2019 ANNUAL REPORT

KATANA CAPITAL LIMITED

Corporate Directory

Katana Capital Limited
ABN 56 116 054 301

Board of Directors

Mr Dalton Gooding
Chairman, Non-Executive Director

Mr Peter Wallace
Non-Executive Director

Mr Giuliano Sala Tenna
Non-Executive Director

Mr Gabriel Chiappini
Company Secretary

Solicitors

Steinepreis Paganin

Level 4, The Read Buildings
16 Milligan Street
Perth WA 6001

Auditors

Ernst & Young

11 Mounts Bay Road
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Registered Office

Level 9, The Quadrant Building
1 William Street
Perth WA 6000

Stock Exchange

ASX LIMITED

152-158 St Georges Terrace
Perth WA 6000

ASX Code: KAT

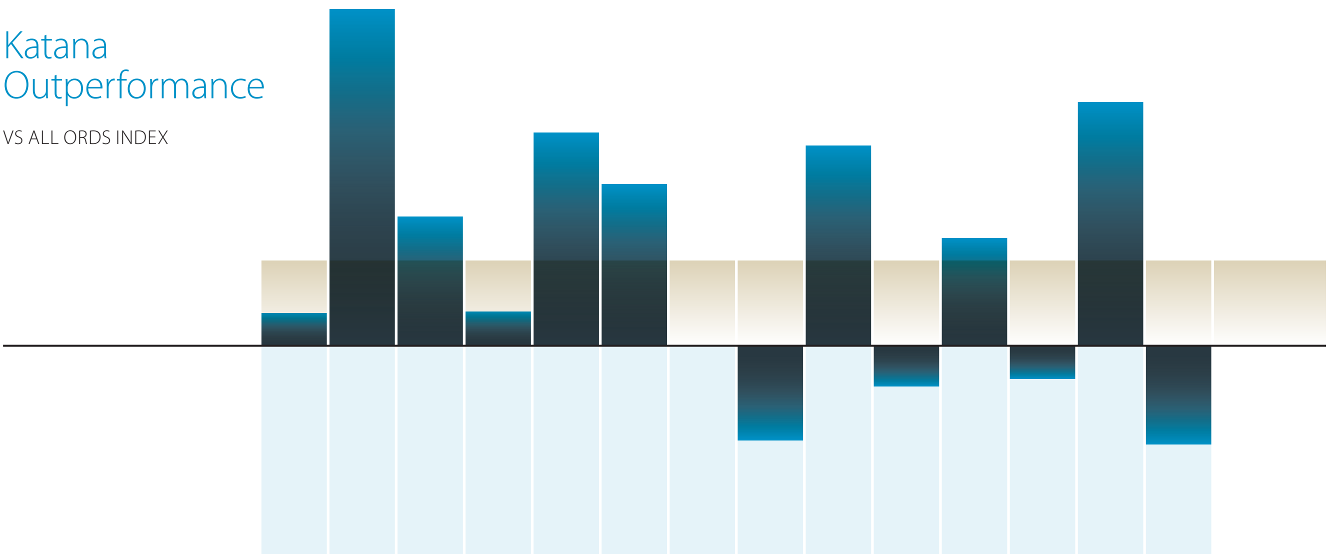
Katana Capital combines its listed investment company structure with the proven ability of its Manager *("Katana Asset Management Ltd")* to provide investors with access to comprehensive investment techniques aimed at providing capital and income returns. The Company and the Manager share similar investment philosophies. The role of the Company is to assess and monitor the Manager and liaise with the Manager with respect to its Mandate as detailed in the Management Agreement.

Our investment **philosophy**

As an 'All Opportunities' fund, the underlying goal of the Manager is to assess the risk adjusted return of every potential opportunity identified by the Manager. The Manager's approach includes selectively and modestly taking higher-risk positions, provided that the potential return exceeds the additional risk – preferably in terms of both value and time. Whilst the Manager intends to combine the best principles of value investing, fundamental and technical analysis, it does not wish to be constrained by the constructs of any one approach. The key to the longterm success of the Company is seen as the capacity of the Manager to integrate the best principles of each discipline with the extensive and varied experiences of the Manager. This is achieved by encouraging flexibility and adaptability, but within the confines of an overall framework that controls risk.

