retail, media and manufacturing."

Fund Manager of the Year Awards

In November 2011 BKI was awarded the 2011 Listed Investment Company of the Year. Mr Millner said: "BKI was delighted to be awarded Listed Investment Company of the Year among such a high quality group of companies, and we are excited about the future prospects of the LIC sector as a whole. LIC's have a lot to offer investors with their diversified portfolios, strong Boards and management teams, as well as the high levels of transparency and compliance through listing on the ASX."

"LIC's are becoming a more attractive investment alternative for many investors. We are now in a period where investors are seeking to invest in products with low management fees, solid after tax performance and reliable fully franked dividends, even in difficult markets."

Top 20 Investments at 31 December 2011

	Stock	Market Value (\$'000)	Portfolio Weight %
1	New Hope Corporation	81,182	14.5%
2	BHP Billiton Limited	47,123	8.4%
3	National Australia Bank	44,902	8.0%
4	Commonwealth Bank	44,568	7.9%
5	Westpac Banking Corporation	29,120	5.2%
6	Telstra Corporation Limited	24,242	4.3%
7	Wesfarmers Limited	21,653	3.9%
8	Campbell Brothers Limited	18,809	3.4%
9	Woolworths Limited	17,853	3.2%
10	AGL Energy Limited	16,259	2.9%
11	ANZ Bank	13,708	2.4%
12	Woodside Petroleum Limited	11,934	2.1%
13	Metcash Limited	10,784	1.9%
14	Coca Cola Amatil Limited	9,695	1.7%
15	QBE Insurance Group	9,537	1.7%
16	Westpac Prefs (BB + 380 bp)	9,445	1.7%
17	InvoCare Limited	7,307	1.3%
18	ASX Limited	6,558	1.2%
19	ARB Corporation Limited	6,536	1.2%
20	Milton Corporation Limited	5,950	1.1%
	Cash and cash equivalents	33,093	5.9%
Total of Top 20 including cash and cash equivalents		470,258	83.9%

Outlook

Mixed economic data from international economies and markets is expected to continue for the short to medium term. The US equity market has had a strong 5 month period, reflecting ongoing improvements to the unemployment rate, stronger retail spending and a higher demand for services. Despite this, the US housing market is expected to remain under pressure for some time yet.

Confidence within Asian markets is also mixed. China's inflation numbers reduced further in November and December which should lead to an easing of monetary policy in 2012. The continued growth of the Chinese economy, while reducing, should still be seen as a positive for Australian exporters.

Europe remains a concern and we are of the view that, until there is clarity on financial reforms surrounding the sovereign debt issues, our market will track sideways for the short to medium term.

Domestically the uncertainty on the future cost of living and pressure on household affordability continues to leave the local investor with a low level of confidence. However, interest rates are being reduced to more appropriate levels and should continue to fall over the second half of FY2012.

Mr Millner said: "Domestically lower interest rates should encourage retail spending, mortgage and building applications and may even lead to business growth in the medium term. However, rates offered by banks and other financial institutions will negatively impact the level of income received by some investors. We believe the lower levels of income received from cash and other fixed interest products could be a catalyst for retail investors to search for income within the equities market."

“Many fixed interest products are currently offering rates of less than 5.0%. Investors then have to pay tax on this income reducing their returns even further. Shareholders in BKI are currently receiving a grossed up yield of over 8.0%. This additional income should be a significant boost for many pensioners and retirees going forward who are facing issues surrounding the cost of living and household affordability.”

For further information contact:
Tom Millner, Chief Executive Officer
02 9238 0522 or 0408 754 180



ABN 23 106 719 868

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

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

Jaime Pinto

Registered Office

Level 2,
160 Pitt Street Mall
Sydney NSW 2000

Telephone: (02) 9210 7000

Facsimile: (02) 9210 7099

Postal Address:

GPO Box 5015
Sydney 2001

Auditors

Ruwald & Evans
Level 1
276 Pitt Street
SYDNEY NSW 2000

Share Registry

Advanced Share Registry Services Limited
150 Stirling Highway
Nedlands WA 6009

Australian Stock Exchange Code

Ordinary Shares BKI

Website

www.bkilimited.com.au

DIRECTORS' REPORT

The Directors of BKI Investment Company Limited (the Company) present the following report for the six months to 31 December 2011.

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

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 2011 was \$16,420,000 (2010: \$15,604,000).

There was solid growth in operating result after tax but before special investment revenue, other gains and realised gains on investment portfolio - this was up by 10.5% to \$14,162,000 (2010: \$12,814,000). Special investment revenue was down by 19.1% to \$2,258,000 (2010: \$2,790,000).

There was a net realised loss on the investment portfolio of \$943,000 (2010: gain \$232,000).

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.

DIRECTORS' REPORT (continued)

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 24.

