Katana Capital Limited

ACN 116 054 301

Financial statements for the year ended 30 June 2009

Katana Capital Limited ABN 116 054 301
Financial statements - 30 June 2009

Contents

Directors' report

Your directors present their report with respect to the results of Katana Capital Limited (the "Company" or "Katana Capital") for the year ended 30 June 2009 and the state of affairs of the Company at that date.

DIRECTORS

The following persons were directors of Katana Capital Limited during the whole of the financial year and up to the date of this report:

Information on directors

Dalton Leslie Gooding BBus, FCA.
(Non-Executive Chairman)
Mr Gooding was appointed to the Board on 11 November 2005. Mr Gooding, formerly a long-standing partner at Ernst & Young, is a Fellow of the Institute of Chartered Accountants in Australia. He is currently the managing partner of Gooding Pervan and advises to a wide range of businesses with particular emphasis relating to taxation and accounting issues, due diligence, feasibilities and general business advice. Mr Gooding also has a number of other directorships of companies in many different segments of business. During the past three years Mr Gooding has also served as a director of the following other listed companies:

- Australian Wine Holdings Limited*
- SIPA Resources Limited*
- Avita Medical Limited*
- Brierty Limited*
- Visiomed Group Limited

* denotes current directorship

Peter Wallace SF Fin, FAICD, AFAIM.
(Non-Executive Director)
Mr Wallace was appointed to the Board on 19 September 2005. Mr Wallace has had 42 years in the Banking and Finance industry with experience gained in all aspects of debt and equity raising. Past Executive positions held include COO of a major Regional Bank as well as Chief Credit Officer and other General Management roles. Most recently as Head of Corporate Advisory for Bell Potter Securities Ltd and directed the capital raisings for several large Public companies as well as providing a variety of Corporate Advisory services to a wide range of companies, both private and publicly owned. During the past three years Mr Wallace has also served as a director of the following other listed companies:

- Evans and Tate Limited
- Paladio Group Limited
- RuralAus Investments Limited*
- Tethyan Copper Company Limited

* denotes current directorship

Giuliano Sala Tenna BCom, FFIN, GAICD.
(Non-Executive Director)
Mr Sala Tenna was appointed to the Board on 19 September 2005.

Mr Sala Tenna has worked in the Finance Industry for over 12 years in various fields and is currently the Head of Institutional Sales with HFA Asset Management, an Australian based fund of hedge fund manager with over $2 billion assets under management.

Mr Sala Tenna has completed a Bachelor of Commerce degree at Curtin University of Technology with a double major in Economics and Finance graduating with Distinctions, the Graduate Diploma in Financial Planning at the Financial Services Institute of Australasia, the Company Directors Course at the Australian Institute of Company Directors and is an ASX Derivatives Accredited Adviser.

Mr Sala Tenna is a Member of the Golden Key National Honour Society, a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

Information on directors (continued)

Derek La Ferla BA B Juris LLB.
(Non-Executive Director)
Resigned 28 November 2008.

COMPANY SECRETARY

Gabriel Chiappini BBus, CA

Mr Chiappini has been Company Secretary since 14 November 2005. Mr Chiappini has worked in Chief Financial Officer and Company Secretarial roles in both local and international environments and also holds the position of Company Secretary with several ASX listed and unlisted companies. Mr Chiappini has experience in diverse and varied industry sectors including the following, Investment Banking (UK), Property Development & Investment (UK), Telecommunications (Australia) and Biotechnology (Australia).

DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

			Meetings of committees (i)			
	Directors' meetings		**Audit**		**Compliance**	
	A	**B**	**A**	**B**	**A**	**B**
Dalton Leslie Gooding	7	7	2	2	1	1
Peter Wallace	7	7	2	2	1	1
Giuliano Sala Tenna	7	7	2	2	1	1
Derek La Ferla (resigned on 28 November 2008)	3	3	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Committee membership

As at the date of this report the Company had an Audit and Compliance Committee.

Members acting on the Audit and Compliance Committee of the Board at the date of this report are:
- Peter Wallace (Chairman of Committee)
- Dalton Gooding
- Giuliano Sala Tenna

(i) During the financial year, the Audit Committee was merged with the Compliance Committee.

EARNINGS PER SHARE

	30 June 2009 Cents	30 June 2008 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**(18.53)**	(6.64)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**(18.53)**	(6.64)

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 41,620,466 (2008: 41,684,400).

DIVIDENDS

The following dividends have been paid by the Company or declared by the directors since the commencement of the financial year ended 30 June 2009:

	30 June 2009 $	30 June 2008 $
Final ordinary dividend for the year ended 30 June 2008 of 1.0 cents (2007 - 2.5 cents) per fully paid share paid on 20 November 2008	**416,848**	1,042,120
Interim ordinary dividend for the year ended 30 June 2009 of nil cents (2008 - 2.0 cents) per fully paid share	**-**	833,680
	416,848	1,875,800

CORPORATE INFORMATION

The Company was incorporated on 19 September 2005. During the 30 June 2007 financial year it incorporated a wholly owned subsidiary Kapital Investments (WA) Pty Ltd.

Katana Capital Limited is incorporated and domiciled in Australia.

The registered office is located at 2 The Esplanade, Perth, WA 6000, Australia.

Principal activity

The principle activity of the Company is that of an Investment Company with an 'all opportunities' investment strategy.

Employees

As at 30 June 2009 the Company did not have any full time employees.

OPERATING AND FINANCIAL REVIEW

Company overview

Katana Capital was incorporated in September 2005 with the aim of combining its listed investment structure with the proven ability of Katana Asset Management Limited (its "Fund Manager") to provide investors with access to comprehensive investment techniques aimed at providing strong capital and income returns.

The Fund Manager is disappointed with the performance of the portfolio, with an investment loss totalling approximately $11.80m. The majority of these returns were generated from the downturn in equity holdings.

In percentage returns, the portfolio yielded a gross investment return of -23.57% before operating expenses and tax. This compared favourably to the Company’s stated benchmark - the All Ordinaries index - which returned -25.97% over the same period.

Operating results for the year

The loss before tax for the year was $11,481,608 (2008: $4,438,000 loss) and loss after tax for the year was $7,711,901 (2008: $2,766,949 loss).

Operating costs for the year were kept to a minimum, with administration costs (exclusive of Fund Manager’s fee) coming in at 2.05% of funds under management (2008: 1.28%).

Investments for future performance

The Manager and Company is cautiously optimistic on the medium term outlook for the Australian share market based on:

- A return to global growth, albeit at a much slower pace;
- An expectation that monetary policy will remain at expansionary levels for some time, providing sufficient liquidity;
- Generally well capitalised Australian banks (top four Australian banks now ranked in the top 8 in the world);
- The Australian share market is trading well below the level prior to the Lehman Brothers' collapse in September 2008;
- Improved corporate balance sheets, with many companies now focused on growth rather than how to roll over debt;
- Vast cash holdings will eventually be reinvested in shares and other asset classes as investors seek out superior returns.

The Manager and Company remains confident that emerging economies will not only recover quicker than the debt-laden developed economies, but will also provide substantial opportunities for investors in Australia. This is reflected in the Manager's and Company's bias towards companies which have exposure to the emerging economies.

The Manager's and Company's investment themes continue to include energy, (via thermal coal, oil, gas and uranium), funds management companies and industrial stocks that have strong cash flows, pricing power and robust business models.

Capital structure

There were no listed options converted into fully paid ordinary shares during the year.

OPERATING AND FINANCIAL REVIEW (continued)

Cash from operations

Net cash flows from operations was $1,719,047 during the year which reflects the Company’s investment from the Australian equities market.

Net cash flows for the financial year ending 30 June 2010 are expected to increase subject to the Company continuing to take advantage of opportunities within the Australian equities market and the general performance of the market.

Liquidity and funding

The Company foresees no need to raise additional equity and will use its remaining cash reserves to invest into the Australian equities market.

