



**BKI INVESTMENT
COMPANY LIMITED**

Annual Report

for year ended 30 June 2011

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

Secretary

Richard James Pillinger

Registered Office

Level 2, 160 Pitt Street Mall,
Sydney NSW 2000

Telephone: (02) 9210 7000

Facsimile: (02) 9210 7099

Postal Address: GPO Box 5015, Sydney NSW 2001

Auditors

Ruwald & Evans
Level 1, 276 Pitt Street,
Sydney NSW 2000

Share Registry

Advanced Share Registry Services Limited
150 Stirling Highway,
Nedlands, WA 6009
Telephone: (08) 9389 8033

Australian Stock Exchange Code

Ordinary Shares BKI

Website

www.bkilimited.com.au

Contents

Page No.

Financial Highlights	2
List of Securities at 30 June 2011	3
Group Profile	6
Chairman's Address	7
Directors' Report	11
Corporate Governance	21
Consolidated Income Statement	28
Statement of Other Comprehensive Income	29
Consolidated Balance Sheet	30
Consolidated Statement of Changes in Equity	31
Consolidated Cash Flow Statement	32
Notes to the Financial Statements	33
Directors' Declaration	54
Independent Auditor's Report	55
Auditor's Independence Declaration	56
ASX Additional Information	57

FINANCIAL HIGHLIGHTS

			% Change		\$'000
--	--	--	-----------------	--	---------------

■ Revenue Performance

Total income - Ordinary	Up	12.2%	to	27,556
Total income - Special	Down	59.1%	to	4,557
Total revenue from ordinary activities	Down	10.1%	to	32,113

■ Profits

Operating profit after tax but before special dividend income	Up	13.1%	to	25,341
Dividend income - Special	Down	59.1%	to	4,557
Net profit from ordinary activities after tax attributable to shareholders	Down	4.0%	to	29,898
Net profit attributable to shareholders	Down	4.0%	to	29,898

■ Portfolio

Total Portfolio Value (including cash)	Up	8.1%	to	599,478
--	----	------	----	---------

■ Earnings per share

				Cents
Basic earnings per share before special dividend income	Up	10.6%	to	6.02
Basic earnings per share after special dividend income	Down	6.2%	to	7.10

■ Dividends

	Cents
Interim - Ordinary	3.00
Final - Ordinary	3.00
Final - Special	1.00
Full Year Total	7.00

30/06/04 30/06/05 30/06/06 30/06/07 30/06/08 30/06/09 30/06/10 30/06/11

■ Net Tangible Asset (NTA) History

NTA Before Tax	\$1.08	\$1.28	\$1.43	\$1.69	\$1.52	\$1.22	\$1.32	\$1.42
NTA After Tax	\$1.06	\$1.20	\$1.32	\$1.51	\$1.41	\$1.19	\$1.27	\$1.34

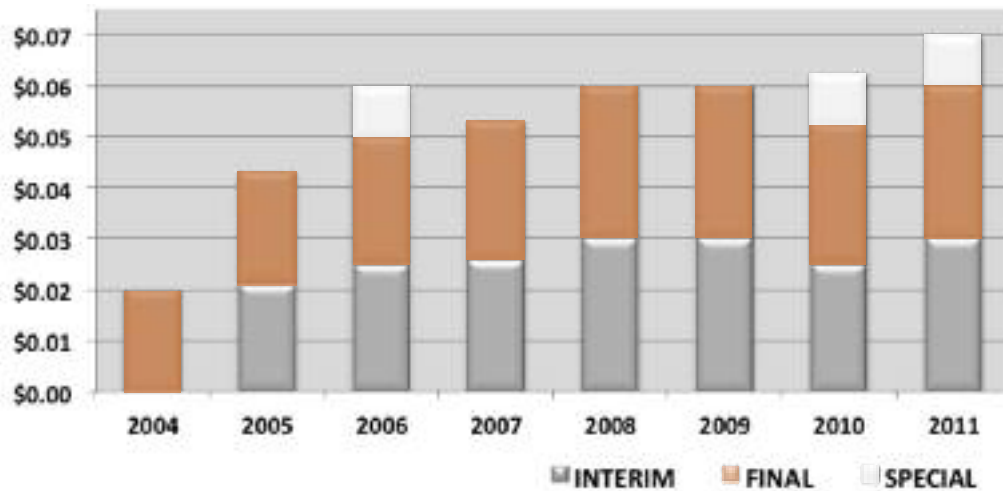
■ Dividend History (cents per share)

Interim	-*	2.1	2.5	2.6	3.0	3.0	2.5	3.0
Final	2.0	2.2	2.5	2.7	3.0	3.0	2.75	3.0
Special	-	-	1.0	-	-	-	1.0	1.0
Total	2.0	4.3	6.0	5.3	6.0	6.0	6.25	7.0

* The Company was listed on ASX 12 December 2003, no interim dividend is applicable.

FINANCIAL HIGHLIGHTS (continued)

Chart of Dividend History



LIST OF SECURITIES HELD AND THEIR MARKET VALUE AT 30 JUNE 2011 WERE:

Stock	Shares Held	Market Value (\$'000)	Portfolio Weight %
Financials			
National Australia Bank Limited	1,841,759	47,112	7.86%
Commonwealth Bank of Australia	886,100	46,254	7.72%
Westpac Banking Corporation	1,226,000	27,279	4.55%
Australia and New Zealand Banking Group Limited	669,000	14,718	2.46%
QBE Insurance Group Limited	737,000	12,706	2.12%
Westpac Stapled Preferred Securities (SPS II)	90,165	9,539	1.59%
ASX Limited	215,500	6,560	1.09%
AMP Limited	1,314,813	6,416	1.07%
Milton Corporation Limited	410,378	6,402	1.07%
Bendigo Bank Limited	610,400	5,396	0.90%
Insurance Australia Group Limited	1,280,000	4,339	0.72%
Perpetual Limited	166,310	4,146	0.69%
Suncorp-Metway Limited Convertible Preference Shares	40,000	4,080	0.68%
Suncorp-Metway Limited	390,000	3,159	0.53%
Bank of Queensland Limited	370,000	3,023	0.50%
Macquarie Group Limited	85,000	2,655	0.44%
Westpac Stapled Preferred Securities (SPS)	20,840	2,109	0.35%
		205,893	34.35%

List of securities (continued):

Stock	Shares Held	Market Value (\$'000)	Portfolio Weight %
Energy			
New Hope Corporation Limited	14,760,452	76,312	12.73%
Woodside Petroleum Limited	390,000	15,990	2.67%
Santos Limited	130,000	1,755	0.29%
Caltex Australia Limited	91,950	1,079	0.18%
		95,136	15.87%
Industrials			
Campbell Brothers Limited	389,734	17,807	2.97%
Brambles Limited	748,167	5,394	0.90%
UGL Limited	310,000	4,303	0.72%
GWA International Limited	1,310,000	3,589	0.60%
Salmat Limited	970,100	3,434	0.57%
Seek Limited	400,000	2,572	0.43%
Transfield Services Limited	494,746	1,652	0.28%
Qube Logistics	1,000,000	1,550	0.26%
Skilled Group Limited	644,826	1,444	0.24%
Lindsay Australia Limited	5,749,400	1,035	0.17%
Transurban Group	134,581	701	0.12%
		43,481	7.25%
Consumer Discretionary			
Invocare Limited	919,000	7,058	1.18%
ARB Corporation Limited	845,600	6,401	1.07%
Tatts Group Limited	1,581,000	3,779	0.63%
Fairfax Media Limited	2,100,000	2,058	0.34%
Echo Entertainment Group Limited	438,111	1,801	0.30%
Seven West Media Limited	372,458	1,505	0.25%
Tabcorp Holdings Limited	438,111	1,437	0.24%
Ten Network Holdings Limited	1,150,000	1,213	0.20%
Crown Limited	90,574	807	0.13%
Fleetwood Corporation Limited	55,000	622	0.10%
Gazal Corporation Limited	211,865	424	0.07%
		27,105	4.52%
Consumer Staples			
Wesfarmers Limited	692,570	22,051	3.68%
Woolworths Limited	711,565	19,739	3.29%
Metcash Limited	2,440,000	10,126	1.69%
Coca Cola Amatil Limited	846,000	9,653	1.61%
Graincorp Limited	93,444	775	0.13%
		62,344	10.40%

BKI Investment Company Limited

List of securities (continued):

Stock	Shares Held	Market Value (\$'000)	Portfolio Weight %
Health Care			
Ramsay Health Care Limited	189,000	3,432	0.57%
Sonic Healthcare Limited	153,600	1,977	0.33%
Clover Corporation Limited	858,000	236	0.04%
		5,645	0.94%
Materials			
BHP Billiton Limited	1,369,443	59,968	10.00%
Brickworks Limited	436,209	4,449	0.74%
Rio Tinto Limited	49,562	4,104	0.68%
Onesteel Limited	800,000	1,476	0.25%
Orica Limited Step up Preference Securities	10,000	996	0.17%
Bluescope Steel Limited	233,568	281	0.05%
		71,274	11.89%
Property Trusts			
Westfield Group	233,157	2,017	0.34%
		2,017	0.34%
Telecommunications Services			
Telstra Corporation Limited	6,940,000	20,057	3.35%
TPG Telecom Limited	4,420,000	7,426	1.24%
		27,483	4.58%
Utilities			
AGL Energy Limited	1,141,000	16,693	2.78%
APA Group	1,024,452	4,159	0.69%
		20,852	3.48%
Total Investments		561,230	93.62%
Cash and dividends receivable		38,248	6.38%
TOTAL PORTFOLIO		599,478	100.00%

The Group is not a substantial shareholder in accordance with the Corporations Act 2001 in any of the investee corporations as each equity investment represents less than 5% of the issued capital of the investee corporation.

GROUP PROFILE

BKI Investment Company Limited (the Group) is a Listed Investment Company on the Australian Stock Exchange. The Group invests in a diversified portfolio of Australian shares, trusts and interest bearing securities.

Shares were listed on the ASX commencing 12 December 2003.

