

## BKI's Top 20 Holdings at 30 June 2010

Company	\$'000
1 New Hope Corporation Limited	64,946
2 BHP Billiton Limited	52,155
3 National Australia Bank Limited	41,830
4 Commonwealth Bank	40,416
5 Westpac Banking Corporation	25,091
6 Telstra Corporation	19,234
7 Wesfarmers Limited	18,997
8 Woolworths Limited	17,902
9 Woodside Petroleum Limited	16,263
10 AGL Energy Limited	16,117
11 QBE Insurance Group Limited	12,046
12 Campbell Brothers Limited	11,712
13 ANZ Banking Group Limited	9,942
14 Westpac Stapled Securities	9,490
15 Metcash Limited	9,212
16 Coca Cola Amatil Limited	8,220
17 TPG Telecom Limited	7,730
18 ASX Limited	5,882
19 InvoCare Limited	5,304
20 AMP Limited	5,220
Cash and cash equivalents	47,324
<b>Total</b>	<b>445,033</b>

BKI's top 20 holdings along with cash and cash equivalents account for 81.1% of the total portfolio.

## Portfolio Movements

During FY2010 BKI invested some \$36.2m into the market including the full \$24.1m that was raised through the Share Purchase Plan in September 2009. Major investments included ANZ Banking Group, Metcash Limited, Telstra Corporation, Ramsay Health Care, Campbell Brothers, Woolworths Limited, UGL Limited, QBE Insurance, Woodside Petroleum and Westpac Banking Corporation.

Major divestments from the BKI Investment Portfolio included half of the Macquarie Group holding, and all shares in Alumina Limited and Qantas Airways.

BKI is a long term investor with a buy and hold strategy, however if companies significantly reduce dividend payments or there is uncertainty surrounding future dividend payments and franking levels these positions are considered for divestment.

## Outlook

The long term outlook for the Australian market looks attractive. Short term however, the recovery is still somewhat frail.

With market negativity comes opportunity. This correction is providing the long term investor with yet another chance to deploy funds in quality companies.

The BKI Investment Portfolio is well positioned for both income and capital growth over the coming years.

BKI has a strong dividend payout ability including abundant franking credits, a high quality diversified investment portfolio, experienced Board and conservative investment team, no external portfolio management or performance fees and a competitive MER. BKI remains an attractive investment opportunity delivering sound returns with low investment risk.

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# Full Year Review 30 June 2010

## Performance Highlights

- Operating Profit up 8.4% to \$22.4 million.
- Net Profit After Tax increased 34.8% to \$31.2 million.
- Income from ordinary dividends and distributions rose 8.2% to \$21.5 million.
- Operating expenses were reduced by a further 29.3% to \$1.0m.
- MER fell to 0.19% as at 30 June 2010.
- Net tangible asset backing per ordinary share before tax has increased to \$1.32, up from \$1.22 at 30 June 2009.
- Final dividend includes an ordinary dividend of 2.75cps plus a special dividend of 0.5cps, both fully franked.

## Results for Full Year 2010

### Revenue Performance:

Dividend Income - Ordinary	Up 8% to \$21.5m
Dividend Income - Special	Up 761% to \$11.2m
Total Revenue	Up 46% to \$35.7m

### Expenses:

Operating Expenses	Down 29% to \$1.0m
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### Profits:

Operating Profit After Tax*	Up 8% to \$22.4m
Dividend Income - Special	Up 761% to \$11.2m
Net Realised Losses	Down 2% to (\$2.4m)
Net Profit After Tax	Up 35% to \$31.2m

### Portfolio:

Total Portfolio Value	Up 15% to \$551m
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## Earnings Per Share:

Basic earnings per share before special dividend income and losses on investment portfolio was down 8.2% to 5.4 cents per share.

Basic earnings per share after special dividend income and losses on investment portfolio was up 14.1% to 7.6 cents per share.

\* Before special dividend income, realised and unrealised losses on investment portfolio and discount on acquisition.

## Commentary for Full Year 2010

As the Full Year results show, BKI is in a strong position. Net Profit After Tax (including special dividend income and net losses on the investment portfolio) was \$31.2m, up 34.8% on FY2009.

Net Operating Profit (before dividend income and net losses on the investment portfolio) increased 8.4% to \$22.4m.

## Dividends

The final dividend is made up of a 2.75 cents per share ordinary dividend as well as a 0.50 cents per share special dividend. Both will be fully franked.

Total dividends paid by BKI during FY2010 equate to 6.25 cents per share which is an increase of 4% on the previous corresponding period.

As at 30 June 2010 there are \$14.0m of franking credits available to BKI.

BKI's Dividend Reinvestment Plan has been maintained, offering shareholders the opportunity to acquire further ordinary shares in BKI at a discount of 1.0%.

## Net Asset Backing Per Share

As at 30 June 2010 BKI's net tangible asset backing per ordinary share before tax was \$1.32. This is up from \$1.22 as at 30 June 2009.

## Performance

BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 30 June 2010 was 13.4% compared to the S&P/ASX 300 Accumulation Index which increased by 13.1%.

## Discount to Pre Tax NTA

As at 30 June 2010, BKI's share price was trading at a 13% discount to the Pre Tax NTA.

BKI represents a good opportunity for investors to acquire assets at a discount to the Pre Tax NTA.

## Management Expense Ratio (MER)

Operating Expenses were \$1.0m for the year ended 30 June 2010, a reduction of 29.3% on the previous corresponding period.

Last year we stated that the MER for the financial year ended 30 June 2010 should be approximately 0.20% - 0.25%. We are pleased to report that BKI's MER for FY2010 is 0.19%, down from 0.31%.

This MER now compares very favourably with those of the largest and long established LIC's within the industry.

As can be seen from the chart below, BKI has been successful in significantly reducing the Company's MER since listing in 2003. We will continue to pursue cost cutting initiatives to help increase value for BKI shareholders.