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
30 January 2012

**CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR TO 31 DECEMBER 2011**

	Note	Dec-11 \$ '000	Dec-10 \$ '000
Revenue from investment portfolio	3 (a)	14,336	12,758
Revenue from bank deposits	3 (c)	815	1,115
Other income	3 (d)	-	4
Income from operating activities before special investment revenue		15,151	13,877
Operating expenses	4	522	524
Operating result before income tax expense and special investment revenue		14,629	13,353
Income tax expense		(467)	(539)
Net operating result before special investment revenue		14,162	12,814
Special investment revenue	3 (b)	2,258	2,790
Net operating profit for the half year		16,420	15,604
Profit for the half year attributable to members of the Company		16,420	15,604
		Cents	Cents
Basic and diluted earnings per share on operating profit before special investment revenue	5	3.33	3.05
Basic and diluted earnings per share including special investment revenue	5	3.87	3.72

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

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 DECEMBER 2011**

	Dec-11	Dec-10
	\$ '000	\$ '000
Profit for the half year attributable to members of the Company	16,420	15,604
Other Comprehensive Income		
Realised gains / (losses) on the investment portfolio	(1,347)	331
Tax (expense) / credit on net realised gains / (losses) on investment portfolio	404	(99)
Unrealised gains / (losses) on investment portfolio	(38,871)	39,093
Deferred tax (expense) / credit on unrealised gain / (losses) on investment portfolio	11,661	(11,728)
Total Other Comprehensive Income / (Loss)	(28,153)	27,597
Total Comprehensive Income	(11,733)	43,201

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	Consolidated Dec-11 \$ '000	Jun-11 \$ '000
Current Assets			
Cash and cash equivalents		32,285	33,900
Trade and other receivables		807	4,347
Prepayments		27	19
Total Current Assets		33,119	38,266
Non-Current Assets			
Investment Portfolio	6	528,342	561,230
Property, Plant & Equipment		5	6
Deferred tax assets		4,285	4,050
Total Non-Current Assets		532,632	565,286
Total Assets		565,751	603,552
Current Liabilities			
Trade and other payables		209	233
Current tax liabilities		171	509
Employee Benefits		16	18
Total Current Liabilities		396	760
Non-Current Liabilities			
Deferred tax liabilities		22,655	34,395
Total Non-Current Liabilities		22,655	34,395
Total Liabilities		23,051	35,155
Net Assets		542,700	568,397
Equity			
Share capital	7	457,784	454,833
Revaluation reserve		52,241	79,451
Realised capital gains reserve		307	1,250
Retained profits		32,368	32,863
Total Equity		542,700	568,397

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR TO 31 DECEMBER 2011

CONSOLIDATED ENTITY	Share Capital \$ '000	Revaluation Reserve \$ '000	Realised Capital Gains Reserve \$ '000	Retained Profits \$ '000	Total Equity \$ '000
Total equity at 1 July 2010	449,707	54,032	1,444	29,219	534,402
Issue of shares, net of cost	2,724	-	-	-	2,724
Dividends paid or provided for	-	-	-	(13,606)	(13,606)
Revaluation of investment portfolio	-	39,093	-	-	39,093
Provision for tax on unrealised losses	-	(11,728)	-	-	(11,728)
Profit for the year	-	-	232	15,604	15,836
Total equity at 31 December 2010	452,431	81,397	1,676	31,217	566,721
Total equity at 1 July 2011	454,833	79,451	1,250	32,863	568,397
Issue of shares, net of cost	2,951	-	-	-	2,951
Dividends paid or provided for	-	-	-	(16,915)	(16,915)
Revaluation of investment portfolio	-	(38,871)	-	-	(38,871)
Provision for tax on unrealised losses	-	11,661	-	-	11,661
Profit / (Loss) for the year	-	-	(943)	16,420	15,477
Total equity at 31 December 2011	457,784	52,241	307	32,368	542,700

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

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR TO 31 DECEMBER 2011**

	Note	Dec-11 \$ '000	Dec-10 \$ '000
Cash flows from operating activities			
Payments to suppliers and employees		(551)	(588)
Other receipts in the course of operations		-	4
Dividends and distributions received		19,975	18,231
Interest received		968	1,468
Income tax paid		(708)	(288)
Net cash inflows from operating activities		19,684	18,827
Cash flows from investing activities			
Purchases for investment portfolio		(16,198)	(19,911)
Sales from investment portfolio		8,868	5,993
Net cash (outflow) / inflow from investing activities		(7,330)	(13,918)
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs	7 (b)	(9)	-
Dividends paid		(13,960)	(10,877)
Net cash inflow / (outflow) from financing activities		(13,969)	(10,877)
Net increase in cash held		(1,615)	(5,968)
Cash at the beginning of the period		33,900	47,324
Cash at the end of the period		32,285	41,356

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2011

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 2011 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 2011 Annual Report.

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.