Katana Outperformance

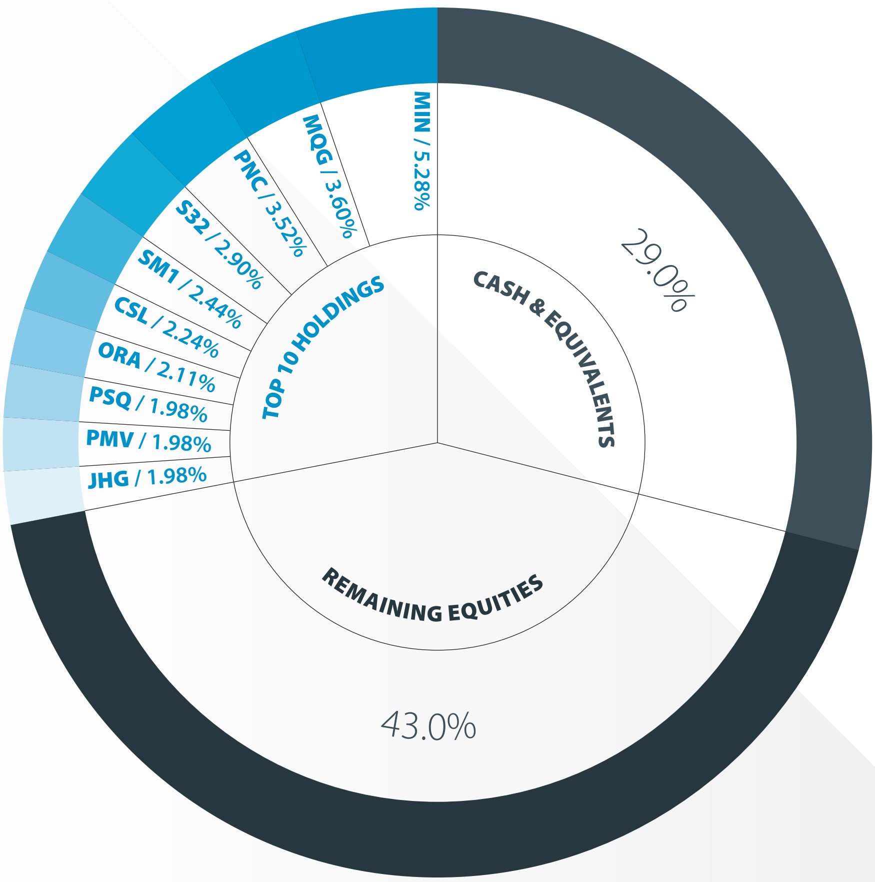
VS ALL ORDS INDEX



YEAR ENDING		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	AVERAGE
Katana Gross Investment Return	%	9.20	49.05	-6.41	-23.57	24.54	19.10	-11.19	8.84	26.78	-1.57	4.98	6.23	26.27	-0.43	9.42
All Ords Index	%	6.91	25.36	-15.49	-25.97	9.55	7.75	-11.25	15.47	12.70	1.28	-2.58	8.54	9.12	6.51	3.42
Outperformance	**%**	**2.29**	**23.69**	**9.08**	**2.40**	**14.99**	**11.35**	**0.07**	**-6.63**	**14.07**	**-2.85**	**7.56**	**-2.31**	**17.15**	**-6.94**	**5.99**

Percentage of portfolio valuation

AS AT 30 JUNE 2019



FY19

FINANCIAL YEAR REVIEW

Katana Asset Management Ltd ('The Manager') has completed a report on the performance of Katana Capital Limited's (Katana) portfolio for the 12 months to 30 June 2019. Disappointingly, Katana returned a small investment loss for the year of -0.53%. Given the All Ordinaries index increased by 6.51%, this resulted in under-performance of -7.04% versus the benchmark. Whilst the Manager is clearly disappointed by this performance, a little context will assist in providing a longer term perspective:

> This represents the largest relative under-performance since the fund was established in 2006

> In the 2018FY, the gross investment return of the fund was 17.15% ABOVE the benchmark.

The 2019 financial year was a challenging one for our team of portfolio managers. The last 2-3 years have been characterized in many respects by an out-performance of growth and momentum styles on an unprecedented scale. As it has been well documented, momentum investing overpowered all attempts to rationally value stocks in the technology sector. Being style agnostic, the manager is able to embrace growth and momentum stocks, but it refuses to do so:

1. Solely to the exclusion of other opportunities
2. Irrespective of value or fundamentals, which is the territory that many growth and momentum stocks now find themselves in.

This is worth expounding upon. Share prices of the soon to be infamous 'WAAAX' stocks (Wisetech, Appen, Afterpay, Altium and Xero) nearly doubled in price despite their already lofty valuations. As one simple example of this, Wisetech Global Ltd (WTC) will be trading on a PER of 112x earnings if it is able to meet the extraordinary feat of growing its earnings at 43% this year. And this is one of the cheaper alternatives!

Of course this is madness and of course we have seen this before. When we set out in our careers in the early 1990's, momentum trading was also known as greater fool theory, because it relied on a greater fool paying an even higher price for the stock to be able to appreciate. Between 1998 and 2000, we watched in awe (and yes more than a little envy), as the then bellwether company Davnet (DVT) ran from 1.2c to $6. By the end of 2001, Davnet's share price had returned to 3.9c.

Of course we are not suggesting that these companies will retrace to the same extent, as they do hold considerably more promise. But we are in the most certain of terms, highlighting that these companies are heavily overvalued and in the fullness of time, will retrace significantly from the current levels. Indeed, as it has recently been reported, Australia now has the highest priced tech sector in the world, and hence it is no coincidence that vendors are coming from as far away as Israel to list on our bourse.

Accordingly, our team has worked hard to remain true to label and more importantly true to what we know works over the longer term. More than 20% of the money we manage belongs to our team. Our goal is first and foremost to preserve our capital. If we do this, then in time the broader market will recognise the inherent quality in the companies we own and the winners will bubble to the surface.

Whilst the manager does not see it in this light, investors are likely to see the other main 'thesis failure' as being the persistently above average cash weightings over the past year. As a manager, we will always put preservation before performance. Whilst this may not generate the most spectacular returns in the short term, we believe that this inherent conservatism yields the best risk-adjusted returns over the longer timeframe, and our performance since inception would seem to confirm this viewpoint.