Risk management

The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the Company’s application of that system.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Fund Manager. The Fund Manager is primarily responsible for all matters associated with risk management associated with the Equity Markets and Investment of the Company's funds.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year.

SIGNIFICANT CHANGES AFTER BALANCE DATE

A final dividend for the 30 June 2009 financial year has not been declared by the Company. The Directors note that there has been a significant correction in the markets in which the Company invests between the balance sheet date and the date of this report. Changes in the value of the Company's investments are reflected in the Company's Net Tangible Asset Backing per share which is reported to the Australian Securities Exchange (ASX) monthly and is available via the ASX website.

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The global economy appears to have avoided another Great Depression due to the massive stimulus packages and highly expansionary monetary policies adopted by world governments and central banks. China is currently experiencing robust GDP growth and the U.S. economy appears to be bottoming out. Global equity markets have rallied strongly since the lows of March 9th 2009 and credit markets are now functioning at the levels witnessed before the collapse of Lehman Brothers. The stabilization of the global economy has helped put in place the first stepping stones towards the path of recovery, although the Investment Manager ("Manager" - Katana Asset Management Limited) and Company believes this will be patchy as the substantial transfer of debt from the private sector to the public sector will eventually have to be repaid by taxpayers. There is also a risk that inflation could increase to elevated levels if Governments over-stimulate economies in the medium term and financial checks and balances are not put in place.

The Manager and Company believes that interest rates have bottomed in Australia and although the unemployment rate is likely to continue to trend upwards, it should peak at around 7.5% as stimulus measures such as infrastructure spending and the increase in the first home owners grant, continue to revive key areas of the Australian economy. Although business expenditure has decreased, this could be boosted if large resource projects - such as the Gorgon LNG project - receive timely approval. Overall, this is a remarkable turnaround, given the bleak outlook just six months ago.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (continued)

Looking forward it is difficult to become too negative after global equity markets fell by over 50% from peak to trough and investor sentiment was abysmal by any measure. However, following the very sharp run-up in stock prices combined with large dilutionary equity raisings, the Manager and Company believes it is likely that there will be a mild correction in the short term.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The principal activities of the Company are not subject to any particular or significant environmental regulations.

SHARE OPTIONS

Unissued shares

There were 1,000,000 unlisted options as at the date of this report expiring 19 December 2009 with an exercise price of $1.10. These options were issued to the directors of the Company as approved by shareholders at the Annual General Meeting in November 2006.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares issued on the exercise of options

There were no options exercised during the financial year to acquire fully paid ordinary shares in the Company.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) and includes the five executives in the Company and group receiving the highest remuneration.

This report outlines the remuneration arrangements in place for directors of Katana Capital. Katana Capital at this early stage of its development does not employ executive directors and does not have a Managing Director or a Chief Executive Officer. The Company has outsourced the management of the investment portfolio to the Fund Manager, Katana Asset Management Ltd. Katana Asset Management Ltd reports directly to the Board and is invited to attend all Board meetings to present its investment strategy and to discuss and review the financial performance of the Company.

(a) Details of Key Management Personnel

The following persons were directors of Katana Capital Limited during the financial year:

(i) Chairman - non-executive

Dalton Leslie Gooding

(ii) Non-executive directors

Peter Wallace
Derek La Ferla (resigned 28 November 2008)
Giuliano Sala Tenna

(b) Other key management personnel

In addition to the Directors noted above, Katana Asset Management Limited (previously named Classic Capital Pty Ltd), the Fund Manager for the Group, is considered to be Key Management Personnel with the authority for the strategic direction and management of the investments of the Group. The directors of Katana Asset Management Limited are Brad Shallard and Romano Sala Tenna.

Officer

The company secretary is not considered to be a key management person as he does not have the authority and responsibility for planning, directing or controlling the activities of the Company and is not involved in the decision making process, with his main duties being aligned to his compliance function.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration philosophy

The performance of the Company depends upon the quality of its directors. To prosper, the Company must attract, motivate and retain skilled non-executive directors.

The remuneration policy is not linked to company performance.

The Company does not have a remuneration committee. The Board of Directors acts as the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the Company. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis, by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

(i) Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. At present the aggregate remuneration totals $200,000 per year in respect of fees payable to non executive directors. This amount was approved by shareholders at the annual general meeting held on the 10 November 2005.

The amount of aggregate remuneration, including the issue of options sought to be approved by shareholders and the manner in which it is apportioned amongst directors, is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

There are no performance conditions attached to the options issued as the options are considered to form part of the directors’ remuneration package and have been issued to attract and retain quality board members. The Board considers that the majority of the Company’s performance lies with the fund manager.

Each director receives a fee for being a director of the Company and includes attendance at Board and Committee meetings. Any additional services provided are charged at a daily rate agreed in advance by the Chairman.

The remuneration of non-executive directors for the year ended 30 June 2009 is detailed in Table 1 of this report.

(ii) Officer remuneration

The company secretary is considered to be an officer of the Company, the Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain the company secretary, whilst incurring a cost which is acceptable to shareholders. The fees paid to the company secretary for normal services is based on a fixed monthly remuneration. Fees remunerated outside of the company secretary’s normal services are remunerated on an hourly basis and approved by the Board.

(iii) Senior manager and executive director remuneration

As previously noted the Company at present does not employ any executive directors or senior management. If the Company chooses in the future to employ executive directors the Company will review the remuneration packages.

REMUNERATION REPORT (AUDITED) (continued)

Employment contracts

As noted above the Company does not currently employ any executive directors or senior management, it does however have an agreement in place with Katana Asset Management Ltd to provide the Company with investment management services.

Compensation by other Key Management Personnel

No amount is paid by the Group directly to the Directors of Katana Asset Management Limited. Consequently, no compensation as defined in AASB 124 'Related Party Disclosues' is paid by the Group to the Directors of Katana Asset Management Limited as Key Management Personnel.

Compensation is paid to the Fund Manager in the form of fees and the significant of the agreement and the amount of compensation is disclosed below.

The Company has entered into the Management Agreement with the Fund Manager with respect to the management of the Portfolio. The main provisions of the Management Agreement are summarised below.

The Management Agreement is for an initial period of 10 years from its commencement date (Initial Term) unless earlier terminated in accordance with its terms. The commencement date (Commencement Date) is the date on which the company listed on the Australian Stock Exchange - 23 December 2005.

The Management Agreement will renew for a further period of 10 years on expiry of the Initial Term if the following conditions are satisfied:

(1) the Shareholders of the Company approve such renewal by ordinary resolution;

(2) the Fund Manager is not in breach of the Management Agreement; and

(3) the Fund Manager has not in the reasonable opinion of the Board materially breached the management Agreement during the Initial Term.

The Fund Manager may terminate the Management Agreement at any time by providing a written notice at least three months prior to termination, if:

(1) at any time during the term:

  (a) the Company fails to make payment of the remuneration in accordance with the Management Agreement and the failure continues for 21 days from the delivery of a written notice by the Fund Manager to the Company requesting payment;

  (b) the Company enters into liquidation (except voluntary liquidation for the purpose of reconstruction);

  (c) the Company is guilty of any gross default, breach, non observance or non performance of any of the terms of and conditions contained in the Management Agreement; or

  (d) a receiver or receiver and manager is appointed to the whole or part of the undertakings of the Company; and

(2) such notice is given not less than two years after the commencement of the Initial Term.