Corporate Objectives

The Group aims to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends, to the extent of available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Investment Strategy

The Group is a research driven, long term manager focusing on well managed companies, with a profitable history and that offer attractive dividend yields. Stock selection is bottom up, focusing on the merits of individual companies rather than market and economic trends.

Dividend Policy

The Group will pay the maximum amount of realised profits after tax for that year to shareholders in the form of fully franked dividends to the extent permitted by the Corporations Act, the Income Tax Assessment Act and prudent business practices from profits obtained through interest, dividends and other income it receives from investments.

Dividends will be declared by the Board of Directors out of realised profit after tax for the relevant year, excluding realised capital profit from any disposals of long-term investments.

Management

The Group has an internalised portfolio management function headed by the CEO, Mr Tom Millner.

The Group also engages Corporate and Administrative Services Pty Ltd to provide accounting and group secretarial services. These services are overseen by the BKI Company Secretary, Mr Richard Pillinger.

CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the 8th Annual Report of BKI Investment Company Limited for the year ended 30 June 2011.

BKI's Net Operating Profit before special dividend income was \$25.3m, an increase of 13.1% on the previous corresponding period. This strong result was achieved after a majority of the companies held within the BKI Portfolio lifted dividend payments over the last year. This is the profit figure used by your Board of Directors to determine the level of ordinary dividends to be declared by BKI.

Net Profit from ordinary activities after tax attributable to shareholders fell 4.0% to \$29.9m. This decline was due to the considerable special dividend received from New Hope Corporation in FY2010. To be only 4.0% behind in 2011 after receiving over \$11m in special dividends in 2010 is a great achievement.

Dividends

The strong increase in Operating Profits has enabled the Directors to declare a Final Ordinary Dividend of 3 cents per share as well as another special dividend of 1 cent per share, both of which will be fully franked. This will be BKI's 4th Special Dividend since listing in December 2003. The record date will be the 17 August 2011 with a payment date of 31 August 2011.

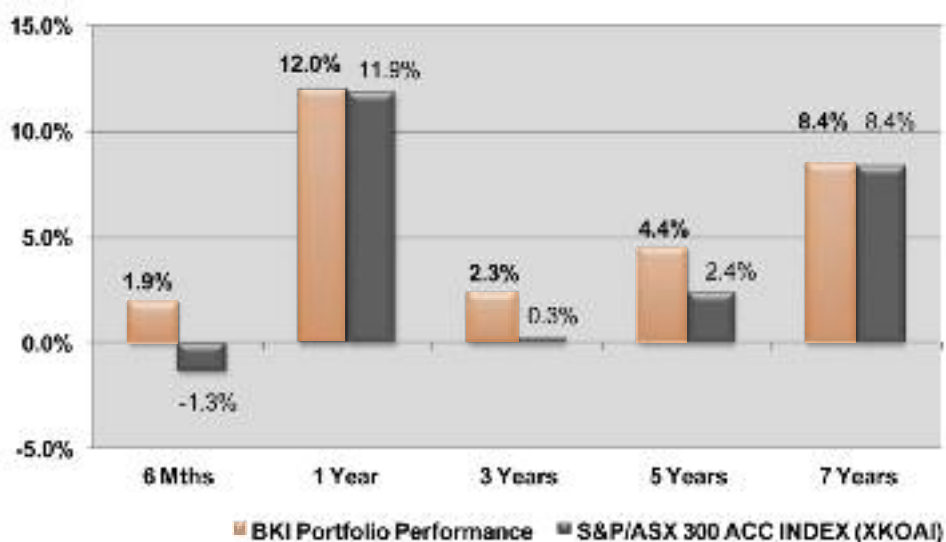
Total dividends paid by BKI during FY2011 equate to 7 cents per share which is an increase of 12% on the previous corresponding period.

BKI's Dividend Reinvestment Plan (DRP) will be maintained offering shareholders the opportunity to acquire further ordinary shares in BKI.

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 year to 30 June 2011 was 12.0% compared to the S&P/ASX 300 Accumulation Index which increased by 11.9%. Chart 1 shows historical Net Portfolio Returns benchmarked to the S&P/ASX 300 Accumulation Index.

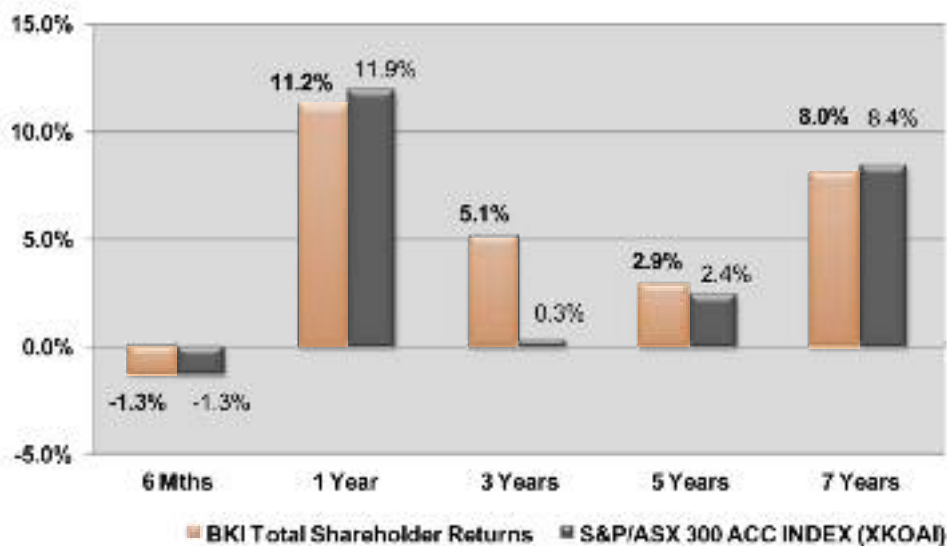
Chart 1



CHAIRMAN'S ADDRESS - Continued

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 30 June 2011 was 11.2%. This is compared to the S&P/ASX 300 Accumulation Index which returned 11.9% over the same period. Chart 2 shows historical Share Price Returns benchmarked to the S&P/ASX 300 Accumulation Index.

Chart 2



Portfolio Movements

Over the last quarter many active fund managers have fled to cash to protect performance, significantly reducing their exposure to Australian equities. For a fund that has a bias towards generating income, BKI believes that the market continues to offer the long term investor attractive opportunities.

Deploying funds into cash is defensive; however we feel that this is more an action of running for cover than taking the opportunity to buy stocks representing significant long term value.

During FY2011 the BKI Investment Committee has invested \$38m into the market with major purchases including ANZ Banking Corporation, Milton Corporation, Telstra Corporation, Commonwealth Bank, Coca Cola Amatil, AMP Limited, QUBE Logistics, UGL Limited, QBE Insurance Group and Woolworths Limited.

The holding in Milton Corporation was increased due to the acquisition of Choiseul Investments as was the holding in AMP Limited due to the acquisition of AXA Asia Pacific Holdings.

Major divestments from the BKI Investment Portfolio totalled \$16m and included Westfield Retail Trust, Boral Limited, GPT Group, Consolidated Media Holdings and Fosters Group. Divestments from the portfolio as a result of corporate activity were Choiseul Investments, Intoll Group, The Mac Services Group, AXA Asia Pacific Holdings and AWB Limited.

Small parcels of BHP Billiton and Woolworths Limited were sold through participation of their off market buybacks.

CHAIRMAN'S ADDRESS - Continued

Top 20 Investments at 30 June 2011

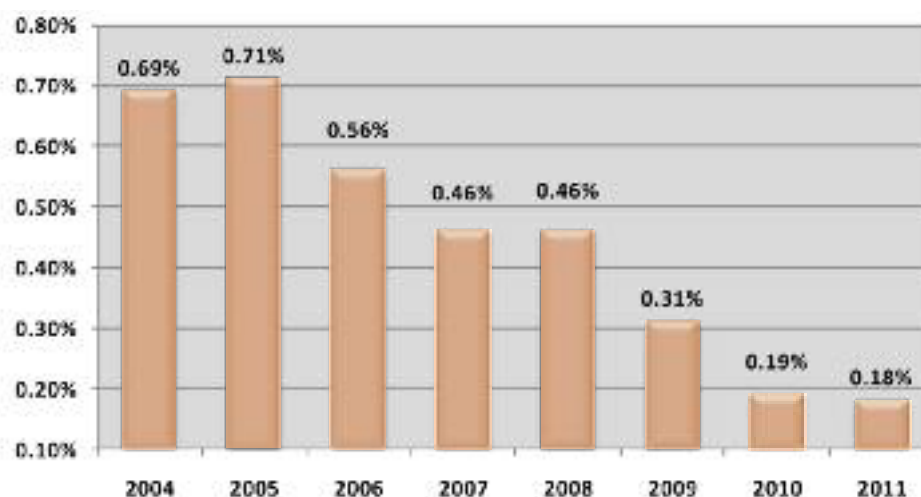
Stock	Amount (\$'000)	% of total portfolio
1 New Hope Corporation	76,312	12.7%
2 BHP Billiton Limited	59,968	10.0%
3 National Australia Bank	47,112	7.9%
4 Commonwealth Bank	46,254	7.7%
5 Westpac Banking Corporation	27,279	4.6%
6 Wesfarmers Limited	22,051	3.7%
7 Telstra Corporation Limited	20,057	3.3%
8 Woolworths Limited	19,739	3.3%
9 Campbell Brothers Limited	17,807	3.0%
10 AGL Energy Limited	16,693	2.8%
11 Woodside Petroleum Limited	15,990	2.7%
12 ANZ Banking Group	14,718	2.5%
13 QBE Insurance Group	12,706	2.1%
14 Metcash Limited	10,126	1.7%
15 Coca Cola Amatil Limited	9,653	1.6%
16 Westpac Preference Shares	9,539	1.6%
17 TPG Telecom Limited	7,426	1.2%
18 InvoCare Limited	7,058	1.2%
19 ASX Limited	6,560	1.1%
20 AMP Limited	6,416	1.1%
Cash and dividends receivable	38,248	6.4%
	491,712	82.2%

Operating Expenses

Operating Expenses have again been kept low over the year resulting in BKI's MER as at 30 June 2011 dropping from 0.19% to 0.18%, a 5.3% reduction over the previous corresponding period.

