

Appendix 4D - Half Year Report

31 December 2012

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 2012 with the previous corresponding period being the Half-Year ended 31 December 2011.

BKI Investment Company Limited
Half Year ended 31 December 2012

Appendix 4D – Half Year Report

Results for Announcement to the Market

	% Change			\$'000
Revenue Performance:				
Dividend / distribution income - Ordinary	Up	8.6%	to	15,564
Dividend / distribution income - Special	Up	34.6%	to	3,039
Total revenue from ordinary activities	Up	12.4%	to	19,562

Profits:				
Operating result after tax but before special dividend income	Up	8.8%	to	15,413
Dividend income - Special	Up	34.6%	to	3,039
Net profit from ordinary activities after tax attributable to shareholders	Up	12.4%	to	18,452
Net profit attributable to shareholders	Up	12.4%	to	18,452

	% Change			Cents
Earnings per share:				
Basic earnings per share before special dividend income	Up	6.9%	to	3.56
Basic earnings per share after special dividend income	Up	10.1%	to	4.26

Dividends:				
Interim - Ordinary	Up	1.6%	to	3.25
Interim - Special	Up		to	0.50
Total	Up	17.2%	to	3.75

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 2012 excluding special dividend income was \$15,413,000, an increase of 8.8% over the previous corresponding period.

The net consolidated profit after tax for the half-year including special dividend income was \$18,452,000, an increase of 12.4% over the previous corresponding period.

NTA Backing

	31/12/2012	31/12/2011
Net tangible asset backing per ordinary share before tax	145.0 cents	131.8 cents
Net tangible asset backing per ordinary share after tax	137.1 cents	127.5 cents

Additional Dividend Information

An interim dividend of 3.25 cents per share fully franked at the tax rate of 30% will be paid on 28 February 2013. The ex dividend date is 12 February 2013 with the record date for determining entitlements to the dividend to be 18 February 2013.

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 be offered at a nil discount. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is 18 February 2013.

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>)

ASX Announcement

30 January 2013

BKI 1H Operating Profit up 9%, Total Interim Dividends up 17%

ASX and Media Release - Half Year Result to 31 December 2012

BKI Performance Highlights

- Ordinary dividend and distribution income increased 8.6% to \$15.5m.
- Net Operating Result before special dividend income increased 8.8% to \$15.4m.
- MER of 0.18% as at 31 December 2012.
- Basic Earnings per Share up 6.9% to 3.56cps from 3.33cps.
- Fully Franked Interim Dividend of 3.25cps, up from 3.20cps.
- Special Dividend of 0.50cps, Fully Franked

BKI Performance Overview

BKI Investment Company Limited ("BKI") today announced their Half Year Results to 31 December 2012. Net Operating Result before special dividend income for the period increased 8.8% to \$15.4m, while the Basic Earnings per Share before special dividend income increased 6.9% to 3.56cps.

BKI's Total Fully Franked Interim Dividends were 17.2% higher and is made up of an Ordinary Interim Dividend of 3.25cps, as well as a Special Dividend of 0.50cps. BKI CEO Mr Tom Millner commented: "By lifting the ordinary dividend and distributing the company's 5th fully franked special dividend, BKI have proven once again that shareholders interests always come first."

"BKI is an internally managed investment company, operating for the benefit of its shareholders at a very low cost of 18 basis points. We don't charge external portfolio management or performance fees. Our main aim is to constantly lift our dividend distributions and create wealth for the owners of this company, the shareholders," Mr Millner said.

The Operating Result was boosted by additional income from Metcash Limited which included both the Final 2012 dividend of 16.5cps declared in July and the Interim 2013 dividend of 11.5cps declared in December. The top 4 Australian Banks all increased their dividends, with Commonwealth Bank increasing the Final Dividend from 188cps to 197cps, National Australia Bank from 88cps to 90cps, Westpac from 80cps to 84cps and ANZ Banking Corporation from 76cps to 79cps. Other positive contributors to our result came from increased dividends from Wesfarmers, BHP Billiton, ALS Limited and IAG Limited.

A decrease in the Interim Dividend declared from QBE Insurance (40cps down from 60cps) and a cut in the Final Dividend from Perpetual Limited (40cps down from 90cps) were the main negative contributors to BKI's Operating Result for the period.

Dividends

The BKI Directors have declared an Interim Dividend of 3.25cps, up from 3.20cps declared last year. Directors have also declared a 0.50cps Special Dividend. Both dividends will be fully franked and will be paid on 28 February 2013. The ex-dividend date is 12 February 2012 with the record date 18 February 2012. The last trading day to be eligible for the Interim Dividend and Special Dividend is 11 February 2012.