The Company may immediately terminate the Management Agreement if:

(1) the Fund Manager or any of its directors or servants are found guilty of grave misconduct in relation to the affairs of the Company;

(2) the Fund Manager’s AFSL is suspended or cancelled at any time for any reason;

(3) the Fund Manager commits a fundamental default or breach of its obligations under the Management Agreement or is in breach of any conditions of its AFSL and such default or breach is not remedied within 30 days after the Company has notified the Fund Manager in writing to remedy that default or breach;

(4) the Fund Manager enters into liquidation (except voluntary liquidation for the purpose of reconstruction);

(5) a receiver or receiver and manager is appointed to the whole or part of the undertaking of the Fund manager;

(6) a change in control of the Fund manager occurs without the Fund Manager obtaining at least 30 days prior written consent from the Company;

REMUNERATION REPORT (AUDITED) (continued)

(7) the Fund Manager is guilty of any gross default, breach, non observance or non performance of any of the terms and conditions contained in the Management Agreement;

(8) the Fund Manager fails to remedy a breach of the Management Agreement within the time period reasonably specified in a notice from the Company requiring it to do so;

(9) the Fund Manager persistently fails to ensure that investments made on behalf of the Company are consistent with the investment strategy applicable to the Company at the time the relevant investment is made; or

(10) the Fund Manager is not lawfully able to continue to provide services to the Company pursuant to the terms of the Management Agreement.

The Company may, by written notice to the Fund Manager at any time within six months after the end of any five year period during the term, terminate the Management Agreement if Shareholders pass an ordinary resolution to terminate and the average Portfolio return for the five 12 month periods comprising the relevant five year period is less than the average percentage increase in the ASX All Ordinaries Index for those five 12 month periods.

The Board on a regular basis reviews the Management Agreement and Mandate to ensure compliance with the terms of the agreement.

Management and performance fees

(1) Management fee

The Fund Manager receives a monthly management fee equal to 0.104167% of the Portfolio value calculated at the end of each month. The fee for 2009 was $395,395 (2008: $652,461). The Directors and shareholders of Katana Asset Management Ltd are also shareholders in Katana Capital Limited.

(2) Performance fee

Performance fee to be paid in respect of each performance calculation period of 18.5% of the amount by which the Fund Manager outperforms the ASX All Ordinaries during the calculation period (calculated annually for the 12 month period ending 30 June). The fee for 2009 was $nil (2008: $nil).

Company performance

The profit/(loss) after tax for the group from the date of incorporation (19 September 2005) is as follows:

	2009	2008	2007	19-Sept-05 to 30-June-06
Profit/(loss) after tax expense	**($7,711,901)**	($2,766,949)	$7,510,531	$1,060,378

REMUNERATION REPORT (AUDITED) (continued)

Table 1: Directors' and officers' (including 5 highest paid executives) remuneration for the year ended 30 June 2009

2009	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payments		
Name	Salary and fees $	Other $	Cash STI $	Super-annuation $	Termination benefits $	Options $	Total $	% of remuneration which is performance based %
Non-executive directors								
Dalton Leslie Gooding	70,000	-	-	6,930	-	-	76,930	-
Peter Wallace	40,000	-	-	3,600	-	-	43,600	-
Derek La Ferla*	16,667	-	-	1,500	-	-	18,167	-
Giuliano Sala Tenna	40,000	-	-	3,600	-	-	43,600	-
Sub-total non-executive directors	**166,667**	**-**	**-**	**15,630**	**-**	**-**	**182,297**	**-**
Other key management personnel (Group)								
Gabriel Chiappini	64,031	-	-	-	-	-	64,031	-
Total key management personnel compensation (Group)	**230,698**	**-**	**-**	**15,630**	**-**	**-**	**246,328**	**-**

* Mr Derek La Ferla resigned on 28 November 2008

2008	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
Name	Salary and fees $	Other $	Cash STI $	Super-annuation $	Termination benefits $	Options $	Total $	% of remuneration which is performance based %
Non-executive directors								
Dalton Leslie Gooding	71,499	-	-	5,850	-	-	77,349	-
Peter Wallace	37,500	-	-	3,375	-	-	40,875	-
Derek La Ferla	37,500	-	-	3,375	-	-	40,875	-
Giuliano Sala Tenna	37,500	-	-	3,375	-	-	40,875	-
Sub-total non-executive directors	**183,999**	**-**	**-**	**15,975**	**-**	**-**	**199,974**	**-**
Other key management personnel (Group)								
Gabriel Chiappini	86,166	-	-	-	-	-	86,166	-
Total key management personnel compensation	**270,165**	**-**	**-**	**15,975**	**-**	**-**	**286,140**	**-**

REMUNERATION REPORT (AUDITED) (continued)

Options

There were 1,000,000 options issued to directors as part of their remuneration package as approved by shareholders at the Annual General Meeting held in November 2006.

As at the date of this report, the interest of the directors in the shares and options of the Company were:

Name			**% remuneration consisting of options**	
	Number of ordinary shares	**Number of options over ordinary shares***	**2009**	2008
Directors of Katana Capital Limited				
Dalton Leslie Gooding	100,000	250,000	**-**	-
Peter Wallace	300,000	250,000	**-**	-
Derek La Ferla (resigned on 28 November 2008)	100,000	250,000	**-**	-
Giuliano Sala Tenna	100,000	250,000	**-**	-

** Options were issued in December 2006 following approval at the shareholders Annual General Meeting held on 30 November 2006. The options are unlisted and have an exercise price of $1.10 and expire on 19 December 2009. Options were fully vested when issued.*

No options were exercised during the year.

The Company does not have a policy that prohibits Directors and Executives from entering into arrangements to protect the value of unvested options. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

End of Remuneration Report

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The total amount of insurance contract premiums paid was $39,600 (2008: $39,760). This amount has not been included in Directors and Executives remuneration.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors have obtained an independence declaration from the Company's auditors Ernst & Young as presented on page 13 of this Annual Report.

NON-AUDIT SERVICES

Ernst & Young did not receive any amounts for the provision of non-audit services.

Signed for an on behalf of the Directors in accordance with a resolution of the Board.

Dalton Gooding
Chairman

22 September 2009
Perth, Western Australia

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Auditor's Independence Declaration to the Directors of Katana Capital Limited

In relation to our audit of the financial report of Katana Capital Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
22 September 2009

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	Notes	Year ended Consolidated 30 June 2009 $	Year ended Consolidated 30 June 2008 $	Year ended Parent 30 June 2009 $	Year ended Parent 30 June 2008 $
Investment income					
Dividends		**1,158,598**	1,251,718	**1,158,598**	1,214,193
Interest		**173,118**	415,168	**169,125**	401,823
Total investment income		**1,331,716**	1,666,886	**1,327,723**	1,616,016
Expenses					
Investment loss	3	**(11,801,269)**	(4,912,211)	**(11,801,269)**	(4,181,844)
Fund manager's fees		**(395,395)**	(652,461)	**(395,395)**	(652,461)
Legal and professional		**(83,029)**	(115,930)	**(83,029)**	(112,748)
Directors' fees and expenses		**(188,666)**	(242,392)	**(188,666)**	(242,392)
Administration expenses		**(344,965)**	(180,718)	**(344,965)**	(180,718)
Impairment of intercompany receivable		**-**	-	**-**	(414,778)
Interest expense		**-**	(1,174)	**-**	(1,174)
Total expenses		**(12,813,324)**	(6,104,886)	**(12,813,324)**	(5,786,115)
Loss before income tax		**(11,481,608)**	(4,438,000)	**(11,485,601)**	(4,170,099)
Income tax benefit	4	**3,769,707**	1,671,051	**3,769,747**	1,601,684
Loss from continuing operations		**(7,711,901)**	(2,766,949)	**(7,715,854)**	(2,568,415)
Loss for the year attributable to members of Katana Capital Limited		**(7,711,901)**	(2,766,949)	**(7,715,854)**	(2,568,415)
		Cents	Cents		
Loss per share attributable to the ordinary equity holders of the company:					
Loss per share	22	**(18.53)**	(6.64)		
Diluted Loss per share	22	**(18.53)**	(6.64)		

The above income statements should be read in conjunction with the accompanying notes.