As can be seen from Chart 3, 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.

Chart 3



CHAIRMAN'S ADDRESS - Continued

Outlook

Retail investors continue to be bombarded with negativity surrounding weak global economies, high local interest rates and pressure on household affordability. As a defensive reaction to these circumstances we have seen household savings increase as the uncertainty on the future cost of living escalates.

This is therefore having a negative impact on the local stock market as many individuals reduce their exposure to Australian shares. Offshore investors have also fled our market due to the high Australian Dollar and uncertainty surrounding federal government policies.

We can understand the caution that many investors have shown, in particular over the past 3 months. As a long term investor, however, we can't get caught up with the continual pessimism and stress seen in our marketplace. We need to continue to act upon these opportunities and invest for the future.

Focusing on the merits of individual companies rather than market and economic trends has placed the BKI Portfolio in a good position for the future. We have been investing in good quality companies for many years and through many cycles. This period is no different. The quality BKI portfolio continues to produce the results and enables us to then offer BKI shareholders an attractive fully franked dividend yield.

Shares in BKI are currently yielding 5.8% (based on a share price of \$1.21 as at 30 June 2011). The franking credits that BKI pass on to shareholders enables this yield to gross up to 8.3%.

On a post tax basis, this compares very favourably to many cash products currently in the market. Investing in BKI at this point and under these economic conditions offers shareholders a defensive market exposure to a high quality investment portfolio. BKI has a strong dividend payout ability and the cost of running such a portfolio is one of the most competitive cost structures in the marketplace.

Balance sheets of quality companies appear more robust than ever. With this in mind, BKI remains confident that dividend distributions will continue to improve during the FY2011 reporting season and into FY2012. BKI will, however, be cautious of companies whose earnings are exposed to the high Australian Dollar and consumer activity in the upcoming reporting season.

We continue to be very comfortable with our exposure to the resource sector and in particular with our position in New Hope Corporation (NHC). Having NHC in the BKI portfolio gives a clear point of difference to many other investment products. The Australian mining sector continues to underpin the strength of the Australian economy and BKI's exposure to the resource industry through holdings in NHC, BHP Billiton, Woodside Petroleum and Campbell Brothers places the company in a strong position.

Yours sincerely,



Robert Millner
Chairman

Sydney, 2 August 2011

DIRECTORS' REPORT

The Directors of BKI Investment Company Limited present the following report on the Company and controlled entities (the Group) for the year ended 30 June 2011.

1. Directors

The following persons were Directors since the start of the financial year and up to the date of this report unless otherwise stated:

Robert Dobson Millner, FAICD – Non-Executive Director and Chairman

Mr Millner has over 27 years experience as a Company Director. During the past three years, Mr Millner has also served as a Director of the following other listed companies:

- Milton Corporation Limited*
- New Hope Corporation Limited*
- Washington H Soul Pattinson and Company Limited*
- TPG Telecom Limited* (formerly SP Telemedia Limited)
- Brickworks Limited*
- Souls Private Equity Limited*
- Australian Pharmaceutical Industries Limited*
- Choiseul Investments Limited

* denotes current Directorship

Special Responsibilities:

- Chairman of the Board
- Chairman of the Nomination Committee
- Chairman of the Investment Committee
- Member of the Remuneration Committee

David Capp Hall, FCA, FAICD – Independent Non-Executive Director

Mr Hall is a Chartered Accountant with experience in corporate management, finance and as a Company Director. He has held Directorships in other companies for more than 30 years and is the Chairman of the Audit Committee.

Special Responsibilities:

- Chairman of the Audit Committee
- Member of the Remuneration Committee

DIRECTORS' REPORT - Continued

Alexander James Payne, B.Comm, Dip Cm, FCPA, FCIS, FCIM - Non-Executive Director

Mr Payne is Chief Financial Officer of Brickworks Limited and has considerable experience in finance and investment and is a member of the Audit Committee.

Special Responsibilities:

- Member of the Audit Committee
- Member of the Investment Committee
- Chairman of the Remuneration Committee
- Member of the Nomination Committee

Ian Thomas Huntley, BA – Independent Non-Executive Director

After a career in financial journalism Mr Huntley acquired “Your Money Weekly” newsletter in 1973. Over the following 33 years, Mr Huntley built the Your Money Weekly newsletter into one of Australia’s best known investment advice publications. He and partners sold the business to Morningstar Inc of the USA in mid 2006. Mr. Huntley continues an active role as Editor, Huntley’s Your Money Weekly.

During the past three years, Mr Huntley has served as a Director of the following listed companies:

- Huntley Investment Company Limited (taken over by BKI Investment Company Limited in January 2009)

Special Responsibilities:

- Member of the Investment Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee
- Member of the Audit Committee

2. Key Management Personnel

Thomas Charles Dobson Millner, B.Des (Industrial), GDipAppFin (Finsia), F Fin – Chief Executive Officer

Mr Millner Joined the Company in December 2008. Mr Millner was previously with Souls Funds Management (SFM) and held various roles covering research, analysis and business development. Whilst at SFM Mr Millner was responsible for the Investment Portfolio of BKI Investment Company Limited. Prior to this Mr Millner was an investment analyst with Republic Securities Limited, manager of the Investment Portfolio of Pacific Strategic Investments. Mr Millner is also a Director of Washington H. Soul Pattinson and Company Limited.

Special Responsibilities:

- Member of the Investment Committee

Richard Pillinger, BSc, CA - Company Secretary

Mr Pillinger is a Chartered Accountant with over 15 years experience in public practice and commercial financial roles. Mr Pillinger is also Company Secretary of CBD Energy Limited and Souls Private Equity Limited.

DIRECTORS' REPORT - Continued

3. Principal Activities

The principal activities of the Group during the financial year were that of a Listed Investment Company (LIC) primarily focused on long term investment in ASX listed securities. There have been no significant changes in the nature of those activities during the year.

4. Operating Results

BKI's Net Operating Profit before special dividend income increased 13.1% to \$25.3m. This strong result was achieved after a majority of the companies held within the BKI Portfolio lifted dividend payments over the last year. Net Profit attributable to shareholders fell 4% to \$29.9m due to the considerable special dividend received from New Hope Corporation in 2010.

5. Review of Operations

Operating expenses have been kept low resulting in BKI's MER as at 30 June 2011 dropping from 0.19% to 0.18%, 5.3% lower than in the previous corresponding period.

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 year to 30 June 2011 was 12.0% compared to the S&P/ASX 300 Accumulation Index which increased by 11.9%.

BKI's Share Price Performance (including the reinvestment of dividends) for the year to 30 June 2011 was 11.2%. This compares to the S&P/ASX 300 Accumulation Index which returned 11.9% over the same period.

During FY2011 the BKI Investment Committee has invested \$38m into the market with major purchases including ANZ Banking Corporation, Milton Corporation, Telstra Corporation, Commonwealth Bank, Coca Cola Amatil, AMP Limited, QUBE Logistics, UGL Limited, QBE Insurance Group and Woolworths Limited.

The holding in Milton Corporation was increased due to the acquisition of Choiseul Investments as was the holding in AMP Limited due to the acquisition of AXA Asia Pacific Holdings.

Major divestments from the BKI Investment Portfolio totalled \$16m and included Westfield Retail Trust, Boral Limited, GPT Group, Consolidated Media Holdings and Fosters Group. Divestments from the portfolio as a result of corporate activity were Choiseul Investments, Intoll Group, The Mac Services Group, AXA Asia Pacific Holdings and AWB Limited. Small parcels of BHP Billiton and Woolworths Limited were sold through participation of their off market buybacks.

6. Financial Position

The net assets of the Group increased during the financial year by \$34.0 million to \$568.4 million.

This movement has largely resulted from the increase in the market value of the investment portfolio of \$25.4 million net of tax.

7. Employees

The Group has one employee as at 30 June 2011 (2010: 1).

DIRECTORS' REPORT - Continued

8. Significant changes in the state of affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Group during the reporting year.

9. Likely Developments and Expected Results

The operations of the Group will continue with planned investments in Australian equities and fixed interest securities. No information is included on the expected results of those operations and the strategy for particular investments, as it is the opinion of the Directors that this information would prejudice the interests of the Group if included in this report.

10. Significant Events after Balance Date

The Directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has significantly affected or may significantly affect:

- i. the operations of the Parent and the entities that it controls;
- ii. the results of those operations; or
- iii. the state of affairs of the Group in subsequent years.

11. Dividends

There were two dividend payments during the year ended 30 June 2011.

On 9 September 2010, a final total dividend of \$13,603,400 (2.75 cents per share, ordinary dividend and 0.5 cents per share special dividend, both fully franked) was paid out of retained profits at 30 June 2010.

On 7 March 2011, an interim ordinary and special dividend of \$12,650,930 (3.0 cents per share fully franked) was paid out of retained profits at 31 December 2010.

In addition, the Directors have declared a final ordinary dividend of \$16,914,536 (3.0 cents per share fully franked ordinary dividend plus 1.0 cents per share fully franked special dividend) payable on 31 August 2011.

At 30 June 2011 there are \$10,752,000 of franking credits available to the Group (2010: \$13,981,000) after allowing for payment of the final, fully franked dividend.

12. Environmental Regulations

The Group's operations are not materially affected by environmental regulations.

DIRECTORS' REPORT - Continued

13. Meetings of Directors

The numbers of meetings of the Board of Directors and each Board Committee held during the year to 30 June 2011, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit		Remuneration		Nomination	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	10	10	16	16	-	-	2	2	1	1
AJ Payne	10	10	16	16	3	3	2	2	-	-
DC Hall	10	10	-	-	3	3	2	2	1	1
IT Huntley	9	10	15	16	3	3	2	2	1	1

14. Remuneration Report (Audited)

This remuneration report outlines the Director and Executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves and the Chief Executive Officer. It is the Group's objective to provide maximum shareholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and Key Executives fairly and appropriately with reference to relevant employment market conditions, their performance, experience and expertise.