BKI's historical fully franked dividend yield as at 29 January 2013 was 4.8% (based on dividends of 6.95cps and share price of \$1.45). Based on a tax rate of 30%, BKI's grossed up yield as at 29 January 2013 was 6.8%.

BKI's Dividend Reinvestment Plan (DRP) will be maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI. The DRP will be offered at a nil 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 5 trading days after, but not including, the Record Date (18 February 2013).

Portfolio Movements

BKI made purchases totalling approximately \$20m during the first half of FY2013 with major investments including ANZ Banking Corporation, National Australia Bank, Westpac Banking Corporation, APA Group, Transurban Group and Metcash Limited. The Company's main divestment during the period included the balance of the Westpac Preference Shares (WBCPB).

Top 20 Investments

	Stock	% of Total Portfolio
1	New Hope Corporation	9.5%
2	Commonwealth Bank	9.1%
3	National Australia Bank	8.4%
4	BHP Billiton Limited	7.9%
5	Westpac Banking Corp	7.0%
6	Telstra Corporation	4.9%
7	Wesfarmers Limited	4.4%
8	ANZ Banking Group	3.5%
9	Woolworths Limited	3.4%
10	ALS Limited	3.2%
11	AGL Energy Limited	2.7%
12	Woodside Petroleum Limited	2.1%
13	Coca Cola Amatil Limited	1.8%
14	TPG Telecom Limited	1.7%
15	Metcash Limited	1.6%
16	ARB Corporation	1.4%
17	APA Group	1.3%
18	InvoCare Limited	1.3%
19	QBE Insurance Group	1.2%
20	Milton Corporation	1.1%
	Cash & cash equivalents	6.4%
% of Total Portfolio Value		84.0%

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 year to 31 December 2012 was 15.3%, compared to the S&P/ASX 300 Accumulation Index which returned 19.7% over the same period.

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 31 December 2012 was 25.5%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 5.8%.

A combination of a slowdown in demand for commodities, a strong Australian dollar, high marginal costs of production and investors chasing defensive yield positions has seen the resource sector continue to underperform industrials. The S&P/ASX300 Resource Accumulation Index returned 0.1% over the last year compared to the S&P/ASX300 Industrials Accumulation Index which

returned 28.0%. For the year to 31 December 2012, two of BKI's larger positions, being New Hope Corporation and BHP Billiton Limited, returned negative 18.5% and positive 10.9% respectively.

"Despite the short term weakness in the New Hope share price, BKI received 31.00cps in fully franked dividends over the last 12 months which equates to a grossed up dividend yield of 10.5%. From an income point of view that is greater than many of the major local banks grossed up dividend yield," Mr Millner said.

Share Purchase Plan

The Share Purchase Plan (SPP), which closed on 31 October 2012, raised \$19.1m. All BKI shareholders were given the opportunity to acquire up to \$15,000 worth of ordinary shares at \$1.29 without having to pay brokerage or other charges.

Mr Millner said: "The new shares issued under the SPP are entitled to the Interim Ordinary and Special Dividends and as at 29th January were worth \$1.45. Shareholders who took up shares in the SPP have seen an 12.4% capital return on their new shares while also being granted 3.75cps in fully franked dividends; all in the space of 3 months. The Board and Management of BKI are very pleased with this result."

Outlook

Over the last 6 months, global economic activity was subdued. There were ongoing concerns throughout Europe as well as fears of a further decline in the US budget deficit possibly leading to a 2013 recession.

Higher energy costs, a slowdown in retail spending and a growing unemployment rate are all contributing to the ongoing economic uncertainty in Australia. Unfavourable exchange rates and higher costs of production continue to significantly impact our resource sector.

However, over the last couple of months investors have gained confidence in the economic outlook, with a resolution on further government spending appearing to have settled the short term fears of the US Fiscal Cliff. Further aid was also deployed to Greece from the International Monetary Fund and the European Central Bank appears to have become more proactive on sovereign debt issues in regards to Spain and Italy in particular.

On the Chinese economy, we have also seen some positive numbers released which suggests that economic growth is better than the market had expected. Improving industrial production and retail sales numbers in particular are showing that the economy is stabilising prior to their leadership handover.

The S&P/ASX 300 Accumulation Index has returned 16.1% over the last 6 months. Despite the improvement in the global economic backdrop, BKI believes that much of the appreciation in our local equity market has been driven by retail investors switching from term deposits and cash products to high yielding equity investments. Additional rate cuts could see a further flow of funds into the equity market with many retail investors chasing income through high dividend yielding stocks.

The last 6 months has seen the S&P/ASX300 Resource Accumulation Index return 10.9%. Despite underperforming the industrials, many investors are finding comfort in the growth rates of China's economy and the fact that Australia is well placed to contribute from increasing demand for our commodities and energy products over the longer term. BKI's portfolio exposure to Resources as at 31 December 2012 was 20.6%, while the portfolio exposure to Industrials was 73.0%.