Katana Capital Limited
Balance sheet
As at 30 June 2009

	Notes	Consolidated 30 June 2009 $	Consolidated 30 June 2008 $	Parent 30 June 2009 $	Parent 30 June 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	5	**7,073,483**	5,851,873	**7,073,483**	5,604,607
Trade and other receivables	6	**777,191**	282,582	**777,191**	282,582
Investments - held for trading	7	**24,051,056**	38,627,420	**24,051,056**	38,627,420
Current tax receivables		**30,567**	78,620	**30,567**	78,620
Other assets	8	**61,591**	42,127	**61,591**	42,127
Total current assets		**31,993,888**	44,882,622	**31,993,888**	44,635,356
Non-current assets					
Investments	11	**-**	-	**120**	120
Receivables	9	**-**	-	**-**	251,259
Deferred tax assets	10	**2,683,755**	-	**2,683,673**	-
Total non-current assets		**2,683,755**	-	**2,683,793**	251,379
Total assets		**34,677,643**	44,882,622	**34,677,681**	44,886,735
LIABILITIES					
Current liabilities					
Trade and other payables	12	**440,356**	1,404,243	**440,356**	1,404,243
Financial liabilities	13	**54,200**	-	**54,200**	-
Dividends payable		**3,316**	6,869	**3,316**	6,869
Total current liabilities		**497,872**	1,411,112	**497,872**	1,411,112
Non-current liabilities					
Deferred tax liability	14	**-**	1,085,954	**-**	1,086,076
Total non-current liabilities		**-**	1,085,954	**-**	1,086,076
Total liabilities		**497,872**	2,497,066	**497,872**	2,497,188
Net assets		**34,179,771**	42,385,556	**34,179,809**	42,389,547
EQUITY					
Issued capital	15	**40,081,234**	40,158,270	**40,081,234**	40,158,270
Option premium reserve	16	**101,100**	101,100	**101,100**	101,100
Retained earnings/(accumulated loss)	16	**(6,002,563)**	2,126,186	**(6,002,525)**	2,130,177
Total equity		**34,179,771**	42,385,556	**34,179,809**	42,389,547

The above balance sheets should be read in conjunction with the accompanying notes.

Consolidated	Notes	**Issued capital $**	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2007		40,158,27	101,100	6,768,93	47,028,30
Profit/(loss) for year			-	(2,766,949	(2,766,94
Total recognised income and expense for the half-year			**-**	**(2,766,949**	**(2,766,94**
Dividends provided for or paid	26		-	(1,875,80	(1,875,80
Balance at 30 June 2008		**40,158,27**	**101,100**	**2,126,18**	**42,385,55**

Consolidated	Notes	**Issued capital $**	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2008		40,158,27	101,100	2,126,1	42,385,5
Profit/(loss) for year			-	(7,711,90	(7,711,90
Total recognised income and expense for the year			**-**	**(7,711,90**	**(7,711,90**
Buy-back of shares	15	(77,03	-		(77,03
Dividends provided for or paid	26		-	(416,84	(416,84
Balance at 30 June 2009		40,081,2	101,100	(6,002,56	34,179,7

Parent	Notes	**Issued capital $**	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2007		40,158,27	101,100	6,574,3	46,833,7
Profit/(loss) for year			-	(2,568,41	(2,568,41
Total recognised income and expense for the year			**-**	**(2,568,41**	**(2,568,41**
Dividends provided for or paid	26		-	(1,875,80	(1,875,80
Balance at 30 June 2008		40,158,27	101,100	2,130,1	42,389,5

Parent	Notes	**Issued capital $**	**Option premium reserve $**	**Retained earnings $**	**Total $**
Balance at 1 July 2008		40,158,27	101,100	2,130,1	42,389,5
Option issued			-		
Profit/(loss) for year			-	(7,715,85	(7,715,8
Total recognised income and expense for the year			**-**	**(7,715,85**	**(7,715,8**
Buy-back of shares	15	(77,03	-		(77,0
Dividends provided for or paid	26		-	(416,84	(416,8
Balance at 30 June 2009		40,081,23	101,100	(6,002,5	34,179,8

The above statements of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Year ended Consolidated 30 June 2009 $	Year ended Consolidated 30 June 2008 $	Year ended Parent 30 June 2009 $	Year ended Parent 30 June 2008 $
Cash flows from operating activities					
Proceeds on sale of financial assets		**37,762,881**	24,387,886	**37,762,881**	24,387,886
Payments for purchases of financial assets		**(36,458,449)**	(28,577,244)	**(36,207,190)**	(28,558,239)
Payments to suppliers and employees		**(1,048,933)**	(2,297,452)	**(1,300,192)**	(2,480,631)
Interest received		**171,851**	415,168	**167,858**	401,823
Dividends received		**1,238,382**	1,242,943	**1,238,382**	1,205,418
Other revenue		**24,727**	-	**24,727**	-
Interest paid		**-**	(1,174)	**-**	(1,174)
Tax paid/(refund)		**28,588**	(569,211)	**28,588**	(555,082)
Net cash (outflow) inflow from operating activities	19	**1,719,047**	(5,399,084)	**1,715,054**	(5,599,999)
Cash flows from investing activities					
Cash flows from financing activities					
Dividends paid		**(420,401)**	(1,989,135)	**(420,401)**	(1,989,135)
Payments for shares bought back		**(77,036)**	-	**(77,036)**	-
Repayment of borrowings from subsidiary		**-**	-	**251,259**	-
Net cash inflow (outflow) from financing activities		**(497,437)**	(1,989,135)	**(246,178)**	(1,989,135)
Net increase (decrease) in cash and cash equivalents		**1,221,610**	(7,388,219)	**1,468,876**	(7,589,134)
Cash and cash equivalents at the beginning of the financial year		**5,851,873**	13,240,092	**5,604,607**	13,193,741
Cash and cash equivalents at end of year	5	**7,073,483**	5,851,873	**7,073,483**	5,604,607

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Corporate information

The financial report of Katana Capital Limited ("the Company") for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 22 September 2009.

The Company was incorporated on 19 September 2005. In July 2006 it incorporated a wholly owned subsidiary - Kapital Investments (WA) Pty Ltd.

Katana Capital Limited is a company limited by shares, incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principle activities are described in the Directors' Report.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for the investments held for trading and derivative financial instruments, which have been measured at fair value.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Katana Capital Limited as an individual entity and the consolidated entity consisting of Katana Capital Limited and its subsidiaries.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective. These have not been adopted by the Group for the annual reporting period ending 30 June 2009. The impact of these new or amended Accounting Standards whilst not expected to give rise to material changes in the Group's financial statements, are yet to be assessed.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Katana Capital Limited as at 30 June 2009 and the results of the subsidiary for the year then ended. Katana Capital Limited and its subsidiary together are referred to in this financial report as the "Company" or the consolidated entity.

The subsidiary is the entity (including a special purpose entity) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The subsidiary is fully consolidated from the date on which control is transferred to the Company. It is de-consolidated from the date that control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company using consistent accounting policies.

(d) Investments and other financial assets

Financial assets are classified as either financial assets held for trading, loans and receivables, held to maturity investments or available for sale investments, as appropriate.

When financial assets are initially recognised they are recorded at fair value, plus in the case of investments not held for trading, directly attributable transaction costs. The Fund Manager determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

2 Summary of significant accounting policies (continued)

(i) Financial assets held for trading

After initial recognition investments which are classified as held for trading are measured at fair value, gains and losses on these investments are recognised in the profit and loss. For financial assets that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For financial assets where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the financial assets. The fair value of options is determined using an appropriate option pricing model.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition. For financial assets carried at amortised cost, gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

(iii) Derecognition of financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a "pass-through" arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(e) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Interest income
Interest income is recognised on an accruals basis using the effective interest method, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial instrument. Interest on cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

(ii) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents includes deposits held at call with banks or financial institutions.