Elements of director and executive remuneration

The Board's policy for determining the nature and amount of remuneration for Key Management Personnel of the Group is as follows:

- The remuneration policy is developed by the Remuneration Committee and approved by the Board after professional advice is sought from independent external consultants.
- All Key Management Personnel receive a base salary or fee, superannuation and performance incentives.
- Performance incentives are only paid once predetermined key performance indicators have been met.
- Incentives paid in the form of rights are intended to align the interests of the Key Management Personnel with those of the shareholders.
- The Remuneration Committee reviews Key Management Personnel packages annually by reference to the Group's performance, Executive performance and comparable information from industry sectors.

The performance of Key Management Personnel is measured against criteria as agreed with each Executive and is based predominantly on the growth of shareholder and portfolio returns. The Board may exercise discretion in relation to approving incentives and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

DIRECTORS' REPORT - Continued

14. Remuneration Report (Audited) (continued)

All remuneration paid to Key Management Personnel is valued at the cost to the Group and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

Performance-based Remuneration

BKI has established a Short Term and a Long Term Incentive Scheme. The participants in this scheme are the CEO, Mr Tom Millner and the Company Secretary, Mr Richard Pillinger.

The aims of the BKI Incentive Scheme are:

1. To promote superior performance at BKI over both the short term and, more importantly, long term.
2. To ensure remuneration is fair and reasonable market remuneration to reward staff.
3. To promote long term staff retention and alignment.

To achieve the objectives of BKI, the Incentive Scheme is required to include several components with separate measurement criteria.

Short Term Incentive

The Short Term Incentive is determined by reference to annual Total Portfolio Return; compared to the S&P ASX 300 Accumulation Index. BKI's Total Portfolio Returns are measured by the change in pre tax NTA and are after all operating expenses, payment of both income and capital gains tax and the reinvestment of dividends.

The Short Term Incentive is paid by way of BKI shares which will be purchased on market by the Company.

The value of the Short Term Incentive for the CEO is calculated as 15% of CEO base salary. The Short Term Incentive for the Company Secretary is to be set at 40% of the CEO Incentive.

100% of the Short Term Incentive would initially be based on the Total Portfolio Returns as follows:

BKI Total Portfolio Return Compared to S&P ASX 300 Acc Index	% of Eligible Bonus
Less than Index	0%
Equal to Index	100%
Plus 1%	110%
Plus 2%	120%
Plus 3%	130%
Plus 4%	140%
Plus 5% or more	150%

The Short Term Incentive is subject to discretionary Board adjustment for the achievement of improved Management Expense Ratio and promotion of BKI.

DIRECTORS' REPORT - Continued

The following table summarises current year performance against the Short Term Incentive measurement criteria:

1 Year BKI Total Portfolio Return	S&P ASX 300 Acc Index over 1 Year	Over / (Under) Performance	% Entitlement to Eligible Bonus
12.0%	11.9%	0.1%	100%

Long Term Incentive

The Long Term Incentive is determined by reference to annual Total Shareholder Returns; compared to the S&P ASX 300 Accumulation Index. Total Shareholder Returns are based on change in BKI Share Price and include the reinvestment of dividends.

For the CEO, the Long Term Incentive is calculated on 25% of base salary and vested in the CEO at 3 years, provided that the 3 year Total Shareholder Returns exceed the S&P/ASX 300 Accumulation Index. Should that test fail on the day it will be tested in Year 4 and 5 to reflect the longer term success of previous decisions. For the Company Secretary, the Long Term Incentive is to be set at 40% of the CEO Incentive and subject to the same vesting conditions.

The Long Term Incentive Scheme is to be paid by way of BKI shares which will be purchased on market by the Company should the incentive targets be met. The first date on which the test will be applied will be 30 June 2013. As such, no rights or shares have yet been assigned under the Long Term Incentive Plan. The company has accrued the appropriate portion of these future costs in the current year, however, these costs will not be included in the disclosed remuneration of the CEO or Company Secretary until such time that the rights or shares are assigned to them.

Remuneration Details for the Year Ended 30 June 2011

The following disclosures detail the remuneration of the Directors and the highest remunerated Executives of the Group.

The names of and positions held by group Directors and Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
TCD Millner	Chief Executive Officer
RJ Pillingier	Company Secretary (services provided under contract through Corporate and Administrative Services Pty Limited)

There are no other employees of the group.

DIRECTORS' REPORT - Continued

Details of the nature and amount of each Non – Executive Director's and Key Management Personnel's emoluments from the Parent and controlled entities in respect of the year to 30 June were:

Directors 2011	Primary \$	Superannuation \$	Equity Compensation \$	Other Compensation \$	Total \$
RD Millner	56,500	5,085	-	-	61,585
DC Hall	43,500	3,915	-	-	47,415
AJ Payne	36,000	3,240	-	-	39,240
IT Huntley	39,240	-	-	-	39,240
Total	175,240	12,240	-	-	187,480
2010					
RD Millner	47,500	4,275	-	-	51,775
DC Hall	36,000	3,240	-	-	39,240
AJ Payne	30,000	2,700	-	-	32,700
IT Huntley	32,700	-	-	-	32,700
GG Hill ¹	4,167	375	-	-	4,542
Total	150,367	10,590	-	-	160,957

1 – Resigned 8 September 2009

Payment to Non-Executive Directors is fixed at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

Key Management Personnel 2011	Primary \$	Superannuation \$	Bonus - Equity Compensation \$	Other Compensation \$	Total \$
TCD Millner	260,867	19,633	42,900	-	323,400
RJ Pillinger	-	-	17,160	-	17,160
Total	260,867	19,633	60,060	-	340,560
2010					
TCD Millner	240,826	21,674	41,250	-	303,750
RJ Pillinger	-	-	16,500	-	16,500
Total	240,826	21,674	57,750	-	320,250

There were no retirement allowances provided for the retirement of Non-Executive Directors or Key Management Personnel.

DIRECTORS' REPORT - Continued

Contract of Employment

Mr T Millner is employed by the Company under a contract of employment. This is an open ended contract with a notice period of one month required to terminate employment. Remuneration is fixed at \$286,000 per annum inclusive of superannuation.

Remuneration is reviewed annually by the Remuneration Committee.

Mr R Pillingier provides Company Secretarial services under contract through Corporate and Administrative Services Pty Limited. This is an open ended contract with a notice period of one month required to terminate.

15. Beneficial and relevant interest of Directors and Key Management Personnel in Shares

As at the date of this report, details of Directors and Key Management Personnel who hold shares for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

	Number of Shares
RD Millner *	7,047,972
DC Hall	236,965
AJ Payne	226,665
IT Huntley	11,063,445
TCD Millner *	6,114,698
RJ Pillingier	28,669

*Common to RD Millner and TCD Millner are 6,030,540 shares held in related companies and trusts in which both hold beneficial interests.

16. Directors and Officers' Indemnity

The Constitution of the Parent provides indemnity against liability and legal costs incurred by Directors and Officers to the extent permitted by Corporations Act.

During the year to 30 June 2011, the Group has paid premiums of \$36,355 in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities.

17. Proceedings on Behalf of Group

No person has applied for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

DIRECTORS' REPORT - Continued

18. Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

No fees for non-audit services were paid to the external auditor, Ruwald & Evans, during the year ended 30 June 2011.

19. Auditor's Independence Declaration

The Auditor's Independence Declaration for the year ended 30 June 2011 has been received and can be found on page 56.

This report is made in accordance with a resolution of the Directors.



Robert D Millner
Director

Sydney, 2 August 2011

CORPORATE GOVERNANCE

The Board of BKI Investment Company Limited (the Group) are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Group has followed the revised best practice recommendations effective from 1 January 2008 set by the ASX Corporate Governance Council during the reporting year.

This report summarises the Group's application of the 8 Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.

The Board of Directors (hereinafter referred to as the Board) are responsible for the corporate governance of the Parent and controlled entities. The Directors of the Group are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Role of the Board

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans, the annual budget and financial plans
- ensuring regulatory compliance
- ensuring adequate risk management processes
- monitoring the Board composition, Director's selection and Board processes and performance
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives
 - compliance with the Group's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Group's auditors
- appointment and contributing to the performance assessment of the Chief Executive Officer and external service providers
- enhancing and protecting the reputation of the Group
- reporting to shareholders.

Role of Senior Executives

The responsibilities of Senior Executives include:

- organisation and monitoring of the investment portfolio
- managing organisational performance and the achievement of the Group's strategic goals and objectives
- management of financial performance
- management of internal controls

CORPORATE GOVERNANCE - Continued

Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives.

Performance of Senior Executives is measured against relative market indices and financial and strategic goals approved by the Board. Performance is measured on an ongoing basis using management reporting tools.

Principle 2 – Structure the Board to add value

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are Independent Directors
- Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Group is to maintain a mix of Directors on the Board from different backgrounds with complimentary skills and experience
- the Board seeks to ensure that:
 - at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external perspective
 - the size of the Board is conducive to effective discussion and efficient decision making.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the Directors' report under the heading "Directors".

Recommendation 2.1: A majority of the Board should be Independent Directors

Recommendation 2.2: The Chair should be an Independent Director

The Group has not followed recommendation 2.1 or recommendation 2.2 as the Board currently comprises two independent Non-Executive Directors and two Non-Executive Directors and the Chair is not an Independent Director.

Of the members of the Board, Mr Hall and Mr Huntley are considered independent. Mr Huntley is defined as independent as his shareholding in the Group at less than 5% of issued capital is not considered substantial.

Mr Millner although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Washington H. Soul Pattinson and Company Limited, which is a substantial shareholder of the Parent.

Mr Payne although meeting other criteria, and bringing independent judgement to bear on his role, is not defined as independent, primarily due to the fact that he is an officer of Brickworks Limited, which is an associated entity of Washington H. Soul Pattinson and Company Limited, a substantial shareholder of the Parent.

In relation to Directors independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the Director's performance.

Recommendations 2.1 and 2.2 have not been followed because the Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. BKI Investment Company Limited listed on the Australian Stock exchange on 12 December 2003 to take over the investment portfolio of Brickworks Limited and the given their long standing association with the portfolio the Board is satisfied that Mr Millner and Mr Payne play an important role in the continued success and performance of the Group.