BKI continues to be in a strong financial position with no debt and cash and cash equivalents representing 6.4% of the total portfolio. We are well positioned to take advantage of further investment opportunities when they arise.

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



**BKI INVESTMENT
COMPANY LIMITED**

ABN 23 106 719 868

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

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

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Sydney 2001

Auditors

Ruwald & Evans

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Advanced Share Registry Services Limited

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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 2012.

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 2012 was \$18,452,000 (2011: \$16,420,000).

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 8.8% to \$15,413,000 (2011: \$14,162,000). Special investment revenue was up by 34.6% to \$3,039,000 (2011: \$2,258,000).

There was a net realised loss on the investment portfolio of \$1,772,000 (2011: loss \$943,000).

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 23.

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 2013

CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR TO 31 DECEMBER 2012

	Note	Dec-12 \$ '000	Dec-11 \$ '000
Revenue from investment portfolio	3 (a)	15,564	14,336
Revenue from bank deposits	3 (c)	706	815
Other income	3 (d)	-	-
Other gains	3 (e)	253	-
Income from operating activities before special investment revenue		16,523	15,151
Operating expenses	4	584	522
Operating result before income tax expense and special investment revenue		15,939	14,629
Income tax expense		(526)	(467)
Net operating result before special investment revenue		15,413	14,162
Special investment revenue	3 (b)	3,039	2,258
Net operating profit for the half year		18,452	16,420
Profit for the half year after net (losses)/gains on investment portfolio, discount on acquisition and unrealised impairment loss		18,452	16,420
Profit for the half year attributable to members of the Company		18,452	16,420
		Cents	Cents
Basic and diluted earnings per share on operating profit before special investment revenue	5	3.56	3.33
Basic and diluted earnings per share including special investment revenue	5	4.26	3.87

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

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR TO 31 DECEMBER 2012**

	Dec-12	Dec-11
	\$ '000	\$ '000
Profit for the half year attributable to members of the Company	18,452	16,420
Other Comprehensive Income		
Realised gains / (losses) on the investment portfolio	(2,531)	(1,347)
Tax (expense) / credit on net realised gains / (losses) on investment portfolio	759	404
Unrealised gains / (losses) on investment portfolio	64,480	(38,871)
Deferred tax (expense) / credit on unrealised gain / (losses) on investment portfolio	(19,344)	11,661
Total Other Comprehensive Income / (Loss)	<u>43,364</u>	<u>(28,153)</u>
Total Comprehensive Income	<u>61,816</u>	<u>(11,733)</u>

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	Dec-12 \$ '000	Jun-12 \$ '000
Current Assets			
Cash and cash equivalents		40,443	24,996
Trade and other receivables		964	6,185
Trading Portfolio	6	225	-
Prepayments		31	26
Total Current Assets		41,663	31,207
Non-Current Assets			
Investment Portfolio	6	602,818	525,483
Property, Plant & Equipment		4	5
Deferred tax assets		4,927	4,200
Total Non-Current Assets		607,749	529,688
Total Assets		649,412	560,895
Current Liabilities			
Trade and other payables		344	547
Current tax liabilities		110	96
Employee Benefits		18	17
Total Current Liabilities		472	660
Non-Current Liabilities			
Deferred tax liabilities		39,864	20,596
Total Non-Current Liabilities		39,864	20,596
Total Liabilities		40,336	21,256
Net Assets		609,076	539,639
Equity			
Share capital	7	481,381	460,080
Revaluation reserve		91,857	46,721
Realised capital gains reserve		(1,247)	525
Retained profits		37,085	32,313
Total Equity		609,076	539,639

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 2012**

CONSOLIDATED ENTITY	Share Capital \$ '000	Revaluation Reserve \$ '000	Realised Capital Gains Reserve \$ '000	Retained Profits \$ '000	Total Equity \$ '000
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	-	-	-	16,420	16,420
Net realised gains/(losses) through other comprehensive income	-	-	(943)	-	(943)
Total equity at 31 December 2011	457,784	52,241	307	32,368	542,700
Total equity at 1 July 2012	460,080	46,721	525	32,313	539,639
Issue of shares, net of cost	21,301	-	-	-	21,301
Dividends paid or provided for	-	-	-	(13,680)	(13,680)
Revaluation of investment portfolio	-	64,480	-	-	64,480
Provision for tax on unrealised losses	-	(19,344)	-	-	(19,344)
Profit / (Loss) for the year	-	-	-	18,452	18,452
Net realised gains/(losses) through other comprehensive income	-	-	(1,772)	-	(1,772)
Total equity at 31 December 2012	481,381	91,857	(1,247)	37,085	609,076