(h) Trade and other receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Receivables are recognised and carried at the original invoice amount and interest accrues (using the effective interest rate method, which is the rate that discounts estimated future cash receipts through the effective life of the financial instrument) to the net carrying amount of the financial asset. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Trade and other payables

Liabilities for creditors and other amounts are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables include outstanding settlements on the purchase of investments and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

2 Summary of significant accounting policies (continued)

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(k) Goods and Services Tax (GST)

Incomes, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST, to the extent that GST is recoverable from the Australian Tax Office (ATO). Where GST is not recoverable it is recognised as part of the cost of the asset or as part of the expense item as applicable.

Reduced input tax credits (RITC) recoverable by the Company from the ATO are recognised as receivables in the Balance Sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority are classified as operating cash flows.

(l) Earnings per share

Basic earnings per share (EPS) is calculated as net profit attributable to shareholders divided by the weighted average number of units.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(m) Significant accounting judgements, estimates and assumptions

The determination of fair value of unlisted securities requires the application of a discounted cashflow valuation model. A discounted cashflow model requires that certain judgements and assumptions are made, including an estimate for the discount rate applied and an estimation of future uncertain cashflows.

The Company determines the fair value of unlisted options using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The Black-Scholes formula requires the estimation of certain assumptions including the volatility of the underlying shares and an estimation as to the anticipated date at which the option will be exercised.

(n) Derivative financial instruments

The Company uses derivative financial instruments such as exchanged traded options to manage its risks associated with share price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year.

2 Summary of significant accounting policies (continued)

Exchange traded options
The Company writes and then trades Exchange Traded Options ('ETO's'), the Company's policy for managing its risk for ETO's is to ensure it only writes ETO's against shares that it physically holds. ETO's are governed by the Australian Stock Exchange ("ASX") and are traded on the ASX.

ETO's are recognised as liabilities at fair value. Any gains or losses arising from changes in the fair value of ETO's, are taken directly to net profit or loss for the year.

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Pension benefits

Defined contribution plan
Contributions to superannuation funds are charged to the income statement when due.

3 Investment income/(loss)

	Year ended Consolidated		**Year ended Parent**	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Realised gains/(losses) on investments held for trading	**(5,110,432)**	7,157,716	**(5,110,432)**	7,888,083
Unrealised gains/(losses) on investments held for trading	**(7,131,860)**	(12,250,427)	**(7,131,860)**	(12,250,427)
Changes in fair value of options	**416,395**	114,532	**416,395**	114,532
Foreign exchange gains (net)	**(99)**	-	**(99)**	-
Other income	**24,727**	65,968	**24,727**	65,968
	(11,801,269)	(4,912,211)	**(11,801,269)**	(4,181,844)

4 Income tax expense

	Year ended Consolidated		Year ended Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
(a) Income tax expense/(benefit)				
Current tax expense/(benefit)	**-**	-	**-**	-
Deferred tax	**(3,769,707)**	(1,671,051)	**(3,769,747)**	(1,601,684)
	(3,769,707)	(1,671,051)	**(3,769,747)**	(1,601,684)
Deferred income tax/(benefit) expense included in income tax expense comprises:				
(Decrease)/increase in deferred tax assets (note 10)	**2,691,772**	(634,334)	**2,691,812**	(634,374)
Decrease/(increase) in deferred tax liabilities (note 14)	**1,077,935**	(1,036,638)	**1,077,935**	(967,230)
Other	**-**	(79)	**-**	(80)
	3,769,707	(1,671,051)	**3,769,747**	(1,601,684)

	Year ended Consolidated		Year ended Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(11,481,608)**	(4,438,000)	**(11,485,601)**	(4,170,099)
Tax at the Australian tax rate of 30% (2008 - 30%)	**(3,444,482)**	(1,331,400)	**(3,445,680)**	(1,251,030)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenses	**325**	1,082	**325**	1,082
Franking credits	**139,522**	146,994	**139,522**	141,170
Franking rebate	**(465,072)**	(486,648)	**(465,072)**	(470,567)
Other	**-**	(1,079)	**1,158**	(22,339)
Under provision from prior year	**-**	-	**-**	-
Income tax expense/(benefit)	**(3,769,707)**	(1,671,051)	**(3,769,747)**	(1,601,684)

(c) Tax consolidation legislation

Katana Capital Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2007.

(i) Members of the tax consolidated Group and the tax sharing arrangement

Katana Capital Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated Group from 1 July 2007. Katana Capital Limited is the head entity of the tax consolidated Group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated Group

4 Income tax expense (continued)

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the separate financial statements of the members of the tax consolidated Group using the Group allocation method. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated Group are recognised by Katana Capital Limited, the head entity of the tax consolidated Group.

Members of the tax consolidated Group has entered into a tax funding agreement. Amounts are recognised as payable to or receivable by the Company and each member of the consolidated Group in relation to tax contribution amounts paid or payable between the parent entity and other members of the tax consolidated group in accordance with this agreement. Where the tax contribution amount recognised by each member of the tax consolidated Group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the distribution is recognised as a contribution from (or distribution to) equity participants.

5 Current assets - Cash and cash equivalents

	At Consolidated		**At Parent**	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Bank balances	**6,976,849**	5,851,873	**6,976,849**	5,604,607
Deposits at call	**96,634**	-	**96,634**	-
	7,073,483	5,851,873	**7,073,483**	5,604,607

6 Current assets - Trade and other current receivables

	At Consolidated		**At Parent**	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Unsettled trades - listed equities	**761,108**	187,982	**761,108**	187,982
Interest receivable	**1,267**	-	**1,267**	-
Dividend receivable	**14,816**	94,600	**14,816**	94,600
	777,191	282,582	**777,191**	282,582

There are no receivables past due or impaired.

7 Current assets - Investments

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Listed equities - classified or held for trading	**24,051,056**	38,627,420	**24,051,056**	38,627,420
	24,051,056	38,627,420	**24,051,056**	38,627,420

Held for trading investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. Fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business at the balance sheet date.

Other current investments have been measured at cost.

8 Current assets - Other current assets

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Prepayments - insurance	**14,300**	14,300	**14,300**	14,300
GST recoverable	**47,291**	27,827	**47,291**	27,827
	61,591	42,127	**61,591**	42,127

9 Non-current assets - Non-current receivables

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Receivable from wholly owned subsidiary				
Receivable	**-**	-	**414,778**	666,037
Impairment allowance	**-**	-	**(414,778)**	(414,778)
	-	-	**-**	251,259

The loan is non-interest bearing and has no fixed maturity date or repayments.

10 Non-current assets - Deferred tax assets

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
The balance comprises temporary differences attributable to:				
Tax losses	**3,387,592**	688,319	**3,387,592**	688,319
Other				
Share issue costs	**35,836**	71,630	**35,754**	71,508
Options	**1,426**	-	**1,426**	-
Provisions	**38,119**	11,250	**38,119**	11,250
Other	**67**	67	**67**	67
Total deferred tax assets	**3,463,040**	771,266	**3,462,958**	771,144
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	**(779,285)**	(771,266)	**(779,285)**	(771,144)
Net deferred tax assets	**2,683,755**	-	**2,683,673**	-

Movements - Consolidated	**Tax losses $**	**Share issue costs $**	**Other $**	**Total $**
At 1 July 2007	-	107,262	29,670	136,932
(Charged)/credited to the income statement	688,319	(35,632)	(18,353)	634,334
At 30 June 2008	688,319	71,630	11,317	771,266
At 30 June 2008	688,319	71,630	11,317	771,266
(Charged)/credited to the income statement	2,699,273	(35,794)	28,295	2,691,774
At 30 June 2009	3,387,592	35,836	39,612	3,463,040

Movements - Parent entity	**Tax losses $**	**Share issue costs $**	**Other $**	**Total $**
At 1 July 2007	-	107,262	29,508	136,770
(Charged)/credited to the income statement	688,319	(35,754)	(18,191)	634,374
At 30 June 2008	688,319	71,508	11,317	771,144
At 30 June 2008	688,319	71,508	11,317	771,144
(Charged)/credited to the income statement	2,699,273	(35,754)	28,295	2,691,814
At 30 June 2009	3,387,592	35,754	39,612	3,462,958

The deferred tax asset is being carried forward as an asset due to the company's view that the tax asset will be utilised as global stock exchanges correct themselves, global economic activity increases and the company realises profits.