Of course, we still need to be held accountable for all decisions – including cash weighting. And it is clear that whilst our philosophy is not in question, our execution – i.e. how much cash we have held – has been wrong. Whilst it initially worked in our favour in the December 2018 quarter, the subsequent rally in the 2nd half of the financial year negated this and then some.

We are constantly reviewing our cash weighting, and have deployed further capital post year end based on key technical indicators.

The bar chart (left) illustrates the Manager's track record of outperformance in each of the past 14 years together with its average level of gross investment outperformance over this period.

The Manager held an average of approximately 45 individual stock positions and a relatively high level of cash throughout FY19. The Manager is committed to maintaining a diversified portfolio, which it believes provides better risk adjusted returns compared to achieving that same outcome with a concentrated portfolio.

There were several changes in the Fund's top 10 holdings in FY19. Whilst Mineral Resources (MIN) once again held the top position at balance date, the top 5 included a number of new companies including Macquarie Group, South 32 and Synlait Milk. It is important however to realise that we are in fickle, range bound markets, which require swift and decisive responses. For example in the case of Mineral Resources, whilst it closed out our year as the largest holding, it oscillated between 0% and 7% weighting over this timeframe.

The Manager has maintained its selective exposure to quality small and mid-cap stocks, which it believes have more potential upside than many larger cap stocks. The manager remains focused on stocks that have strong balance sheets and produce robust cash flows. Katana's top 10 holdings as at 30 June 2019 are shown on page 2.

Outlook

As highlighted in the outset, the 2019FY represents our most pronounced relative under-performance since establishing our fund in 2006.

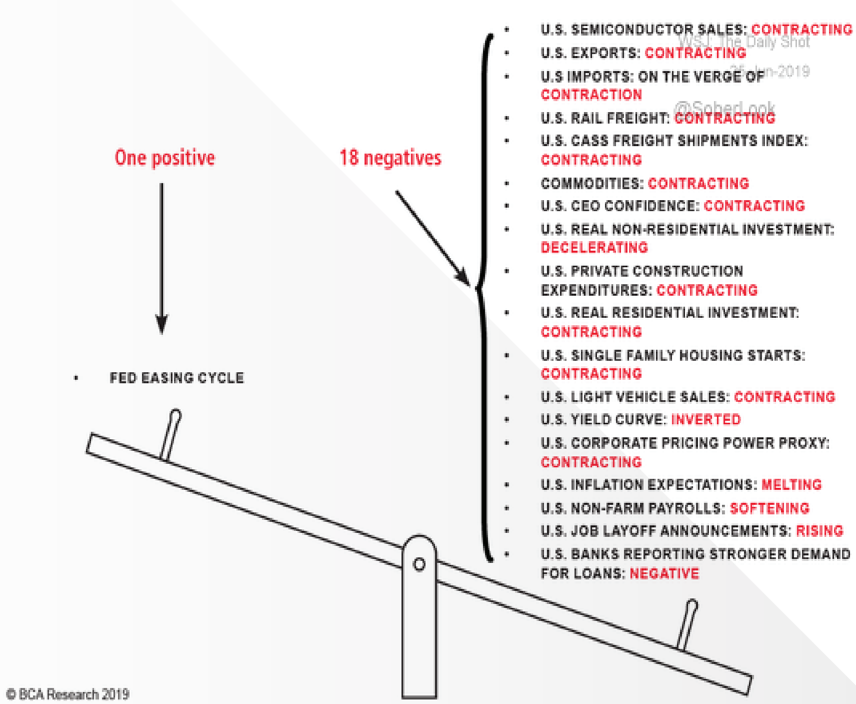
Since that time, our team has under-performed our benchmark on 4 occasions (including the current financial year). On the prior 3 occasions, we have bounced back strongly the following financial year. Investors who have been with us for more than a little while, will have seen this first hand. In the 2017 FY, our fund generated a gross investment return of 5.41% versus the All Ordinaries index of 8.54%. Once again we remained true to our philosophy and approach. In the subsequent year (the 2018 FY), we generated a gross return of 26.27% versus our benchmark of 9.12%.

Of course, history cannot be any guarantee of future returns. But what it (hopefully) can do is confirm to investors that our team is being true to our approach, and that – more importantly – in the fullness of time the market is likely to recognise the inherent value in many of the companies that we have chosen to invest in. And this to us is the critical point. Yes we are adjusting valuation metrics around growth stocks, tweaking weightings and staying open minded on growth oriented investments, but essentially we are continuing to focus most of our attention on our current holdings to ensure that the reasons for investing in them remain intact. If each investment continues to stack up, then in the fullness of time, this will be recognized by the wider market.

Strategy

There are few truer adages than *'markets climb a wall of worry'*! Indeed as we sit here today we have almost every worry imaginable present in some form. We have a deteriorating trade war between the 2 largest economies in the world. We have burgeoning debt, deteriorating PMI's, lackluster inflation and emerging pockets of deflation. We have nearly half of all bonds ex-US trading on a negative yield to maturity. Extraordinary. We have trade allies tearing up long-standing agreements, the death of globalization and rising nationalism. We are on the doorstep of a no-deal BREXIT. A reticent Italian Government with escalating debt and budget deficits. Declining earnings growth and more!

This diagram of the key financial and economic indicators in the US (courtesy of BCA Research), whilst a little strong in its stylization, paints a somber outlook.



