

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%

Outlook

Investors have appeared to have gained confidence in the economic outlook, with a resolution on further government spending settling 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.

On the Chinese economy, positive numbers have been 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.

The S&P/ASX 300 Acc 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 Acc 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. BKI is well positioned to take advantage of further investment opportunities when they arise.



For further information please contact:
Tom Millner
Telephone: (02) 9238 0522
www.bkilimited.com.au

Performance Highlights

- Total 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 Dec 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's Share Price Performance for the 12 months to 31 December 2012 outperformed the S&P/ASX 300 Accumulation Index by 5.8%.

Performance Overview

BKI Investment Company Limited's ("BKI") Half Year Results to 31 Dec 2012 saw the Net Operating Result before special dividend income increase 8.8% to \$15.4m, whilst Earnings per Share before special dividend income increased 6.9% to 3.56cps.

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. This is the company's 5th fully franked special dividend distributed to shareholders since listing in 2003.

BKI continues to be an internally managed investment company, operating for the benefit of its shareholders at a very low cost of 18 basis points. BKI doesn't charge external portfolio management or performance fees.

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 four Australian Banks all increased dividends, with Commonwealth Bank increasing their 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.

Portfolio Movements

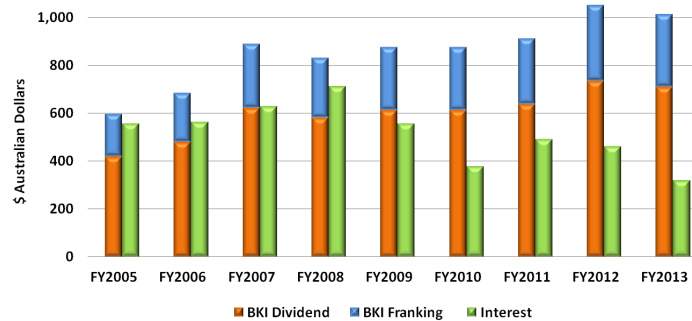
BKI made purchases totaling approximately \$20m during 1H FY2013 with major investments including ANZ Banking Corporation, National Australia Bank, Westpac Banking Corporation, APA Group, Transurban Group and Metcash Limited. The Company's main divestment during the period included the balance of the Westpac Preference Shares (WBCPB).

Dividends

BKI has declared an Interim Dividend of 3.25cps, up from 3.20cps 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 2013 with the record date 18 February 2013. The last trading day to be eligible for the Interim Dividend and Special Dividend is 11 February 2013.

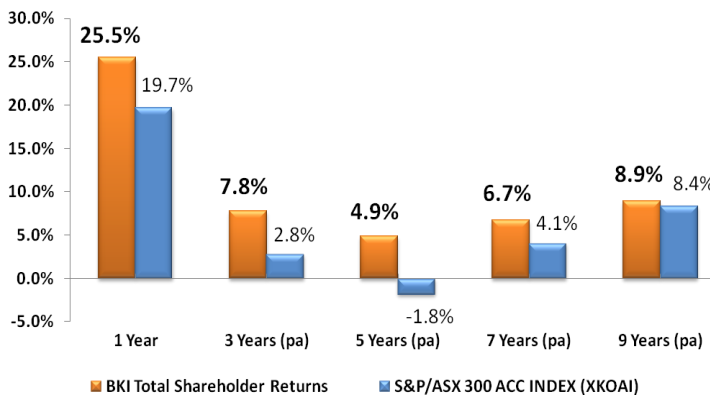
BKI's Dividend Reinvestment Plan (DRP) will be maintained. The DRP will be offered at a nil discount.

The chart below shows the income generated from a \$10,000 investment into BKI shares in 2004. On this investment BKI will distribute over \$1,000 worth of dividends (orange bars) and franking credits (blue bars) during FY2013. To put the current low cash rate into perspective, interest earned on that same investment would be approx \$320 on a pre tax basis in FY2013 (green bars).



Performance

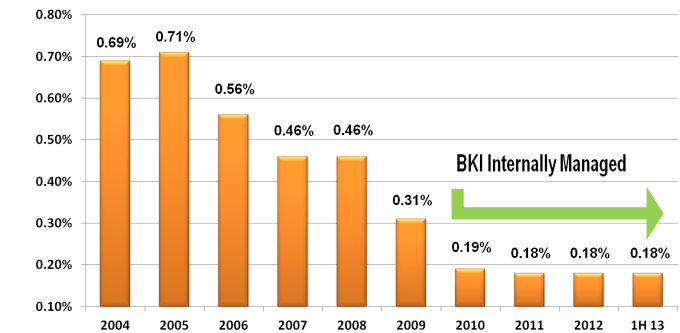
BKI's Share Price Performance (including the reinvestment of dividends) for the year to 31 December 2012 was 25.5%, outperforming the S&P/ASX 300 Accumulation Index over the same period by 5.8%.



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 Acc Index returned 0.1% over the last 12 months compared to the S&P/ASX300 Industrials Acc 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 -18.5% and +10.9% respectively. Despite the short term weakness in the New Hope share price, BKI received 31cps in fully franked dividends over the last year which equates to a grossed up dividend yield of 10.5%.

Management Expense Ratio (MER)

BKI's MER continues to be very competitive within the funds management industry. BKI does not charge shareholders a performance fee.



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.

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 a 12.4% capital return on their new shares whilst also being granted 3.75cps in fully franked dividends. The Board and Management of BKI are very pleased with this result.