11 Non-current assets - Investments

	At Parent	
	30 June 2009	30 June 2008
	$	$
Investment in controlled entity at cost	**120**	120
	120	120

The investment in the controlled entity is for 100% of the issued capital of Kapital Investments (WA) Pty Ltd.

12 Current liabilities - Trade and other payables

	At Consolidated		At Parent	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$
Unsettled trades - listed equities	**275,638**	1,202,648	**275,638**	1,202,648
Accrual - Fund Manager's management fee	**103,468**	144,186	**103,468**	144,186
Trade creditors	**33,552**	49,489	**33,552**	49,489
Employee pay as you go tax instalments	**5,280**	7,920	**5,280**	7,920
Custody fees payable	**22,418**	-	**22,418**	-
	440,356	1,404,243	**440,356**	1,404,243

13 Current liabilities - Financial liabilities

	At Consolidated		At Parent	
	30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
	$	$	**$**	$
Exchange traded options - held for trading at fair value*	**54,200**	-	**54,200**	-
	54,200	-	**54,200**	-

* The Company writes and then trades Exchange Traded Options (ETO's), the company's policy for managing its Risk for ETO's is to ensure it only writes ETO's against shares that it physically holds. ETO's are governed by the Australian Stock Exchange (ASX) and are traded on the ASX. The ETO's had an average expiry date of 30 July 2009.

14 Non-current liabilities - Deferred tax liabilities

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
The balance comprises temporary differences attributable to:				
Deferred tax liabilities				
Investments	**774,460**	1,828,840	**774,460**	1,828,840
Dividends receivable	**4,445**	28,380	**4,445**	28,380
Other	**380**	-	**380**	-
Total deferred tax liabilities	**779,285**	1,857,220	**779,285**	1,857,220
Set-off of deferred tax liabilities pursuant to set-off provisions	**(779,285)**	(771,266)	**(779,285)**	(771,144)
Net deferred tax liabilities	**-**	1,085,954	**-**	1,086,076

Movements - Consolidated	**Investments $**	**Other $**	**Total $**
At 1 July 2007	2,853,012	40,846	2,893,858
Charged/(credited) to the income statement	(1,024,172)	(12,466)	(1,036,638)
At 30 June 2008	1,828,840	28,380	1,857,220
At 30 June 2008	1,828,840	28,380	1,857,220
Charged/(credited) to the income statement	(1,054,380)	(23,555)	(1,077,935)
At 30 June 2009	774,460	4,825	779,285

Movements - Parent	**Investments $**	**Other $**	**Total $**
At 1 July 2007	2,783,604	40,846	2,824,450
Charged/(credited) to the income statement	(954,764)	(12,466)	(967,230)
At 30 June 2008	1,828,840	28,380	1,857,220
At 30 June 2008	1,828,840	28,380	1,857,220
Charged/(credited) to the income statement	(1,054,380)	(23,555)	(1,077,935)
At 30 June 2009	774,460	4,825	779,285

15 Issued Capital

	At Parent entity		At Parent entity	
	30 June 2009 Shares	30 June 2008 Shares	**30 June 2009 $**	30 June 2008 $
Ordinary shares				
Fully paid	**41,494,313**	41,684,800	**40,081,234**	40,158,270

(a) Movements in ordinary share capital:

Date	Details	Number of shares	$
1 July 2007	Opening balance	41,684,800	40,158,270
30 June 2008	Balance	41,684,800	40,158,270
1 July 2008	Opening balance	41,684,800	40,158,270
	Buy-back of shares	(190,487)	(77,036)
30 June 2009	Balance	41,494,313	40,081,234

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During the period from December 2008 to February 2009, 190,487 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of $0.4044 with the price ranging from $0.35 to $0.425 per share.

(b) Movements in options:

Date	Details	30 June 2009 Number of options	30 June 2008 Number of options
1 July 2008	Opening balance	**1,000,000**	1,000,000
30 June 2009	Balance	**1,000,000**	1,000,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

(c) Capital management

When managing capital, management’s objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets.

16 Reserves and retained profits

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Option premium reserve	**101,100**	101,100	**101,100**	101,100

Retained profits/(accumulated losses)

Movements in retained profits/(losses) were as follows:

	At Consolidated		At Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Opening retained earnings	**2,126,186**	6,768,935	**2,130,177**	6,574,392
Net (loss) after tax attributable to members of the Company	**(7,711,901)**	(2,766,949)	**(7,715,854)**	(2,568,415)
Dividends paid	**(416,848)**	(1,875,800)	**(416,848)**	(1,875,800)
Balance 30 June	**(6,002,563)**	2,126,186	**(6,002,525)**	2,130,177

17 Key management personnel disclosures

(a) Key management personnel compensation

	Year ended Consolidated		Year ended Parent	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Short-term employee benefits	**166,667**	183,999	**166,667**	183,999
Post-employment benefits	**15,630**	15,975	**15,630**	15,975
Management fee to Fund Manager	**395,395**	652,461	**395,395**	652,461
	577,692	852,435	**577,692**	852,435

(b) Equity instrument disclosures relating to key management personnel

(i) **Option holdings**

2009

Name	Balance at start of the year	Granted as compen-sa tion	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Katana Capital Limited							
Dalton Leslie Gooding	250,000	-	-	-	250,000	250,000	-
Peter Wallace	250,000	-	-	-	250,000	250,000	-
Derek La Ferla (resigned on 28 November 2008)	250,000	-	-	-	250,000	250,000	-
Giuliano Sala Tenna	250,000	-	-	-	250,000	250,000	-
Other key management personnel of the Group							
Brad Shallard	-	-	-	-	-	-	-
Romano Sala Tenna	-	-	-	-	-	-	-

2008

Name	Balance at start of the year	Granted as compen-sa tion	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Katana Capital Limited							
Dalton Leslie Gooding	250,000	-	-	-	250,000	250,000	-
Peter Wallace	250,000	-	-	-	250,000	250,000	-
Derek La Ferla	250,000	-	-	-	250,000	250,000	-
Giuliano Sala Tenna	250,000	-	-	-	250,000	250,000	-
Other key management personnel of the Group							
Brad Shallard	-	-	-	-	-	-	-
Romano Sala Tenna	-	-	-	-	-	-	-

(ii) **Share holdings**

The numbers of shares in the Company held during the financial year by each director of Katana Capital Limited and other key management personnel of the Group, including their personally related parties, are set out below.

All equity transactions with key management personnel, other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable that those the Group would have adopted if dealing at arm's length.

17 Key management personnel disclosures (continued)

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Katana Capital Limited				
Ordinary shares				
Dalton Leslie Gooding	100,000	-	-	100,000
Peter Wallace	300,000	-	-	300,000
Derek La Ferla (resigned 28 November 2008)	100,000	-	-	100,000
Giuliano Sala Tenna	100,000	-	-	100,000
Other key management personnel of the Group				
Ordinary shares				
Brad Shallard	2,040,125	-	-	2,040,125
Romano Sala Tenna	2,267,870	-	-	2,267,870

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Katana Capital Limited				
Ordinary shares				
Dalton Leslie Gooding	100,000	-	-	100,000
Peter Wallace	300,000	-	-	300,000
Derek La Ferla	100,000	-	-	100,000
Giuliano Sala Tenna	100,000	-	-	100,000
Other key management personnel of the Group				
Ordinary shares				
Brad Shallard	580,000	-	1,460,125	2,040,125
Romano Sala Tenna	980,000	-	1,287,870	2,267,870

Opening balance adjustment made to reflect holdings as at 1 July 2008

(c) Other transactions and balances with key management personnel

There were no transactions or balances with key management personnel other than those disclosed in the remuneration report of the Director’s Report.