In short, it would be hard to argue that the macro backdrop is anything but highly challenging.

However in many respects, all of this is market theory. In reality, the market is driven by other factors that may well necessitate it going higher despite the bleak macro outlook. We see 3 Key Drivers that are likely to dominate in the coming 12 months.

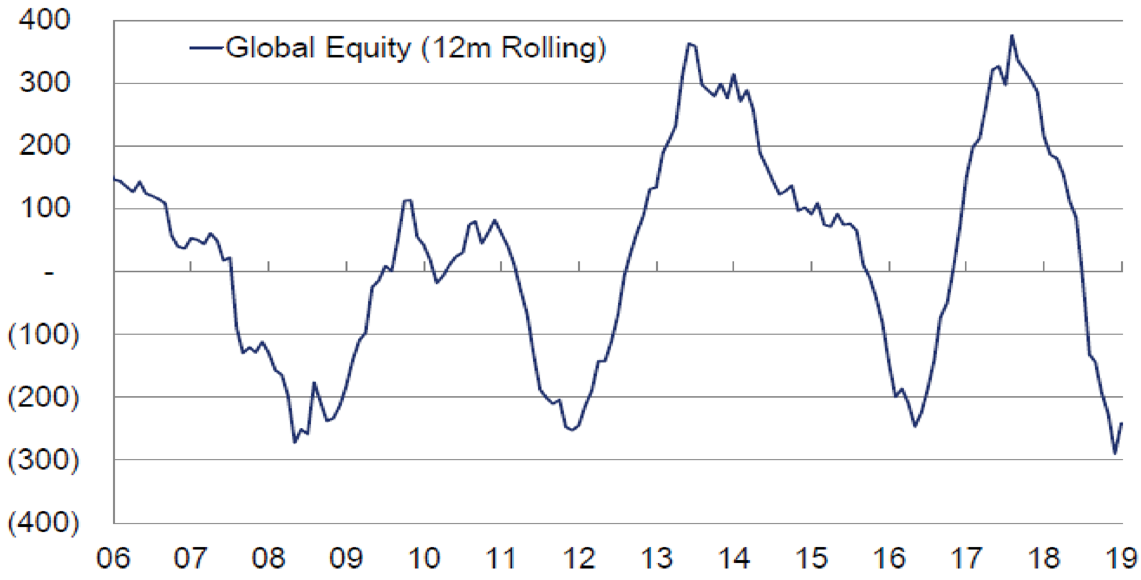
The first of these is the 'Powell Put'. Post the December quarter Taper Tantrum, US Federal Reserve Chairman Jerome Powell, 'succumbed' to the significant pressure that fell on his shoulders from everyone from Wall Street to President Trump. This may in fact be a little harsh, as whilst the popular view is that Powell succumbed to equity market pressures, the reality may be that he got a glimpse of how fragile the debt markets are, and turned dovish to prevent debt contagion. Whatever the case, what this episode demonstrated, is that the US Fed and US Government stand ready to 'do what it takes' to soothe the local markets. This twin put, is a powerful backstop.

Secondly, there is a large amount of cash sitting on the sidelines and the majority of investors would appear to be cautious - if not nervous- and positioned accordingly. Anecdotally, investors in our circle are underweight equities. This chart below from Citi, aptly demonstrates that Global Equity Out-flows are on a scale not seen since the GFC – i.e. the flows that exited equities DURING the crash. As John Templeton astutely observed "…bull markets die on euphoria." Many equity managers are nervous, under-invested and as a result under-performing. This level of pessimism as indicated by the sustained out-flows, is not representative of the euphoric final stage.

In time we would expect these flows to normalize, and drive the indices higher.

Thirdly, we may be on the cusp of one of the most 'reluctant rallies' in history, but it will be a rally nonetheless. As we can see (below), the average equity-bond yield gap is approaching the highest level on record. A level that has not been seen since just after the Second World War. During the prior 3 events where the equity-bond yield gap blew out to this extent, there were enormous global dislocations caused by 3 of the most significant events of the 20th century: WWI, the Great Depression and WWII. It is interesting that Citi have labelled the current event as 'Endcyclitis', which (apparently) is defined as 'the fear that the global economic cycle is about to turn for the worse.'

This fear supports the thesis outlined in point 2 above. But it also has created a situation whereby the differential between bond yields and equity dividends will in time drive investors to switch at least a portion of their capital.



Source: EPFR, Citi Research

And there is an additional point to consider. Not only is the relative difference likely to drive investors to increase their equity exposure, but the absolute cash/bond rates are also at a level that will – reluctantly or otherwise – force investors to take on more risk. For example, if retirees are rolling over cash at sub 2%, with inflation running at almost the same level give or take, then in real terms they are breaking even (or perhaps worse if tax is payable). And 'breaking even' won't fund the vast majority of retirees, let alone younger generations.

For these reasons, we see that whilst there are a plethora of concerning macro issues, there is likely to be net capital flowing into not out of equities. And marginal buying is what drives asset prices.

Corporate

Katana Capital Limited finished FY19 with 41.7 million shares on issue. During the period from 1 July 2018 to 30 June 2019, 1,340,430 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of $0.75 with the price ranging from $0.715 to $0.775 per share. The buyback also provided liquidity and increased the underlying net asset backing for all existing shareholders.

Katana paid four quarterly dividends, totaling two and a half (2.5) cents during FY19. The dividends were all 100% franked.