CORPORATE GOVERNANCE - Continued

In accordance with the Corporations Act 2001, any member of the Board who has an interest that could conflict with those of the Group must inform the Board. Where the Board considers that a significant conflict exists it may exercise discretion to determine whether the Director concerned may be present at any meeting while the item is considered.

Mr Millner and Mr Payne do not meet the criteria for independence in accordance with the ASX Corporate Governance Principles and Recommendations, however, for the reasons stated above they can be considered to be acting independently and in the best interest of the Group in the execution of their duties.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The role of Chair and Chief Executive Officer is not occupied by the same individual.

Recommendation 2.4: The Board should establish a Nomination Committee

The Group established a Nominations Committee effective from 12 December 2003.

The Nomination Committee consists of Directors who are not up for re-election during the year:

RD Millner (Chairman)

AJ Payne

IT Huntley

The main responsibilities of the Committee are to:

- assess the membership of the Board having regard to present and future needs of the Group
- assess the independence of Directors to ensure the majority of the Board are Independent Directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee Board succession
- evaluate Board performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and Individual Directors

The Board undertakes an annual self assessment of its collective performance. The self assessment:

- compares the performance of the Board with goals and objectives
- sets forth the goals and objectives of the Board for the upcoming year

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board Committee undertakes an annual self assessment on the performance of each Committee and achievement of Committee objectives.

The Chairman annually assesses the performance of individual Directors, where necessary and meets privately with each Director to discuss this assessment. The Chairman's performance is reviewed by the Board.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct

The Group has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors, employees and external service providers. The Code is regularly reviewed to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

CORPORATE GOVERNANCE - Continued

A signed Code has been received from the CEO, Mr T Millner and from Mr R Pillinger as a representative of Corporate and Administrative Services Pty Limited. No diversions from the Code were noted during the year.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. This includes taking into account:

- their legal obligations and the reasonable expectations of their stakeholders
- their responsibility and accountability for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy

The Group has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all Directors and employees.

BKI Limited's policy regarding allowable dealings by Directors, Officers and employees in BKI shares, options and other securities require each person to:

- never engage in short term trading of the Company's securities;
- not deal in the Company's securities while in possession of price sensitive information;
- notify the Company Secretary of any material intended transactions involving the Company's securities; and
- restrict their buying and selling of the corporation's securities to the following Trading Windows:-
 - during the currency of a prospectus;
 - for a new issue while rights are being traded;
 - where shares are offered pursuant to an approved employee share scheme;
 - to 14 days after the release of the company's half yearly announcement;
 - to 14 days after the release of the company's annual results announcements;
 - to 14 days after the annual general meeting; and
 - to 14 days after release of an NTA announcement.

Any request to trade outside of the Trading Window must be made in writing to the Company Secretary who will record the request in a register of all relevant details of such dealings and the current interests held by Directors. Any such requests will be subject to approval by the Chairman. No requests were made during the current year to trade outside of the Trading Window.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

The members of the Audit Committee at the date of this annual financial report are:

DC Hall (Chairman)

AJ Payne

IT Huntley

CORPORATE GOVERNANCE - Continued

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an Independent Chair, who is not Chair of the Board
- has at least three members

The Audit Committee consists only of Non-Executive Directors. The majority of members are independent.

The Chairman of the Audit Committee is an Independent, Non-Executive Director who is not Chairman of the Board. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the Audit Committee are all financially literate and have a strong understanding of the industry in which the Group operates.

Recommendation 4.3: The Audit Committee should have a formal charter

The main responsibilities of the Audit Committee as defined in the Audit Committee Charter are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Group or released to the market
- reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Group where the auditor would have a mutual or conflicting interest with the Group; be in a position where they audit their own work; function as management of the Group; or have their independence impaired or perceived to be impaired in any way
- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the Committee's role and responsibilities.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Chairman and Company Secretary have been nominated as being the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Chairman is responsible for disclosure to analysts, brokers and shareholders, the media and the public.

CORPORATE GOVERNANCE - Continued

The Parent has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Group.

Shareholders are updated with the Group's operations via monthly ASX announcements of the Net Tangible Asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website, or alternatively, by request via email, facsimile or post. In addition, a copy of the annual report is distributed to all shareholders who elect to receive it, and is available on the Group's website.

The Board encourages participation by shareholders at the Annual General Meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Group's performance and goals.

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is committed to the identification and quantification of risk throughout the Group's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Board operates to minimise exposure to investment risk, in part, by implementing stringent processes and procedures to effectively manage investment risk.

Management of investment risk is fundamental to the business of the Group being an investor in Australian listed securities. An Investment Committee has been established to perform, among other roles, investment risk mitigation.

The Investment Committee consists of the following members:

RD Millner (Chairman)

AJ Payne

IT Huntley

TCD Millner

The main responsibilities of the Committee are to:

- assess the information and recommendations received from the Chief Executive Officer in his role as portfolio manager regarding the present and future investment needs of the Group
- assess the performance of the Chief Executive Officer in his role as portfolio manager
- evaluate investment performance.

CORPORATE GOVERNANCE - Continued

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and the administrative and company secretarial service provider, namely Mr T Millner and Mr R Pillinger of Corporate & Administrative Services Pty Ltd have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Parent and consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Group's risk management and internal control is operating effectively and efficiently in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

The Group has established a Remuneration Committee consisting of the following members:

AJ Payne (Chairman)

DC Hall

RD Millner

IT Huntley

The Remuneration Committee oversees and reviews remuneration packages and other terms of employment for Executive Management. In undertaking their roles the Committee members consider reports from external remuneration experts on recent developments on remuneration and related matters.

Mr RD Millner abstains from any discussions or votes in relation to the remuneration of the CEO, Mr TCD Millner in order to avoid any conflict of interest.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. Performance is measured against relative market indices.

Any person engaged in an executive capacity is required to sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities, and any entitlements on termination.

As well as a base salary, remuneration in such circumstances could be expected to include superannuation, performance-related bonuses and fringe benefits.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.

Fees for Non-Executive Directors reflect the demands on and responsibilities of our Directors. Non-Executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-Executive Directors do not receive any options, bonus payments nor are provided with retirement benefits other than statutory superannuation.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the Directors, or any interest associated with the Directors, to ensure the structure and terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Revenue from investment portfolio	2 (a)	25,414	21,599
Revenue from bank deposits	2 (c)	2,138	2,303
Other income	2 (d)	4	16
Other gains	2 (e)	-	648
Income from operating activities before special investment revenue and net gains / (losses) on investment portfolio		27,556	24,566
Operating expenses	3	(1,046)	(1,008)
Operating profit before income tax expense, special investment revenue and net gains / (losses) on investment portfolio		26,510	23,558
Income tax expense	4	(1,169)	(1,157)
Net operating profit before special investment revenue and net gains / (losses) on investment portfolio		25,341	22,401
Special investment revenue	2 (b)	4,557	11,155
Net operating profit before net gains / (losses) on investment portfolio		29,898	33,556
Realised (losses) / gains on investment portfolio sold before 31 December 2009 *		-	(3,369)
Tax credit / (expense) relating to net realised (losses) / gains on investment portfolio*	4	-	1,011
Net realised (losses) / gains on investment portfolio sold before 31 December 2009*		-	(2,358)
Discount on acquisition of controlled entity		-	(46)
Profit for the year attributable to members of the Company		29,898	31,152
		2011 Cents	2010 Cents
Basic and diluted earnings per share before special dividend income	21	6.02	5.44
Basic and diluted earnings per share after special dividend income	21	7.10	7.57

* Due to a change in accounting standards during the year ended 30 June 2010, all realised gains and losses on investment portfolio sales after 31 December 2009 are now reflected in the Statement of Other Comprehensive income.

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011 \$'000	2010 \$'000
Profit for the year attributable to members of the Company	29,898	31,152
Other Comprehensive Income / (Loss)		
Unrealised gains on investment portfolio	36,313	39,414
Deferred tax expense on unrealised gains on investment portfolio	(10,894)	(11,824)
Realised (losses) / gains on investment portfolio since 1 January 2010	(109)	86
Tax expense relating to net realised (losses) / gains on investment portfolio since 1 January 2010	(85)	(26)
Total Other Comprehensive Income	25,225	27,650
Total Comprehensive Income	55,123	58,802

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Note	Consolidated 2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	6	33,900	47,324
Trade and other receivables	7	4,347	3,810
Prepayments		19	21
Total Current Assets		38,266	51,155
Non-Current Assets			
Investment Portfolio	8	561,230	503,679
Property, Plant & Equipment	9	6	9
Deferred tax assets	10	4,050	4,233
Total Non-Current Assets		565,286	507,921
Total Assets		603,552	559,076
Current Liabilities			
Trade and other payables	11	233	1,077
Current tax liabilities	12	509	204
Employee Benefits	13	18	13
Total Current Liabilities		760	1,294
Non-Current Liabilities			
Deferred tax liabilities	14	34,395	23,380
Total Non-Current Liabilities		34,395	23,380
Total Liabilities		35,155	24,674
Net Assets		568,397	534,402
Equity			
Share capital	15	454,833	449,707
Revaluation reserve	16	79,451	54,032
Realised capital gains reserve	17	1,250	1,444
Retained profits	18	32,863	29,219
Total Equity		568,397	534,402

This Balance Sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED ENTITY	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains Reserve \$'000	Retained Profits \$'000	Total Equity \$'000
Total equity at 1 July 2009	420,925	26,442	3,742	20,030	471,139
Issue of shares, net of cost	28,782	-	-	-	28,782
Dividends paid or provided for	-	-	-	(24,321)	(24,321)
Revaluation of investment portfolio	-	39,414	-	-	39,414
Provision for tax on unrealised losses	-	(11,824)	-	-	(11,824)
Profit / (Loss) for the year	-	-	(2,358)	33,510	31,152
Net realised gains post 1 January 2010 through other comprehensive income	-	-	60	-	60
Total equity at 30 June 2010	449,707	54,032	1,444	29,219	534,402
Total equity at 1 July 2010	449,707	54,032	1,444	29,219	534,402
Issue of shares, net of cost	5,126	-	-	-	5,126
Dividends paid or provided for	-	-	-	(26,254)	(26,254)
Revaluation of investment portfolio	-	36,313	-	-	36,313
Provision for tax on unrealised losses	-	(10,894)	-	-	(10,894)
Profit / (Loss) for the year	-	-	-	29,898	29,898
Net realised gains post 1 January 2010 through other comprehensive income	-	-	(194)	-	(194)
Total equity at 30 June 2011	454,833	79,451	1,250	32,863	568,397