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 2012**

	Note	Dec-12 \$ '000	Dec-11 \$ '000
Cash flows from operating activities			
Payments to suppliers and employees		(790)	(588)
Other receipts in the course of operations		-	4
Dividends and distributions received		23,908	18,231
Payments for held for trading financial assets		(246)	-
Proceeds from sale of held for trading financial assets		274	-
Interest received		622	1,468
Income tax paid		(502)	(288)
Net cash inflows from operating activities		23,266	18,827
Cash flows from investing activities			
Purchases for investment portfolio		(20,238)	(19,911)
Sales from investment portfolio		4,852	5,993
Net cash (outflow) / inflow from investing activities		(15,386)	(13,918)
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs	7 (b)	18,905	-
Dividends paid		(11,338)	(10,877)
Net cash inflow / (outflow) from financing activities		7,567	(10,877)
Net increase in cash held		15,447	(5,968)
Cash at the beginning of the period		24,996	47,324
Cash at the end of the period		40,443	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 2012**

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 2012 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 2012 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 2012 (continued)

	Dec-12 \$ '000	Dec-11 \$ '000
3. REVENUES		
(a) Revenue from investment portfolio		
Rebateable dividends:		
- other corporations	14,450	13,072
Non - rebateable dividends:		
- other corporations	792	986
Distributions:		
- other corporations	322	278
Interest received - notes	-	-
	15,564	14,336
(b) Special investment revenue		
Rebateable dividends - special:		
- other corporations	3,039	2,258
(c) Revenue from bank deposits		
Interest received	706	815
(e) Other gains / losses		
Net realised gain on sale of investments held for trading	28	-
Net unrealised gain on investments held for trading	225	-
	253	-
Total Income	19,562	17,409
4. OPERATING EXPENSES		
Administration expenses	166	155
Occupancy Costs	4	4
Employee and Directors expense	319	286
Professional fees	95	76
Depreciation	-	1
Total Expenditure	584	522

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2012 (continued)**

	Dec-12 Shares	Dec-11 Shares
5. EARNINGS PER SHARE		
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	433,141,302	420,919,092
	Dec-12 \$ '000	Jun-12 \$ '000
6. FINANCIAL ASSETS - INVESTMENT PORTFOLIO		
Current Investment Portfolio		
Listed securities at fair value held for trading:		
- Shares in other corporations	225	-
Non-Current Investment Portfolio		
Listed securities at fair value available for sale:		
- Shares in other corporations	602,818	525,483
Total Investment Portfolio	603,043	525,483
7. SHARE CAPITAL		
(a) Issued and paid-up capital	481,381	460,080
(b) Movement in ordinary shares	Dec-12 Number of Shares	\$'000
Beginning of the period	427,516,347	460,080
Issued during the half year:		
- dividend reinvestment plan	1,903,857	2,342
- Share Purchase Plan	14,794,692	19,085
- less transaction costs (net of tax)		(126)
End of the period	444,214,896	481,381

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR TO 31 DECEMBER 2012 (continued)**

	Dec-12 \$ '000	Dec-11 \$ '000
8. DIVIDENDS		
(a) Dividends paid		
Final ordinary dividend for the year ended 30 June 2012 of 3.20 cents per share (2011: 3.00 cents per share) fully franked at the tax rate of 30%	13,680	12,686
Final special dividend for the year ended 30 June 2012 of nil per share (2011: 1.0 cents per share) fully franked at the tax rate of 30%	-	4,229
Total dividends paid	<u>13,680</u>	<u>16,915</u>

(b) Dividends declared after balance date

Since the end of the half year the Directors have declared an interim ordinary dividend for the 2013 financial year of 3.25 cents per share and an interim special dividend of 0.5 cents per share, both fully franked at the tax rate of 30%. These dividends will be payable on 28 February 2013, but have not been recognised as a liability at the half year.

9. ACQUISITION OF CONTROLLED ENTITIES

During the half year ended 31 December 2012 the Company did not acquire any controlled entities (2011: None).

10. RELATED PARTY TRANSACTIONS

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2012 annual financial report.

11. CONTINGENT LIABILITIES

The Company has no contingent liabilities at 31 December 2012.

12. EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2012 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 11 to 19 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 2012 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 2013

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 2012, 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 internal 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 2012 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. 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*.

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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 2012 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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30 January, 2013

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Auditors' Independence Declaration

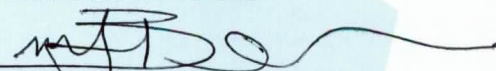
As lead auditor for the review of BKI Investment Company Limited and its controlled entities for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- (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

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