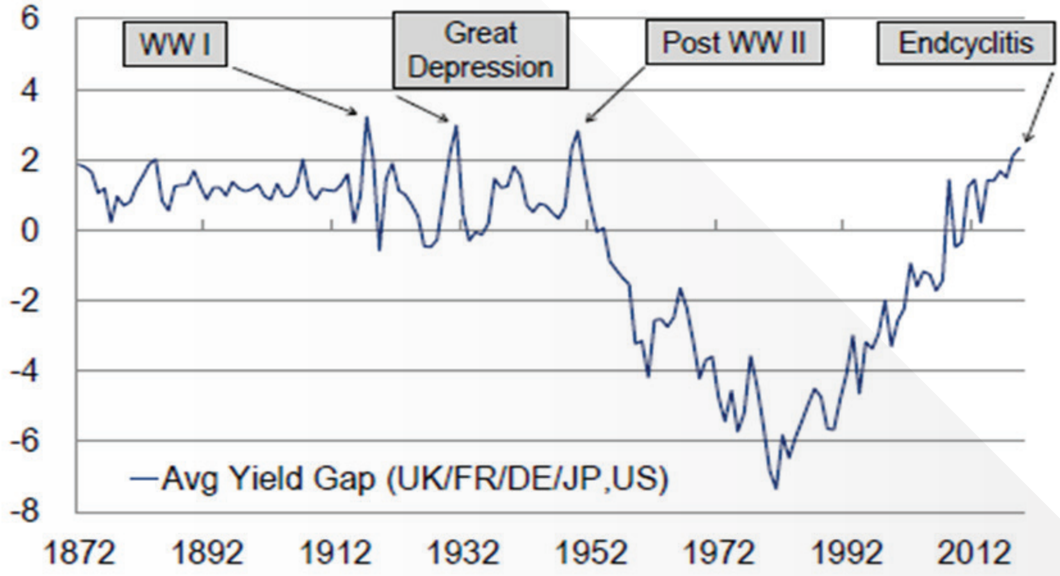
The Manager remains committed to outperforming its benchmark and rewarding shareholders with solid dividends.

The Fund has declared and paid a 0.5 cent fully franked dividend subsequent to the year end.

On behalf of all of the staff at Katana Asset Management Ltd, we take this opportunity to once again thank Katana Capital's valued shareholders for your support.

Brad Shallard **Romano Sala Tenna**

INVESTMENT MANAGERS
KATANA ASSET MANAGEMENT LTD



Source: Global Fin. Database, DataStream, Citi Research

DIRECTORS' REPORT

Your directors present their report with respect to results of Katana Capital Limited (the "Company" or "Katana Capital") and its controlled entities (the "Group" or "the Consolidated Entity") for the year ended 30 June 2019 and the state of affairs for 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 Gooding – *Bbus, FCA*
(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 senior partner of Gooding Partners and advises to a wide range of businesses with particular emphasis relating to taxation and accounting issues, due diligence, feasibilities and general business advice.

Peter Wallace - *SF Fin, FAICD, AFAIM.*
(Non-Executive Director)

Mr Wallace was appointed to the Board on 19 September 2005. Mr Wallace has had over 45 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, Mr Wallace 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:

> Neptune Marine Services Limited – appointed 8 July 2011

> BNK Banking Corporation Ltd – appointed 7 August 2014

Giuliano Sala Tenna - *BCom, FFIN, GAICD.*
(Non-executive Director)

Mr Sala Tenna was appointed to the Board on 19 September 2005.

Mr Sala Tenna currently works with one of Australia's leading full service stockbroking firms in Corporate Advisory and Institutional Sales.

Prior to this Mr Sala Tenna was the Head of Institutional Sales with one of Australia's leading hedge fund managers with over $5.5 billion in funds under management.

Mr Sala Tenna has worked in the Finance Industry for over 20 years in various fields including credit, financial advising, business development, corporate advisory and equity sell side / buy side.

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 Distinction, 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.

During the past three years Mr Giuliano Sala Tenna has not served any other directorship role with listed companies.

Company Secretary

Gabriel Chiappini - *BBus, GAICD, CA*

Mr Chiappini is a member of the Australian Institute of Company Directors and Institute of Chartered Accountants and has been the 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 directorships and Company Secretary positions with several ASX listed and unlisted companies. Mr Chiappini has experience in diverse and varied industry sectors including Investment Banking (UK), Property Development & Investment (UK), Oil & Gas (Australia), 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 2019, and the numbers of meetings attended by each director were:

	DIRECTORS' MEETINGS		AUDIT & COMPLIANCE COMMITTEE MEETING	
	A	B	A	B
Dalton Gooding	5	5	1	1
Peter Wallace	5	5	1	1
Giuliano Sala Tenna	5	5	1	1

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

Directors' interest in Shares and Options

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

	NO. OF SHARES 30-JUN-19	NO. OF SHARES 30-JUN-18
Dalton Gooding	89,542	86,645
Peter Wallace	300,000	300,000
Giuliano Sala Tenna	-	-

Earnings Per Shares

	YEAR ENDED 30 JUNE 2019 CENTS	YEAR ENDED 30 JUNE 2018 CENTS
Basic and diluted (loss)/earnings per share		
Basic (loss)/earnings from continuing operations attributable to the ordinary equity holders of the company	**(1.47)**	12.85

The weighted average number of ordinary shares on issue used in the calculation of basic (loss)/earnings per share was 42,570,041 (2018: 43,896,154).