This Statement of Changes in Equity should be read in conjunction with the accompanying notes

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,019)	(915)
Other receipts in the course of operations		4	16
Dividends and distributions received		29,240	32,279
Payments for trading portfolio		-	(1,375)
Proceeds from sale of trading portfolio		-	2,380
Interest received		2,338	1,858
Income tax paid		(633)	(2,583)
Net cash inflows from operating activities	19(a)	29,930	31,660
Cash flows from investing activities			
Purchase costs for acquisition of controlled entity		-	(46)
Payment for investment portfolio		(31,956)	(35,284)
Proceeds from sale of investment portfolio		9,730	10,715
Net cash outflow from investing activities		(22,226)	(24,615)
Cash flows from financing activities			
Proceeds from issues of ordinary shares less issue costs		-	24,023
Dividends paid	5(a)	(21,128)	(19,562)
Net cash (outflow) / inflow from financing activities		(21,128)	4,461
Net (decrease) / increase in cash held		(13,424)	11,506
Cash at the beginning of the year		47,324	35,818
Cash at the end of the year		33,900	47,324

This Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the parent entity of BKI Investment Company Limited and controlled entities, and BKI Investment Company Limited as an individual parent entity. Following recent changes to corporate reporting requirements, parent company information is summarised in Note 27. BKI Investment Company Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of BKI Investment Company Limited and controlled entities, and BKI Investment Company Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented .

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash and Cash Equivalents
Share Capital	Contributed Equity

Reporting Basis and Conventions

The 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.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity BKI Investment Company Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 24 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

BKI Investment Company Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax balances resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 12 December 2003. The tax consolidated group has entered a tax sharing agreement whereby each group in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

The Group has two portfolios of securities, the investment portfolio and the trading portfolio. The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis and the trading portfolio comprises securities held for short term trading purposes.

Securities within the investment portfolio are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition. Securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss in accordance with AASB 9'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Financial Instruments (continued)

Valuation of investment portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values continuously. Movements in carrying values of securities are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Where disposal of an investment occurs, any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realised Capital Gains Reserve.

Valuation of trading portfolio

Listed securities are initially brought to account at market value, which is the cost of acquisition and are revalued to market values continuously.

Movements in carrying values of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

Fair value

Fair value is determined based on current bid prices for all quoted investments.

d. Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including annual leave, expected to be settled within 12 months of balance date are recognised as current provisions in respect of employees' services up to balance date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

In calculating the value of long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at balance date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share incentives

Share incentives are provided under the Short and Long Term Incentive Plans. The Short and Long Term Incentive Plans are settled in shares, but based on a cash amount. A provision for the amount payable under the Short Term Incentive plan is recognised on the Balance Sheet.

For the Long Term Incentive Plan, the incentives are based on the performance of the Group over a minimum three year period. The incentives are settled in shares (but based on a cash amount). Expenses are recognised over the assessment period based on the amount expected to be payable under this plan, resulting in a provision for incentive payable being built up on the balance sheet over the assessment period.

In the event that the executive does not complete the period of service, the cumulative expense is reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

f. Revenue

Sale of investments occurs when the control of the right to equity has passed to the buyer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

g. Plant and Equipment

Plant and equipment represents the costs of furniture and computer equipment and is depreciated over its useful life, a period of between 3 and 5 years.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

j. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where a retrospective restatement of items in the statement of financial position has occurred, presentation of the statement as at the beginning of the earliest comparative period has been included.

k. Rounding of Amounts

The parent has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Critical Accounting Estimates and Judgments

Deferred Tax Balances

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Group's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investment portfolio at the current tax rate of 30%.

As the Group does not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 14. In addition, the tax liability that arises on disposal of those securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

m. Australian Accounting Standards not yet effective

The Group has not applied any Australian Accounting Standards or UIG interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2011 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Group only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
2. REVENUES		
(a) Revenue from investment portfolio		
Rebateable dividends:		
- other corporations	22,308	19,062
Non - rebateable dividends:		
- other corporations	2,589	1,526
Distributions:		
- other corporations	517	959
Interest received - notes	-	52
	25,414	21,599
(b) Special investment revenue		
Rebateable dividends - special:		
- other corporations	4,557	11,155
(c) Revenue from bank deposits		
Interest received	2,138	2,303
(d) Other income		
Other revenue	4	16
(e) Other gains / losses		
Net gain on sale of investments held for trading	-	648
Total Income	32,113	35,721
3. OPERATING EXPENSES		
Administration expenses	301	372
Occupancy costs	8	8
Employment expense	578	489
Professional fees	156	137
Depreciation	3	2
Total Expenditure	1,046	1,008

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

4. TAX EXPENSE

The aggregated amount of income tax expense attributable to the year differs from the amounts prima facie payable on profits from ordinary activities. The difference is reconciled as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
(a) Operating profit before income tax expense and net gains on investment portfolio	31,067	34,713
Tax calculated at 30% (2010: 30%)	9,320	10,414
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Franked dividends and distributions received	(8,060)	(9,065)
- (Over) / Under provision in prior year	(91)	(192)
Net tax expense on operating profit before net gains on investments	1,169	1,157
Net gains on investments prior to 31 December 2009	-	(3,369)
Tax calculated at 30% (2010: 30%)	-	(1,011)
Net (losses) / gains on investments post 31 December 2009	(109)	86
Tax calculated at 30% (2010: 30%)	(33)	26
Tax effect of:		
- difference between accounting and tax cost bases for capital gains purposes	118	-
Total tax expense	1,254	172
(b) The components of tax expense comprise	31,067	34,713
Current tax	1,281	1,016
Deferred tax	64	(652)
(Over) / Under provision in prior year	(91)	(192)
	1,254	172
5. DIVIDENDS		
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2010 of 2.75 cents per share (2009 final: 3.0 cents per share) fully franked at the tax rate of 30%, paid on 10 September 2010	11,511	11,824
Final special dividend for the year ended 30 June 2010 of 0.5 cents per share (2009 final special: 0 cents per share) fully franked at the tax rate 30%, paid on 10 September 2010	2,093	-
Interim dividend for the year ended 30 June 2011 of 3.0 cents per share (2010 interim: 2.5 cents per share) fully franked at the tax rate 30%, paid on 7 March 2011	12,650	10,414
Interim special dividend for the year ended 30 June 2010 0.5 cents per share fully franked at the tax rate 30%	-	2,083
Total	26,254	24,321

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011	2010
	\$'000	\$'000

5. DIVIDENDS (continued)

Dividends paid in cash or invested in shares under the dividend reinvestment plan ("DRP")

Paid in cash	21,128	19,562
Reinvested in shares via DRP	5,126	4,759
Total	26,254	24,321

Franking Account Balance

Balance of the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables

18,001 19,811

Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year

(7,249) (5,830)

Net available

10,752 13,981

(b) Dividends declared after balance date

Since the end of the year the Directors have declared a final dividend for the year ended 30 June 2011 of 3.0 cents per share (2010: final 2.75 cents per share) fully franked at the tax rate of 30% and a special dividend of 1.0 cents per share (2010: 0.5 cents per share) fully franked at the tax rate of 30%, payable on 31 August 2011, but not recognised as a liability at the year end.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank	1,654	237
Short term bank deposits	32,246	47,087
	33,900	47,324

7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Dividends and distributions receivable	3,877	3,146
Interest receivable	464	664
Other receivable	6	-
	4,347	3,810

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011 \$'000	2010 \$'000

8. FINANCIAL ASSETS - INVESTMENT PORTFOLIO

Investment Portfolio - Non-Current

Listed securities at fair value available for sale:

- Shares in other corporations	561,230	503,679
Total Investment Portfolio	561,230	503,679

9. PROPERTY, PLANT AND EQUIPMENT

Office equipment, furniture & fittings at cost	19	19
Accumulated depreciation	(13)	(10)
Total	6	9

Reconciliation of the carrying amounts of each class of asset at the beginning and end of the financial year:

Office equipment, furniture & fittings at cost

Carrying value at 1 July	9	11
Additions	-	-
Depreciation expense	(3)	(2)
Carrying value at 30 June	6	9

10. NON CURRENT ASSETS - DEFERRED TAX ASSETS

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Transaction costs on equity issues	211	419
Accrued expenses	39	55
Tax losses	3,800	3,759
	4,050	4,233

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

10. NON CURRENT ASSETS - DEFERRED TAX ASSETS (continued)

	Opening Balance \$'000	Credited/ (Charged) to Statement of Comprehensive Income \$'000	Closing Balance \$'000
Consolidated			
Transaction costs on equity issues	553	(134)	419
Accrued expenses	19	36	55
Tax losses	2,728	1,031	3,759
Balance as at 30 June 2010	3,300	933	4,233
Transaction costs on equity issues	419	(208)	211
Accrued expenses	55	(16)	39
Tax losses	3,759	41	3,800
Balance as at 30 June 2011	4,233	(183)	4,050

	Consolidated	
	2011	2010
	\$'000	\$'000

11. TRADE AND OTHER PAYABLES

Current Liabilities

Creditors and accruals	233	1,077
------------------------	------------	-------

12. CURRENT TAX LIABILITIES

Provision for income tax	509	204
--------------------------	------------	-----

13. EMPLOYEE BENEFITS

Aggregate employee benefits	18	13
Analysis of provisions:		
Current	18	13
Total	18	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

14. NON CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	Consolidated	
	2011	2010
	\$'000	\$'000

The deferred tax liability balance comprises the following timing differences:

Revaluation of investments held	34,207	23,073
Non rebateable dividends receivable and interest receivable	188	307
	34,395	23,380

Movements in deferred tax liabilities

	Opening Balance \$'000	Credited/ (Charged) to Statement of Comprehensive Income \$'000	Credited/ (Charged) to Equity \$'000	Closing Balance \$'000
Consolidated				
Revaluation of investment portfolio	11,241	8	11,824	23,073
Non rebateable dividends and interest receivable	34	273	-	307
Balance as at 30 June 2010	11,275	281	11,824	23,380
Revaluation of investment portfolio	23,073	-	11,134	34,207
Non rebateable dividends and interest receivable	307	(119)	-	188
Balance as at 30 June 2011	23,380	(119)	11,134	34,395

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

15. SHARE CAPITAL

	Consolidated	
	2011 \$'000	2010 \$'000

(a) Issued and paid-up capital

(a) Issued and paid-up capital 422,863,407 ordinary shares fully paid (2010: 418,566,158)

454,833 449,707

(b) Movement in ordinary shares

	2011		2010	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the financial year	418,566,158	449,707	394,143,000	420,925
Issued during the year:				
- dividend reinvestment plan	4,297,249	5,126	3,999,346	4,759
- share purchase plan	-	-	20,423,812	24,100
- less net transaction costs				(77)
End of the financial year	422,863,407	454,833	418,566,158	449,707

The Parent does not have an authorised share capital and the ordinary shares on issue have no par value.