18 Related party transactions

(a) Directors

The names of persons who were Directors of the Katana Capital Limited at any time during the financial year and up to the date of this report are as follows: Mr Dalton Gooding, Mr Derek La Ferla, Mr Giuliano Sala Tenna and Mr Peter Wallace.

(b) Related party transactions

Transactions between the Parent Company and related parties noted above during the year are outlined below:

(i) Dalton Gooding is a partner of Gooding Pervan Chartered Accounting firm and as part of providing taxation advisory services, Gooding Pervan received $31,250 (2008: $18,492) for tax services provided.

All related party transactions are made in arms length transactions on normal commercial terms and conditions. Outstanding balances at period end are unsecured and settlement occurs in cash.

Wholly owned group transactions

Loans from Katana Capital Limited to its wholly owned subsidiary are repayable on demand, unsecured and interest free, though are not expected to be repaid within the next 12 months. Loan balance to subsidiary at 30 June 2009 is $nil (2008: $251,259).

19 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Year ended Consolidated		**Year ended Parent**	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
Profit/(loss) for the year	**(7,711,901)**	(2,766,949)	**(7,715,854)**	(2,568,415)
Impairment of intercompany	**-**	-	**-**	414,778
Other non-cash items	**-**	(53,895)	**-**	(53,895)
(Gains)/losses recognised on measurement to fair value of held for trading investments	**7,131,860**	12,250,427	**7,131,860**	12,250,427
Change in operating assets and liabilities				
(Increase)/decrease in trade and other receivables	**(514,073)**	106,259	**(514,073)**	(80,104)
(Increase)/decrease in financial assets held for trading	**7,498,704**	(12,794,513)	**7,498,704**	(13,505,873)
(Increase)/decrease in other assets	**-**	-	**-**	-
(Decrease)/increase in trade and other payables	**(963,887)**	79,574	**(963,887)**	79,574
(Decrease)/increase in current tax liabilities	**48,053**	(549,015)	**48,053**	(534,887)
(Decrease)/increase in deferred tax liabilities	**(3,769,709)**	(1,670,972)	**(3,769,749)**	(1,601,604)
Net cash (outflow) inflow from operating activities	**1,719,047**	(5,399,084)	**1,715,054**	(5,599,999)

20 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on ensuring compliance with the Company's Investment Mandate and seeks to maximise the returns derived for the level of risk to which the Company is exposed.

The Company uses derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the Investment Manager under policies approved by the Board of Directors (the Board).

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

Mandate

The Fund Manager must manage the Portfolio in accordance with guidelines for management set out in the Mandate, which may be amended by written agreement between the Company and the Fund Manager from time to time. The Mandate provides that the Portfolio will be managed with the following investment objectives:

- to achieve a pre tax and pre expense return which outperforms the ASX All Ordinaries Index; and
- the preservation of capital invested. The Mandate permits the Fund Manager to undertake investments in:
    (1) listed securities;
    (2) rights to subscribe for or convert to listed securities (whether or not such rights are tradeable on a securities exchange);
    (3) any securities which the Fund Manager reasonably expects will be quoted on the ASX within a 24 month period from the date of investment;
    (4) listed securities for the purpose of short selling;
    (5) warrants or options to purchase any investment and warrants or options to sell any investment;
    (6) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
    (7) deposits with any bank or corporation declared to be an authorised dealer in the short term money market;
    (8) debentures, unsecured notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness issued by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or any Australian government authority, or a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
    (9) units or other interest in cash management trusts;
    (10) underwriting or sub underwriting of securities as and where permitted by relevant laws and regulations and the Fund Manager's AFSL; and
    (11) any other investment, or investment of a particular kind, approved by the Company in writing as and where permitted by the Fund manager's AFSL.

The Mandate specifies the following risk control features:

The Portfolio may comprise securities in up to 80 companies from time to time.

- no investment may represent more than 10.0% of the issued securities of a company at the time of investment.
- total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Company after tax.
- the Fund Manager will adhere to the parameters on a per stock basis as set out in the table below unless the prior approval of the Board is received to do otherwise.

20 Financial risk management (continued)

Portfolio composition and management

The aim of the Fund Manager is to build for the Company a portfolio of 20 to 60 companies, with an emphasis towards holding a larger number of smaller positions. Under the current Mandate, the Company's Portfolio may vary from between 0 to 80 securities, depending upon investment opportunities and prevailing market conditions. The Fund Manager may construct a Portfolio comprising of any combination of cash, investment and debt, subject to the gearing limits in the Mandate. Under the Mandate, total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Company after tax.

The capacity to short sell securities, as well as employ debt, is designed to ensure the Fund Manager has flexibility to implement an absolute return strategy. It should also be noted that, despite the focus on emerging and green chip companies, in periods of overly negative market or stock sentiment, the best investment opportunities on a risk return basis are often found in the ASX S&P Index Top 20 and ASX S&P Index Top 100 stocks by market capitalisation. Often the larger stocks rebound first, hence providing not just safer returns, but quicker returns.

Under the current Mandate, the following parameters will apply to individual investments unless the prior approval of the Directors is received to do otherwise:

Size of company	Minimum investment per security	Indicative benchmark investment per security	Maximum investment per security
		As a percentage of total portfolio	
ASX S&P Top 20	1%	5%	12.5%
ASX S&P Top 100/Cash Hybrids	1%	3%	10%
ASX S&P Top 500	No minimum	2%	7.5%
Outside of ASX S&P Top 500/Other Instruments	No minimum	1%	5%

Asset allocation

The Fund Manager's allocation of the Portfolio will be weighted in accordance with various macro economic factors. These factors will invariably impact the medium and long term Performance of the Company. These factors include:

- global economy;
- Australian economy and positioning within the economic cycle;
- sectors within the Australian market;
- phase of the interest rate cycle; and
- state of the property market (eg comparative investment merit).

The Fund Manager may form views on the factors outlined above, and may re weight the Portfolio accordingly.

(a) Market risk

(i) Price risk

The Company is exposed to equity securities and derivative securities price risk. This arises from investments held by the Company for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. They are classified on the balance sheet as held for trading. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board. The mandate specifies that following risk control features:

20 Financial risk management (continued)

The Portfolio may comprise securities in up to 80 companies from time to time:

- no investment may represent more than 10.0% of the issued securities of a company at the time of investment
- total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Company after tax
- the Fund Manager will adhere to the parameters on a per stock basis as set out in the table below unless the prior approval of the Board is received to do otherwise.

The aim of the Fund Manager is to build for the Company a portfolio of 20 to 60 companies, with an emphasis towards holding a larger number of smaller positions. Under the current Mandate, the Company's Portfolio may vary from between 0 to 80 securities, depending upon investment opportunities and prevailing market conditions. The Fund Manager may construct a Portfolio comprising of any combination of cash, investment and debt, subject to the gearing limits in the Mandate. Under the Mandate, total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Company after tax.

The capacity to short sell securities, as well as employ debt, is designed to ensure the Fund Manager has flexibility to implement an absolute return strategy. It should also be noted that, despite the focus on emerging and green chip companies, in periods of overly negative market or stock sentiment, the best investment opportunities on a risk return basis are often found in the ASX S&P Index Top 20 and ASX S&P Index Top 100 stocks by market capitalisation. Often the larger stocks rebound first, hence providing not just safer returns, but quicker returns.

The table on page 39 summarises the impact of an increase/decrease in the Australian Securities Exchange All Ordinaries Index on the Company's net assets attributable to shareholders at 30 June 2009. The analysis is based on the assumptions that the index increased/decreased by 10% (2008 - 10%) with all other variables held constant and that the fair value of the Company's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

(ii) Foreign exchange risk

The Company does not hold any monetary and non-monetary assets denominated in currencies other than the Australian dollar.