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 2019:

		YEAR ENDED 30 JUNE 2019 $	YEAR ENDED 30 JUNE 2018 $
Dividend paid during 1st Quarter of the year	Total Paid	**430**	221
	Cents per share	**1 cents**	0.5 cents
Dividend paid during 2nd Quarter of the year	Total Paid	**321**	221
	Cents per share	**0.75 cents**	0.5 cents
Dividend paid during 3rd Quarter of the year	Total Paid	**106**	219
	Cents per share	**0.25 cents**	0.5 cents
Dividend paid during 4rd Quarter of the year	Total Paid	**210**	327
	Cents per share	**0.5 cents**	0.75 cents
	Total Paid	**1,067**	988

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 Level 9, The Quadrant Building, Perth, Western Australia.

Principal activity

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

Employees

As at 30 June 2019, the Group did not have any full time employees (2018: Nil).

Operating and Financial Review

Company overview

Katana Capital was incorporated in September 2005 as a listed investment company providing shareholders with access to the investment services of Katana Asset Management Ltd ("Fund Manager"). The Fund Manager employs a benchmark unaware long only Australian Equities investment philosophy with active use of cash holdings as a defensive mechanism within the portfolio to deploy into market weakness. The portfolio does not incorporate gearing or short selling of securities.

The All Ordinaries Index started FY19 at 6,289 points and rose by 6.51% during the course of the year to close at 6,699 points on 30 June 2019. FY19 was characterized as another year of policy uncertainty emanating from the Trump administration and ongoing geo-political concerns. Subsequent to the financial year end, there has been an escalation in the trade war between North America and China which we believe could weigh on sentiment in the short term and global growth in the longer term. Given this backdrop the management team is on heightened alert concerning contagion from emerging markets which could flow into our system. However as per the Manager's Report, our base position remains that the relative and absolute level of cash rates will dictate that capital flows into equities will accelerate.

During the 2019 Financial Year, Katana underperformed its benchmark by 6.94% on a gross return basis. Gross return is the percentage of the investment income, net of interest expense and brokerage costs, over the value of the managed portfolio at the beginning of the year. The net loss after tax for the year ended 30 June 2019 was $627,166 (2018: profit $5,644,770).

Whilst this was a particularly challenging year, the Manager has out-performed its benchmark in 10 out of the 14 years since inception. Additionally the Manager is of the view that at least some of the under-performance is timing related, and retains a high degree of confidence in the underlying portfolio.

Over the latter part of the year, the Manager increased the Fund's holdings to companies that offer sustainable dividend yields. This fits with their thesis that the low cash rates will focus investor's attention on sectors and stocks that have defensible income streams.

Operating and Financial Review - *CONTINUED*

Investments for future performance

The Manager is committed to maintaining a diversified portfolio, which it believes, provides better risk adjusted returns compared to achieving that same outcome with a concentrated portfolio. The Manager continued to hold between 40-60 individual stock positions and manage cash to match risk profile. Similar to a position taken in FY18, Katana's Fund Manager will seek to continue to find value including in a number of mid and small-cap companies. In addition to this, during FY19 the Fund Manager invested in a number of successful IPOs and will continue to assess quality IPO opportunities in which to invest into. Key to the Fund's investment outlook is its maintenance of the current dividend cycle.

Cash from operations

Net cash outflows from operations were $306,611 (2018: inflows $5,347,048) during the year which reflects the Group's investment from the Australian equities market.

Net cash flows for the financial year ending 30 June 2020 are expected to remain neutral and will be subject to the Group taking 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 along with continuing dividend payments and share buy-backs.

Risk management

The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the Group'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 Group's funds and has formalised an Investment Committee that meets on a regular basis to review the Group's investments.

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

Other than the events below, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operation of the Company or the results of those operations, or the state of affairs of the Company in subsequent financial years.

On 19 July 2019, the company announced a fully franked 0.50 cent per share dividend.

Likely Developments and Expected Results

The investment environment under the Trump Presidency has been characterized as one of elevated uncertainty and volatility. The almost relentless changing in direction of key trade policies and international relations has meant that government policies, particularly US government policies, has had a far greater impact on our financial markets than ever before. While this environment lends itself to active management it also creates an additional level of volatility that requires an additional focus on risk management. This has resulted in the portfolio maintaining a higher cash balance than would usually have been the case and increasing our exposure to gold throughout FY19.

Likely Developments and Expected Results - *CONTINUED*

Unfortunately, it is most likely that this new world of volatility is with us for FY20. Unlike FY19 where investors were presented with the best synchronized global economic growth since the global financial crisis, FY20 has commenced with almost all developed economies experiencing a marked slowdown in their economies. Our fears concerning a fall out from a protracted trade war are starting to materialize and we are concerned that China or America could over play their hand triggering a downward spiral in the global economy. On the positive side though, we have seen a renewed determination from the central banks of the world to support the global economy with interest rate cuts and very possibly a move back towards a new series of Quantitative Easing (QE) programs. Given this, it is the Managers view that financial markets will continue to muddle through requiring the flexibility to buy the trading corrections and sell the peaks as the sentiment in the market waxes and wanes based on the lasted news headlines.