2. FINANCIAL REPORTING BY SEGMENTS

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2011 (continued)**

	Dec-11 \$ '000	Dec-10 \$ '000
3. REVENUES		
(a) Revenue from investment portfolio		
Rebateable dividends:		
- other corporations	13,072	11,238
Non - rebateable dividends:		
- other corporations	986	1,249
Distributions:		
- other corporations	278	271
Interest received - notes	-	-
	<u>14,336</u>	<u>12,758</u>
(b) Special investment revenue		
Rebateable dividends - special:		
- other corporations	<u>2,258</u>	<u>2,790</u>
(c) Revenue from bank deposits		
Interest received	<u>815</u>	<u>1,115</u>
(d) Other income		
Other revenue	<u>-</u>	<u>4</u>
Total Income	<u>17,409</u>	<u>16,667</u>
4. OPERATING EXPENSES		
Administration expenses	155	191
Occupancy Costs	4	4
Employee and Directors expense	286	251
Professional fees	76	75
Depreciation	1	3
Total Expenditure	<u>522</u>	<u>524</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR TO 31 DECEMBER 2011 (continued)

	Dec-11 Shares	Dec-10 Shares
--	------------------	------------------

5. EARNINGS PER SHARE

Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

424,659,051	420,919,092
--------------------	-------------

6. FINANCIAL ASSETS - INVESTMENT PORTFOLIO

Non-Current Investment Portfolio

Listed securities at fair value available for sale:

- Shares in other corporations

528,342	561,230
----------------	---------

Total Investment Portfolio

528,342	561,230
----------------	---------

	Consolidated Dec-11 \$ '000	Jun-11 \$ '000
--	-----------------------------------	-------------------

7. SHARE CAPITAL

(a) Issued and paid-up capital

457,784	454,833
----------------	---------

(b) Movement in ordinary shares

	Dec-11 Number of Shares	\$'000
Beginning of the period	422,863,407	454,833
Issued during the half year:		
- dividend reinvestment plan	2,686,166	2,955
- less net transaction costs		(4)
End of the period	425,549,573	457,784

Transaction costs include gross transaction costs less tax effect of eligible tax deduction for current and prior year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2011 (continued)**

	Dec-11 \$ '000	Dec-10 \$ '000
8. DIVIDENDS		
(a) Dividends paid		
Final ordinary dividend for the year ended 30 June 2011 of 3.00 cents per share (2010: 2.75 cents per share) fully franked at the tax rate of 30%	12,686	11,513
Final special dividend for the year ended 30 June 2011 of 1.0 cents per share (2010: 0.5 cents per share) fully franked at the tax rate of 30%	4,229	2,093
Total dividends paid	16,915	13,606

(b) Dividends declared after balance date

Since the end of the half year the Directors have declared an interim dividend for the 2012 financial year of 3.2 cents per share fully franked at the tax rate of 30%. This will be payable on 12 March 2012, but has not been recognised as a liability at the half year.

9. ACQUISITION OF CONTROLLED ENTITIES

During the half year ended 31 December 2011 the Company did not acquire any controlled entities (2010: None).

10. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2011 annual financial report.

11. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2011.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2011 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.

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 12 to 20 are in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date; and
 - ii complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - iii complying with International Financial Reporting Standards; 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
30 January 2012

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

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 2011, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2011 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.

Independence

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

Level 1
276 Pitt Street
Sydney NSW 2000
Australia

PO Box 1523
Queen Victoria Building
NSW 1230
Australia

Phone:
02 9247 7442

Facsimile:
02 9251 4867

Partners:
N.F. Olney
M.J. Bocxe

Consultant:
B.R. Houston

Email:
info@ruwald.com.au

ABN 92 826 953 015

www.ruwald.com.au



CELEBRATING
75 YEARS
1937 – 2012



Liability limited by a scheme
approved under Professional
Standards legislation

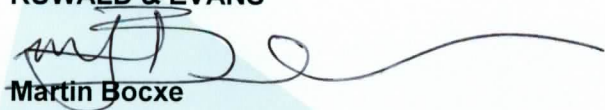
Conclusion

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 2011 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

Level 1, 276 Pitt Street
SYDNEY NSW 2000

30 January, 2012

Level 1
276 Pitt Street
Sydney NSW 2000
Australia

PO Box 1523
Queen Victoria Building
NSW 1230
Australia

Phone:
02 9247 7442

Facsimile:
02 9251 4867

Partners:
N.F. Olney
M.J. Bocxe

Consultant:
B.R. Houston

Email:
info@ruwald.com.au

ABN 92 826 953 015

www.ruwald.com.au



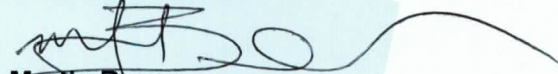
75 CELEBRATING
YEARS
1937 – 2012

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 2011, 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****Martin Bocxe****Partner**

Level 1, 276 Pitt Street
SYDNEY NSW 2000

30 January 2012

Level 1
276 Pitt Street
Sydney NSW 2000
Australia

PO Box 1523
Queen Victoria Building
NSW 1230
Australia

Phone:
02 9247 7442

Facsimile:
02 9251 4867

Partners:
N.F. Olney
M.J. Bocxe

Consultant:
B.R. Houston

Email:
info@ruwald.com.au

ABN 92 826 953 015

www.ruwald.com.au



CELEBRATING
75 YEARS
1937 – 2012