Holders of ordinary shares participate in dividends and the proceeds on a winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Capital Management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying an enhanced level of dividends and providing attractive total returns over the medium to long term.

The Group recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, may adjust the amount of dividends paid, issue new shares from time-to-time or return capital to shareholders.

The Group's capital consists of shareholders equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 30 June 2011 net debt was \$ Nil (2010: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
16. REVALUATION RESERVE		
The Revaluation reserve is used to record increments and decrements on the revaluation of the investment portfolio.		
Balance at the beginning of the year	54,032	26,442
Revaluation of investment portfolio	25,419	27,590
Balance at the end of the year	79,451	54,032
17. REALISED CAPITAL GAINS RESERVE		
The Realised capital gains reserve records gains or losses after applicable taxation arising from the disposal of securities in the investment portfolio.		
Balance at the beginning of the year	1,444	3,742
Net (losses) / gains on investment portfolio transferred from retained profits	-	(2,358)
Net (losses) / gains on investment portfolio transferred from Statement of Comprehensive Income	(194)	60
Balance at the end of the year	1,250	1,444
18. RETAINED PROFITS		
Retained profits at the beginning of the year	29,219	20,030
Net profit attributable to members of the company	29,898	31,152
Net losses / (gains) on investment portfolio transferred to realised capital gains reserve	-	2,358
Dividends provided for or paid	(26,254)	(24,321)
Retained profits at the end of the year	32,863	29,219

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011 \$'000	2010 \$'000
19. RECONCILIATION OF CASH FLOW		
(a) Reconciliation of cash flow from operating activities to operating profit		
Net Profit from ordinary activities	29,898	31,152
Non cash item :		
- net losses on investment portfolio	-	2,358
- discount on acquisition of controlled entity	-	46
- depreciation expense	3	2
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease in available for sale financial assets	-	357
Increase in receivables and prepayments	(535)	(873)
Decrease in deferred tax assets	98	52
Increase in payables	35	114
Increase in employee entitlements	5	10
Increase in deferred tax liabilities	121	281
Increase / (Decrease) in current tax liabilities	305	(1,839)
Net cash inflow from operating activities	29,930	31,660

(b) Non-cash financing and investing activities

(i) Dividend reinvestment plan

Under the terms of the dividend reinvestment plan, \$5,126,000 (2010: \$4,759,000) of dividends were paid via the issue of 4,297,249 shares (2010: 3,999,346).

(c) Acquisition of controlled entities

No controlled entities were acquired in 2011 or 2010.

20. AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:

Auditing the financial report of the Parent and the controlled entities	19	21
	19	21

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

	Consolidated	
	2011 \$'000	2010 \$'000

21. EARNINGS PER SHARE

Profit for the year	29,898	31,152
Earnings used in calculating basic and diluted earnings per share	29,898	31,152
	2011	2010
	No. ('000)	No. ('000)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	421,079	411,636
Basic earnings per share (cents)	6.02	5.44
Diluted earnings per share (cents)	7.10	7.57

22. KEY MANAGEMENT PERSONNEL REMUNERATION

The names and positions held of Group Directors and Key Management Personnel in office at any time during the financial year are:

Name	Position
RD Millner	Non-Executive Chairman
DC Hall	Non-Executive Director
AJ Payne	Non-Executive Director
IT Huntley	Non-Executive Director
TCD Millner	Chief Executive Officer
RJ Pillingier	Company Secretary (services provided under contract through Corporate and Administrative Services Pty Limited)

There are no other employees of the Group.

Details of the nature and amount of each Non – Executive Director's and Key Management Personnel's emoluments from the Group in respect of the year to 30 June 2011 have been included in the Remuneration Report section of the Directors' Report.

Payment to Non-Executive Directors is fixed at \$300,000 until shareholders, by ordinary resolution, approve some other fixed sum amount. This amount is to be divided amongst the Directors as they may determine.

These fees exclude any additional fee for any service based agreement which may be agreed from time to time and the reimbursement of out of pocket expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

23. SUPERANNUATION COMMITMENTS

The Group contributes superannuation payments on behalf of Directors and employees in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and employees and are independent of the Group.

24. RELATED PARTY TRANSACTIONS

Related parties of the Group fall into the following categories:

(i) **Controlled Entities**

At 30 June 2011, subsidiaries of the Parent were:

	Country of Incorporation	Percentage Owned (%)	
		2011	2010
Brickworks Securities Pty Limited	Australia	100	100
Pacific Strategic Investments Pty Limited	Australia	100	100
Huntley Investment Company Limited	Australia	100	100

Transactions between the Parent and controlled entities consist of loan balance due from the Parent to controlled entities. No interest is charged on the loan balance by the controlled entities and no repayment period is fixed for the loan.

(ii) **Directors / Officers Related Entities**

Persons who were Directors / Officers of BKI Investment Company Limited for part or all of the year ended 30 June 2011 were:

Directors:	RD Millner
	DC Hall
	AJ Payne
	IT Huntley
Chief Executive Officer	TCD Millner
Company Secretary:	RJ Pillinger (services provided under contract through Corporate and Administrative Services Pty Limited)

Corporate and Administrative Services Pty Limited

The Group has appointed Corporate & Administrative Services Pty Limited, an entity in which Mr. RD Millner has an indirect interest to provide the Group with administration, company secretarial services and preparation of all financial accounts.

Administration and secretarial fees paid for services provided to the Parent and controlled entities for the year ending 30 June 2011 were \$119,405 (2010: \$117,480, including GST) and are at standard market rates.

No administration fees were owed by the Group to Corporate & Administrative Services Pty Limited as at 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

24. RELATED PARTY TRANSACTIONS (continued)

(iii) Transactions in Securities

Share and Option Holdings

Aggregate number of listed securities of the Company held by Key Management Personnel or their related entities:

Shares

2011	Balance at 1/07/10	Granted as compensation	Net Change Other	Balance at 30/6/11
RD Millner *	6,252,078	-	522,465	6,774,543
DC Hall	234,460	-	2,505	236,965
AJ Payne	191,305	-	35,360	226,665
IT Huntley	11,063,445	-	-	11,063,445
TCD Millner *	10,068	35,652	5,782,958	5,828,678
RJ Pillinger	-	14,261	-	14,261
Total	17,751,356	49,913	6,343,288	24,144,557

2010	Balance at 1/07/09	Granted as compensation	Net Change Other	Balance at 30/6/10
RD Millner	5,621,223	-	630,855	6,252,078
DC Hall	221,749	-	12,711	234,460
AJ Payne	169,612	-	21,693	191,305
IT Huntley	11,004,901	-	58,544	11,063,445
TCD Millner	1,500	-	8,568	10,068
RJ Pillinger	-	-	-	-
Total	17,018,985	-	732,371	17,751,356

* Common to RD Millner and TCD Millner are 5,780,540 shares held in related companies and trusts in which both hold beneficial interests. TCD Millner's beneficial interest in these companies and trusts became effective during the year ended 30 June 2011 and this change is reflected in the "Net Change Other" movement in the above table.

Directors acquired shares through Dividend Reinvestment Plan or on-market purchase.

There has been no other change to Directors' shareholdings during the year ended 30 June 2011.

All Key Management Personnel or their associated entities, being shareholders are entitled to receive dividends.

25. FINANCIAL REPORTING BY SEGMENTS

The Group operates solely in the securities industry in Australia and has no reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

26. MANAGEMENT OF FINANCIAL RISK

The risks associated with the holding of financial instruments such as investments, cash, bank bills and borrowings include market risk, credit risk and liquidity risk. The Audit Committee has approved the policies and procedures that have been established to manage these risks. The effectiveness of these policies and procedures is reviewed by the Audit Committee.

a) Financial instruments' terms, conditions and accounting policies

The Group's accounting policies are included in note 1, while the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are included under the appropriate note for that instrument.

b) Net fair values

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in note 1 to the accounts.

c) Credit risk

The risk that a financial loss will occur because counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Group's financial assets, excluding investments, is the carrying amount of those assets. The Group's principal credit risk exposures arise from the investment in liquid assets, such as cash and bank bills, and income receivable.

The spread of cash and bank bills between banks is reviewed monthly by the Board to determine if it is within agreed limits. Income receivable is comprised of accrued interest and dividends and distributions which were brought to account on the date the shares or units traded ex-dividend.

There are no financial instruments overdue or considered to be impaired.

d) Market risk

Market risk is the risk that changes in market prices will affect the fair value of the financial instrument.

The Group is a long term investor in companies and trusts and is therefore exposed to market risk through the movement of the share prices of the companies and trusts in which it is invested.

As the market value of individual companies fluctuates throughout the day, the market value of the portfolio changes continuously. The change in the market value of the portfolio is recognised through the Revaluation Reserve. Listed Investments represent 93% (2010: 90%) of total assets.

A 5% movement in the market value of each of the companies and trusts within the portfolio would result in a 5% (2010: 5%) movement in the net assets before provision for tax on unrealised capital gains at 30 June 2011.

The net asset backing before provision for tax on unrealised capital gains would move by 6.6 cents per share at 30 June 2011 (2010: 6.0 cents).

