

BKI's Top 20 Holdings at 31 December 2011

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

(Including Cash and Cash Equivalents)

Portfolio Movements

BKI has 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.

The Company 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, QUBE Logistics and Commonwealth Bank.

BKI also divested a number of holdings during the first half of FY2012, 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.

Outlook

Mixed economic data from international economies and markets is expected to continue 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.

Interest rates are being reduced to more appropriate levels and should continue to fall over the second half of FY2012. Lower 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. BKI believe that 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.

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Half Year Review 31 December 2011

Performance Highlights

Total Ordinary Dividend Income rose 12% 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

BKI's Net Portfolio Return for the 12 months to 31 December 2011 outperformed the S&P/ASX 300 Accumulation Index by 8.7%.

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%.

Results for Half Year 2012

Revenue Performance:

Total Ordinary Income Up 12.4% to \$14.3m

Profits:

Operating Profit After Tax* Up 10.5% to \$14.2m

Portfolio:

Total Portfolio Value Down 5.8% to \$528.3m

*Before special dividend income.

Earnings Per Share:

Basic earnings per share before special dividend income was up 9.2% to 3.33 cents per share.

Basic earnings per share after special dividend income and losses on investment portfolio was up 4.0% to 3.87 cents per share.

Commentary for Half Year 2012

Considering the difficult environment investors are faced with, BKI are pleased to present another strong result for shareholders. We've again focused on investing in stocks with yield and value characteristics. As a result we've seen Income from Ordinary Dividends increase 12.4% and EPS grow 9.3% over the previous corresponding period.

Dividends

The Final dividend declared is 3.2 cents per share fully franked. BKI is currently trading on a fully franked dividend yield of 6.1% and a grossed up yield of 8.7% (based on the share price as at 27 January 2012 of \$1.185).

BKI's Dividend Reinvestment Plan has been maintained.

Management Expense Ratio (MER)

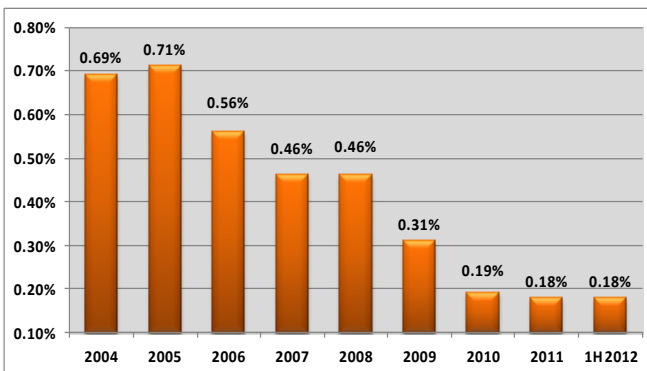
Operating expenses have been kept low. BKI's MER as at 31 December 2011 was 0.18%.

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 – 1H2012)



Performance

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

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%.

BKI reports "Net" performance numbers, which include all operating expenses, provision and payment of both income and capital gains tax. Performance numbers also don't capture the benefit of franking credits to shareholders.

Fund Manager of the Year Awards



BKI Investment Company Limited
Winner 2011
Listed Investment Company Award

In November 2011 BKI was awarded the 2011 Listed Investment Company of the Year.

BKI are delighted with the award and excited about the future prospects of the LIC sector as a whole. LICs 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.

LICs 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.