Australia continues to grow at a sub-trend pace with the lower Australian dollar assisting both the mining and non-mining sectors. The Fund Manager believes the cost out story has now largely played out for Australian corporates and hence further margin improvements will be difficult to come by. The Australian property market appears to be stabilizing although any signs of green shoots still appear some time off which we believe will lead to the average Australian consumer remaining in hibernation with a preference to pay down debt over spending. Furthermore, much of the windfall from the Iron Ore price rally in the second half of FY19 is now dissipating as prices revert back to longer term fundamental prices and this may also weigh on the Australian economy in FY20.

Despite this, the Fund Manager believes that the Coalition victory in the May 2019 Australian federal election was a key positive late in FY19 as investors had the uncertainty concerning franking credits and negative gearing removed. This was then followed by two interest rate cuts from the RBA which actually lead to the Australian market briefly hitting a new all-time high. The Fund Manager further believes that if North American foreign policy reverted to its historical text pre the Trump administration then domestic and global equity markets would be significantly higher. Hence the Fund Manager has a clear eye on managing risk through this period of heightened international policy uncertainty while monitoring closely for any signs of de-escalation to invest more aggressively as equities remain the preferred asset class in a low growth low interest rate environment.

Environmental Regulation and Performance

The principal activities of the Group are not subject to any significant environmental regulations.

Rounding

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Share Options

Unissued shares

There were no options outstanding as at 30 June 2019.

Shares issued on the exercise of Options

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

Options granted as remuneration

There were no options granted as remuneration.

REMUNERATION REPORT (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and Group 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 Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

This report outlines the remuneration arrangements in place for directors of Katana Capital. Katana Capital, at this 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 Group.

(a) Details of Key Management Personnel

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

(i) Chairman – non-executive

Dalton Gooding

(ii) Non-executive directors

Peter Wallace

Giuliano Sala Tenna

(b) Key management services – Katana Asset Management Ltd

In addition to the Directors noted above, Katana Asset Management Ltd, the Fund Manager for the Group provides the Group with key management services. The directors of Katana Asset Management Ltd are Brad Shallard and Romano Sala Tenna.

Officer

The Company Secretary is an officer of the Company but 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 Group and is not involved in the decision making process, with his main duties being aligned to his compliance function.

Remuneration philosophy

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

As a result of the independence and separation of Non-Executive Directors' role of providing guidance and overview, the remuneration policy of the directors is not linked to company performance. However, Katana Asset Management Ltd's performance fees and management fees are linked directly to the performance of the Company.

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 REPORT (Audited) - *CONTINUED*

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 Group 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. During the year there were no external consultants utilised to provide remuneration recommendation.

The Board considers that the majority of the Group's performance lies with the Fund Manager.

Each director receives a fee for being a director of the Group 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 2019 is detailed on page 15 of this report.

(ii) 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.

Employment contracts

As noted above the Group 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 Group with investment management services.

(iii) Compensation of Katana Asset Management Ltd

No amount is paid by the Group directly to the directors of Katana Asset Management Ltd. Consequently, no compensation is paid by the Group to the Directors of Katana Asset Management Ltd as Key Management Personnel.

Compensation is paid to the Fund Manager in the form of fees and the significant terms 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 initial Management Agreement was due to expire at the end of 2015, however the agreement was renewed at the shareholder's Annual General Meeting held on 24 November 2015 for a further period of 5 years and was renewed on the following basis:

1. the renewal is approved by Shareholders of the Company, such approval being sought 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.

REMUNERATION REPORT (Audited) - *CONTINUED*

Remuneration structure - *CONTINUED*

(iii) Compensation of Katana Asset Management Ltd - *CONTINUED*

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 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;
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:

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

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

(c) 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;

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

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

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

(g) 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;

(h) 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;

(i) 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

(j) 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

Total management and performance fees paid and accrued by the Group to Katana Asset Management Ltd for the year ended 30 June 2019 was $438,699 (30 June 2018: $1,417,910) as follows:

(i) Management fee

The Fund Manager receives a monthly management fee equal to 0.08333% (2018: 0.08333%) of the Portfolio value calculated at the end of each month. The fee for 2019 was $438,699 (2018: was $421,680). The directors and shareholders of Katana Asset Management Ltd are also shareholders of Katana Capital Limited.

(ii) Performance fee

Performance fee to be paid in respect of each performance calculation period of 15% (2018: 15.0%) 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 Fund Manager did not qualify to receive a performance fee for the financial year ended 30 June 2019 (2018: $996,230). A performance fee recognised this year of $58,714 pertained to the shortfall of prior year performance fee that was settled this year.