The performance of the companies within the portfolio is monitored by the Investment Committee and the Board as a whole.

The Group seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one particular sector of the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

26. MANAGEMENT OF FINANCIAL RISK (continued)

d) Market risk (continued)

At 30 June 2011, the spread of investments is in the following sectors:

Sector	Percentage of total investment		Amount	
	2011 %	2010 %	2011 \$'000	2010 \$'000
Financials	34.35%	34.01%	205,893	187,414
Energy	15.87%	15.19%	95,136	83,702
Materials	11.89%	11.80%	71,274	65,011
Consumer Staples	10.40%	10.24%	62,344	56,420
Cash and dividends receivable	6.38%	8.59%	38,248	47,324
Industrials	7.25%	6.38%	43,481	35,148
Telecommunications Services	4.58%	4.89%	27,483	26,964
Consumer Discretionary	4.52%	4.18%	27,105	23,057
Utilities	3.48%	3.44%	20,852	18,977
Health Care	0.94%	0.65%	5,645	3,588
Property Trusts	0.34%	0.63%	2,017	3,398
	100.00%	100.00%	599,478	551,003

Securities representing over 5% of the investment portfolio at 30 June 2011 were:

Company

New Hope Corporation Limited	12.7%	12.9%	76,312	64,946
BHP Billiton Limited	10.0%	10.4%	59,968	52,155
National Australia Bank Limited	7.9%	8.3%	47,112	41,830
Commonwealth Bank	7.7%	8.0%	46,254	40,416
	38.3%	39.6%	229,646	199,347

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Group is not exposed to foreign currency risk as all investments are quoted in Australian dollars. The fair value of the Group's other financial instruments is unlikely to be materially affected by a movement in interest rates as they generally have short dated maturities and fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

26. MANAGEMENT OF FINANCIAL RISK (continued)

e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet financial obligations as they fall due.

The Group has a zero level of gearing, and sufficient cash reserves to meet operating cash requirements at current levels for well in excess of 5 years.

The Group's other major cash outflows are the purchase of securities and dividends paid to shareholders and the level of both of these is fully controllable by the Board.

Furthermore, the majority of the assets of the Group in the form of readily tradable securities which can be sold on-market if necessary.

f) Capital risk management

The Group invests its equity in a diversified portfolio of assets that aim to generate a growing income stream for distribution to shareholders in the form of fully franked dividends.

The capital base is managed to ensure there are funds available for investment as opportunities arise. Capital is increased annually through the issue of shares under the Dividend Reinvestment Plan. Other means of increasing capital include Rights Issues, Share Placements and Share Purchase Plans.

27. PARENT COMPANY INFORMATION

	2011 \$'000	2010 \$'000
Information relating to the parent entity of the Group, BKI Investment Company Limited:		
Current assets	38,266	51,155
Non-current assets	762,663	705,298
Total assets	800,929	756,453
Current liabilities	681	1,214
Non-current liabilities	239,898	228,883
Total liabilities	240,579	230,097
Issued capital	454,833	449,707
Reserves	105,517	76,649
Total shareholders' equity	560,350	526,356
Profit or loss	29,898	30,949
Total Other Comprehensive Income / (Loss)	29,898	30,949

The parent company has no contingent liabilities at 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011 (continued)

28. CAPITAL AND LEASING COMMITMENTS

The Group has no capital and leasing commitments at 30 June 2011.

29. CONTINGENT LIABILITIES

The Group has no contingent liabilities at 30 June 2011.

30. AUTHORISATION

The financial report was authorised for issue on 2 August 2011 by the Board of Directors.

DIRECTORS' DECLARATION

The Directors of BKI Investment Company Limited declare that:

1. The financial statements and notes, as set out on pages 28 to 53, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations; and
 - b. comply with International Financial Reporting Standards, as stated in note 1 to the financial statements
 - c. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2011.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert D Millner
Director

Sydney
2 August 2011

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BKI INVESTMENT COMPANY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of BKI Investment Company Limited (the company) and BKI Investment Company Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies, other explanatory information and the directors' declaration for the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to auditing engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of BKI Investment Company Limited, would be in the same terms if provided to the directors as at the date of this audit report.

Auditor's Opinion

In our opinion:

- (a) The financial report of BKI Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of BKI Investment Company Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

RUWALD & EVANS

Martin Bocxe

Partner

Level 1, 276 Pitt Street, SYDNEY NSW 2000

2 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of BKI Investment Company Limited and Controlled Entities

I declare that to the best of my knowledge and belief, during the review for the year ended 30 June 2011, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

RUWALD & EVANS

Martin Bocxe

Partner

Level 1, 276 Pitt Street,
SYDNEY NSW 2000

2 August 2011

ASX Additional Information

1) Equity Holders

At 29 July 2011, there were 11,158 holders of ordinary shares in the capital of the Parent. These holders were distributed as follow:

No. of Shares held	No. of Shareholders
1 – 1,000	821
1,001 – 5,000	1,806
5,001 – 10,000	1,728
10,001 – 100,000	6,227
100,001 and over	576
Total	11,158

Holding less than a marketable parcel of 406 shares	522
---	-----

Votes of Members

Article 5.12 of the Company's Constitution provides:

- a) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a show of hands at a meeting of Members, every Eligible Member present has one vote.
- b) Subject to this Constitution and any rights or restrictions attached to a class of Shares, on a poll at a meeting of Members, every Eligible Member present has:
 - (i) one vote for each fully paid up Share (whether the issue price of the Share was paid up or credited or both) that the Eligible Member holds; and
 - (ii) a fraction of one vote for each partly paid up Share that the Eligible Member holds. The fraction is equal to the proportion which the amount paid up on that Share (excluding amounts credited) is to the total amounts paid up and payable (excluding amounts credited on that Share).

ASX Additional Information (continued)

The 20 largest holdings of the Parent's share as at 29 July 2011 are listed below:

Name	Shares Held	%
Washington H Soul Pattinson & Company Limited	57,870,223	13.68%
Huntley Group Investments Pty Limited <Huntley Group Investments A/C>	8,523,274	2.02%
Argo Investments Limited	8,311,237	1.97%
Bougainville Copper Limited	4,716,674	1.12%
J S Millner Holdings Pty Limited	3,915,288	0.93%
National Nominees Limited	2,077,701	0.49%
HSBC Custody Nominees (Australia) Limited	1,835,005	0.43%
UBS Wealth Management Australia Nominees Pty Ltd	1,756,231	0.42%
Lunicash Super Pty Ltd	1,623,963	0.38%
Huntley Group Investments Pty Limited <Ian Huntley Super Fund A/C>	1,529,360	0.36%
Willpower Investments Pty Ltd	1,384,960	0.33%
T G Millner Holdings Pty Limited	1,153,442	0.27%
Milton Corporation Limited	1,147,375	0.27%
RBC Dexia Investor Services Australia Nominees Pty Limited	1,097,868	0.26%
KC Perks Investments Pty Ltd	1,095,187	0.26%
D E C Investments Pty Limited	1,093,408	0.26%
The Miller Foundation Ltd	1,000,000	0.24%
Farjoy Pty Ltd	937,655	0.22%
Mrs Patricia Roberta Huntley	902,763	0.21%
One 428 Pty Ltd	900,000	0.21%
Total top 20 security holders	102,871,614	24.33%
Total number of shares on issue	422,863,407	

ASX Additional Information (continued)

2) Substantial Shareholders

As at 21 July 2011 the name and holding of substantial shareholder as disclosed in a notice received by the Parent is:

Substantial Shareholders	No. of Shares	% of Total
Washington H Soul Pattinson & Company Limited	53,561,922	13.68%

3) Other Information:

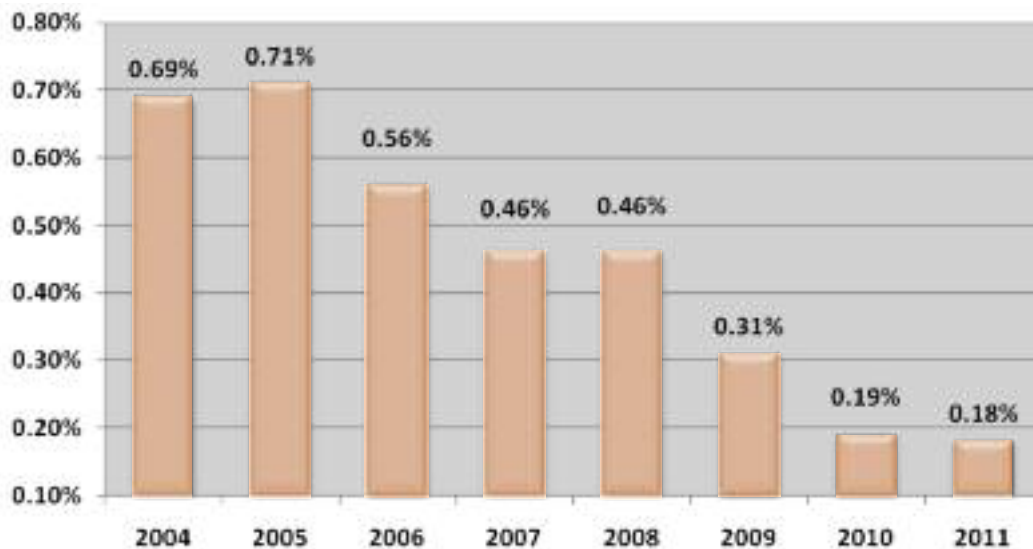
- There is no current on-market buy-back in place.
- There were 135 (2010: 296) transactions in securities undertaken by the Group and the total brokerage paid or accrued during the year was \$120,510 (2010: \$164,240)

4) Management Expense Ratio:

The Management Expense Ratio (“MER”) is the total expenses of the Group for the financial year, as shown in the income statement, expressed as a percentage of the average total assets of the Group for the financial year.

30/06/04	30/06/05	30/06/06	30/06/07	30/06/08	30/06/09	30/06/10	30/06/11
0.69%	0.71%	0.56%	0.46%	0.46%	0.31%	0.19%	0.18%

Chart showing MER by year:



This page was left blank intentionally.