(iii) Interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

Compliance with the Company's policy is reported to the Board on a monthly basis. The Company may also enter into derivatives financial instruments to mitigate the risk of future interest rate changes.

20 Financial risk management (continued)

The table below summarises the Company's exposure to financial assets/liabilities at the balance sheet date.

	Weighted Average Interest Rate (% pa)	Year ended Consolidated		Year ended Parent	
		30 June 2009	30 June 2008	**30 June 2009**	30 June 2008
Financial Assets					
Cash and short term deposits - floating	3.62%	**7,073,484**	5,851,873	**7,073,484**	5,604,607
Current receivables	- %	**16,803**	94,600	**16,803**	94,600
Due from brokers - for securities sold	- %	**761,108**	187,982	**761,108**	187,982
Financial assets held for trading	- %	**24,051,056**	38,627,420	**24,051,056**	38,627,420
Non-current receivables	- %	**-**	-	**-**	251,259
		31,902,451	44,761,875	**31,902,451**	44,765,868
Financial Liabilities					
Payables	- %	**164,718**	201,595	**164,718**	201,595
Due to brokers - payable for securities purchased	- %	**275,638**	1,202,648	**275,638**	1,202,648
Financial liabilities held for trading	- %	**54,200**	-	**54,200**	-
		494,556	1,404,243	**494,556**	1,404,243

(b) Summarised sensitivity analysis

The table below summarises the impact of an increase/decrease of interest rates on the Company's operating profit and net assets attributable to shareholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 50 basis points (2008 - +/- 50 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of fixed interest securities.

The following table summarises the sensitivity of the Company's operating profit and equity to interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and historical correlation of the Company's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Company invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price Risk		**Interest Rate Risk**	
	-10%	**+10%**	**-50bps**	**+50bps**
	Impact on Operating Profit/Equity			
30 June 2009	(2,405,106)	2,405,106	(24,016)	24,016
30 June 2008	(3,862,742)	3,862,742	(36,955)	36,955

20 Financial risk management (continued)

(c) Credit risk

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired

As at 30 June 2009 the Company does not hold any debt securities.

The Company does trade in Exchange Traded Options. The Investment Manager has established limits such that, at any time, such that options are not traded without holding the physical security in the portfolio and contracts are with counterparties included in the Board's Approved Counterparties list. As at 30 June 2009 the Company held three Exchange Traded Options.

Compliance with the Company's policy is reported to the Board on a monthly basis.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The majority of cash assets are held with one bank.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in the market interest rates.

To control liquidity and cash flow interest rate risk, the Company invests in financial instruments which under normal market conditions are readily convertible to cash. In addition the Company invests within the Mandate guidelines to ensure that there is no concentration of risk.

The Company does not hold derivatives.

Financial liabilities of the Company comprise trade and other payables, distributions payable to shareholders. Trade and other payables have no contractual maturities but are typically settled within 30 days.

(e) Fair value estimation

The carrying amounts of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies recorded in note 2.

- Fair value in an active market

The fair value of financial instruments traded in active markets is based on their quoted market prices at balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

21 Segment information

Business segments

The Company operates solely in the financial investment industry.

Geographical segments

The Company operates from one geographic location, being Australia, from where its investing activities are managed.

22 Earnings per share

	Year ended Consolidated 30 June 2009 Cents	Year ended Consolidated 30 June 2008 Cents
(a) Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**(18.53)**	(6.64)
(b) Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**(18.53)**	(6.64)

(c) Reconciliations of earnings used in calculating earnings per share

	Year ended Consolidated 30 June 2009 $	Year ended Consolidated 30 June 2008 $
Basic earnings per share		
Loss from continuing operations	**(7,711,901)**	(2,766,949)
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(7,711,901)**	(2,766,949)
Diluted earnings per share		
Loss attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(7,711,901)**	(2,766,949)

(d) Weighted average number of shares used as the denominator

	Year ended Consolidated 30 June 2009 Number	Year ended Consolidated 30 June 2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**41,620,466**	41,684,440
Adjustments for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**41,620,466**	41,684,440

Basic earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The options outstanding at 30 June 2009, as disclosed in note 15 are not dilutive for the year ended 30 June 2009.

The weighted average number of converted and lapsed potential ordinary shares included in diluted earnings per share calculation is nil for the year ended 30 June 2009 (2009: nil).

23 Commitments and contingencies

There are no contingent liabilities or contingent assets as at 30 June 2009 (2008: nil).

Katana Capital Limited has entered into a 10 year Management Agreement with the Fund Manager, Katana Asset Management Ltd. Under the terms of the contract the Fund Manager the Manager is obliged to manage the investment portfolio on behalf of Katana Capital Limited. A management fee is payable to the manager as follows:

- the Fund Manager will receive a monthly management fee equal to 0.104167% of the portfolio value calculated at the end of the month
- performance fee to be paid in respect of each performance calculation period of 18.5% of the amount by which the Fund Manager outperforms the ASX All Ordinaries during the calculation period (calculated annually for the 12 month period ending 30 June).

24 Events occurring after the balance sheet date

A final dividend for the 30 June 2009 financial year has not been declared by the Company. The Directors note that there has been a significant correction in the markets in which the Company invests between the balance sheet date and the date of this report. Changes in the value of the Company's investments are reflected in the Company's Net Tangible Asset Backing per share which is reported to the Australian Securities Exchange (ASX) monthly and is variable via the ASX website.

25 Remuneration of auditors

	Year ended Consolidated		**Year ended Parent**	
	30 June 2009 $	30 June 2008 $	**30 June 2009 $**	30 June 2008 $
(a) Audit services				
Ernst & Young Australia				
Audit and review of financial reports	**45,500**	45,500	**45,500**	45,500
Total remuneration for audit services	**45,500**	45,500	**45,500**	45,500
(b) Non-audit services				
Other services				
Other services	**-**	-	**-**	-
Total remuneration for non-audit services	**-**	-	**-**	-
	45,500	45,500	**45,500**	45,500

26 Dividends

	Year ended Parent 30 June 2009 $	Year ended Parent 30 June 2008 $
Final dividend for the year ended 30 June 2008 of 1.0 cents (2007 - 2.5 cents) per fully paid share paid on 20 November 2008 (2007 - 8 November 2007)		
Fully franked (2007 - 37% franked) based on tax paid @ 30% - 1 cents (2007 - 2 cents interim & 2 cents special) per share	**416,848**	1,042,120
Interim dividend for the year ended 30 June 2009 of NIL cents (2008 - 2 cents) per fully paid share (2008 - paid 30 April 2008)		
NIL franked (2008 - fully franked) based on tax paid @ 30% - NIL cents (2008 - 2 cents interim) per share	**-**	833,680
Total dividends provided for or paid	**416,848**	1,875,800
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2009 and 2008 were as follows:		
Paid in cash	**416,848**	1,875,800
	416,848	1,875,800

	Year ended Consolidated 30 June 2009 $	Year ended Consolidated 30 June 2008 $	Year ended Parent 30 June 2009 $	Year ended Parent 30 June 2008 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)	**487,495**	249,124	**487,495**	249,124

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

In the Directors' opinion:

(a) the financial statements and notes of the consolidated entity set out on pages 15 to 43 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, *Corporations Regulations 2001*and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) The financial statements are in accordance with the provisions of the Company's Constitution.

The directors have been given the declarations by the fund manager's required by section 295A of the *Corporations Act 2001.*

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

On behalf of the Board
Katana Capital Limited

Dalton Gooding
Chairman

22 September 2009
Perth, Western Australia

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Independent auditor's report to the members of Katana Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of Katana Capital Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of 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 in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Katana Capital Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Katana Capital Limited and the consolidated entity at 30 June 2009 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*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2009. 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 Katana Capital Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
22 September 2009