



BKI's Top 20 Holdings at 31 December 2010

Stock	Market Value (\$'000)	Portfolio Weight %
1 New Hope Corporation Limited	71,588	12.0%
2 BHP Billiton Limited	63,938	10.7%
3 National Australia Bank	43,631	7.3%
4 Commonwealth Bank	43,100	7.2%
5 Westpac Banking Corporation	27,217	4.6%
6 Wesfarmers Limited	22,162	3.7%
7 Woolworths Limited	18,665	3.1%
8 Telstra Corporation Limited	17,438	2.9%
9 AGL Energy Limited	17,355	2.9%
10 Woodside Petroleum Limited	16,595	2.8%
11 Campbell Brothers Limited	15,278	2.6%
12 ANZ Banking Group	13,650	2.3%
13 QBE Insurance Group	12,833	2.1%
14 Metcash Limited	10,004	1.7%
15 Westpac Preference Shares	9,693	1.6%
16 Coca Cola Amatil Limited	8,474	1.4%
17 ASX Limited	8,103	1.4%
18 TPG Telecom Limited	7,205	1.2%
19 InvoCare Limited	6,654	1.1%
20 Milton Corporation Limited	6,615	1.1%
Cash and cash equivalents	41,356	6.9%
Total of Top 20 including cash and cash equivalents	481,554	80.6%

Portfolio Movements

Purchases totalled approximately \$20m during the first half. Major investments were ANZ Banking Group, BHP Billiton, Coca Cola Amatil, Westpac Banking Corporation, Telstra Corporation, National Australia Bank, Metcash Limited, Wesfarmers Limited and Commonwealth Bank. The position in Milton Corporation was increased by \$4.9m as a result of the takeover of Choiseul Investments.

Major sales that occurred were due to corporate activity and resulted in the following companies being delisted from the Australian Securities Exchange; Choiseul Investments, Mac Services Group, AWB Limited and Intoll Group.

Outlook

The global recovery still appears to be some way off. High levels of sovereign debt have impacted further members of the European Union, while the US economy is showing little sign of recovery without the continued assistance of the Federal Reserve. Mixed economic data is expected to continue for the short to medium term.

Domestic concerns on a higher cost of living continue. Rising interest rates, house prices, energy and food costs are still impacting household and investor confidence. However on a global stage the Australian markets looks to be in good shape. BKI will continue to invest with a long term investment horizon in mind.

The Australian mining sector continues to underpin the strength of the Australian economy. The supply/demand imbalance of key commodities such as iron ore, coal, copper and oil should continue for some time. BKI's exposure to the resource industry through New Hope Corporation, BHP Billiton, Woodside Petroleum and Campbell Brothers places the company in a strong position to capture further upside from this growth sector.

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Half Year Review 31 December 2010

Performance Highlights

- Net Operating Profit before special dividend income increased 20% to \$12.8m.
- Income from ordinary dividends and distributions rose 26% to \$12.8 million.
- MER was 0.18% as at 31 December 2010, down from 0.19% as at 30 June 2010.
- Total Portfolio Value increased 8% to \$598 million since 30 June 2010.
- Net tangible asset backing per ordinary share before tax increased 8% to \$1.42, up from \$1.32 at 30 June 2010.
- Interim dividend is 3.0 cps, fully franked.

Results for Half Year 2011

Revenue Performance:

Dividend Income - Ordinary	Up 26% to \$12.8m
Dividend Income - Special	Down 75% to \$2.8m
Total Revenue	Down 27% to \$16.7m

Profits:

Operating Profit After Tax*	Up 20% to \$12.8m
Net Profit After Tax	Down 20% to \$15.6m

Portfolio:

Total Portfolio Value	Up 8% to \$598m
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*Before special dividend income.

Earnings Per Share:

Basic earnings per share before special dividend income and losses on investment portfolio was up 16% to 3.05 cents per share.

Basic earnings per share after special dividend income and losses on investment portfolio was down 22.4% to 3.72 cents per share.

Commentary for Half Year 2011

BKI's share portfolio is again in a strong position with income from ordinary dividends and distributions increasing 26%. BKI also benefited from New Hope paying a 14cps fully franked special dividend to shareholders in November 2010.

After such a difficult 2 year period for investors it is pleasing to see company distributions improving. During the July-December 2010 reporting period,

over 90% of the companies held within the BKI Portfolio either maintained or lifted their dividend year on year.

Dividends

The interim dividend declared is 3.0 cents per share and will be fully franked. BKI is currently trading on a fully franked dividend yield of 5.0% and a grossed up yield of 7.1% (based on the share price as at 28 January 2011 of \$1.26).

BKI's Dividend Reinvestment Plan is maintained, however, will not be offered at a discount.

Net Asset Backing Per Share

BKI's Pre Tax net asset backing of the company's shares at 31 December 2010 was \$1.42. This is up from \$1.32 as at 30 June 2010.

The BKI share price is currently trading at a 12% discount to the Pre Tax NTA. This discount represents a good opportunity for investors to acquire BKI shares at a discount to the Pre Tax NTA.

Performance

BKI's Share Price Performance (including the reinvestment of dividends) for the 12 months to 31 December 2010 was 2.4% compared to the S&P/ASX 300 Accumulation Index which increased by 1.9%.

BKI's Net Portfolio Return (including the reinvestment of dividends) for the year to 31 December 2010 was 2.2% compared to the S&P/ASX 300 Accumulation Index which increased by 1.9%.

BKI reports "Net" performance numbers, which include all operating expenses and provision for and

payment of both income and capital gains tax. Performance numbers don't show the benefit of franking credits to shareholders. While many managed funds report "Gross" performance numbers, which exclude operating expenses, tax, and performance fees.

Research papers written recently on this topic suggest that performance figures under the LIC reporting methodology could be understated by up to 3% per annum when compared against these alternative measurement criteria.

Management Expense Ratio (MER)

Operating expenses for the half were \$0.5m. BKI's MER as at 31 December 2010 was 0.18%, down from 0.19% as at 30 June 2010.

BKI is internally managed and does not charge shareholders external management fees or a performance fee. BKI's MER continues to compare very favourably with those of the largest and long established LICs within the industry.

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

Chart 1 – BKI MER (FY2004 – 1H2011)