REMUNERATION REPORT (Audited) - *CONTINUED*

Company performance

The profit/(loss) after tax for the group from 2015 is as follows:

	2019	2018	2017	2016	2015
(Loss)/profit after tax expense $'000	**$(628)**	$5,645	$935	$598	$(1,158)
(Loss)/Earnings per share - cents	**(1.47)**	12.85	2.10	1.34	(2.70)
Share Price 30 June	**$0.75**	$0.77	$0.71	$0.79	$0.82

Remuneration of directors and key management personnel of the Group

2019	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		
NAME	SALARY AND FEES	OTHER*	CASH	SUPER-ANNUATION	TERMINATION BENEFITS	OPTIONS	TOTAL	PERCENTAGE OF REMUNERATION WHICH IS PEFORMANCE BASED
	$	$	$	$	$	$	$	%
Non-executive directors								
Dalton Gooding	**70,000**	**-**	**-**	**6,650**	**-**	**-**	**76,650**	**-**
Peter Wallace	**40,000**	**-**	**-**	**3,800**	**-**	**-**	**43,800**	**-**
Giuliano Sala Tenna	**40,000**	**-**	**-**	**3,800**	**-**	**-**	**43,800**	**-**
Total non-executive directors & KMP	**150,000**	**-**	**-**	**14,250**	**-**	**-**	**164,250**	**-**

2018	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		
NAME	SALARY AND FEES	OTHER*	CASH	SUPER-ANNUATION	TERMINATION BENEFITS	OPTIONS	TOTAL	PERCENTAGE OF REMUNERATION WHICH IS PEFORMANCE BASED
	$	$	$	$	$	$	$	%
Non-executive directors								
Dalton Gooding	70,000	-	-	6,650	-	-	76,650	-
Peter Wallace	40,000	-	-	3,800	-	-	43,800	-
Giuliano Sala Tenna	40,000	-	-	3,800	-	-	43,800	-
Total non-executive directors & KMP	**150,000**	**-**	**-**	**14,250**	**-**	**-**	**164,250**	**-**

** insurance premiums have not been included in other remuneration*

REMUNERATION REPORT (Audited) - *CONTINUED*

Equity instrument disclosures relating to key management personnel

(i) Option holdings

The following options were granted and held by the directors or key management personnel during the financial year:

- Mr Dalton Gooding: nil (2018: nil)
- Mr Peter Wallace: nil (2018: nil)
- Mr Giuliano Sala Tenna: nil (2018: nil)

(ii) Shareholdings

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.

2019 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR IN THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR (PURCHASES/DISPOSALS)	**BALANCE AT THE END OF THE YEAR**
Directors of Katana Capital Limited				
Ordinary shares				
Dalton Gooding	86,645	-	2,897	**89,542**
Peter Wallace	300,000	-	-	**300,000**
Giuliano Sala Tenna	-	-	-	**-**

Other transactions and balances with key management personnel

Dalton Gooding is a partner of Gooding Partners Chartered Accounting firm and as part of providing taxation advisory services, Gooding partners received $49,363 (2018: $36,465) for tax services provided.

END OF REMUNERATION REPORT (Audited)

Indemnification of Directors and Officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of the Company and the Group against legal costs incurred in defending proceedings for conduct other than (a) a wilful breach of duty and (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

During the year the Company paid for Directors' & Officers' insurance in the normal course of business, this amount has not been included in Directors remuneration.

Indemnification of Auditors

To the extent permitted by law, the Company agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor Independence

The Directors have obtained an independence declaration from the Company's auditors, Ernst & Young, as presented on page 18 of this Annual report.

Non-Audit Services

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

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

Dalton Gooding
CHAIRMAN

Perth, Western Australia
30 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

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Perth WA 6000 Australia
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Auditor's independence declaration to the Directors of Katana Capital Limited

As lead auditor for the audit of the financial report of Katana Capital Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Katana Capital Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
30 September 2019

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

FD:LC:KAT:019

30 JUNE 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
Other income			
Dividends and distributions income		**1,191**	968
Interest		**109**	98
Investment (loss)/income	3	**(1,217)**	9,280
Total net investment income		**83**	10,345
Expenses			
Management fees		**(439)**	(422)
Custody fees		**(120)**	(132)
Insurance fees		**(91)**	(61)
Other expenses		**(314)**	(484)
Listing and registry costs		**(69)**	(63)
Legal, accounting and professional costs		**(189)**	(205)
Performance fees		**(59)**	(996)
Directors' remuneration expense		**(171)**	(171)
(Loss)/Profit before income tax expense		**(1,369)**	7,811
Income tax benefit/(expense)	4	**741**	(2,166)
(Loss)/Profit for the year attributable to shareholders of the Company		**(628)**	5,645
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year attributable to shareholders of the Company		**(628)**	5,645
Basic and diluted (loss)/earnings per share (cents per share)	18	**(1.47)**	12.85

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**9,268**	11,625
Receivables	6	**389**	276
Income tax receivable		**82**	-
Financial assets at fair value through profit or loss	7	**29,069**	31,356
Total current assets		**38,808**	43,257
Non-current assets			
Deferred tax assets	8	**351**	-
Total non-current assets		**351**	-
Total assets		**39,159**	43,257
LIABILITIES			
Current liabilities			
Provision for income tax		**-**	184
Payables	9	**483**	1,329
Total current liabilities		**483**	1,513
Non-current liabilities			
Deferred tax liabilities	10	**-**	460
Total non-current liabilities		**-**	460
Total liabilities		**483**	1,973
Net assets		**38,676**	41,284
Equity			
Issued Capital	11	**42,341**	43,254
Accumulated losses	12	**(6,400)**	(5,772)
Reserves	12	**2,735**	3,802
Total equity		**38,676**	41,284

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	NOTE	ISSUED CAPITAL $'000	OPTION PREMIUM RESERVE $'000	PROFITS RESERVES $'000	ACCUMULATED LOSSES $'000	**TOTAL $'000**
Balance at 1 July 2017		44,234	101	1,969	(8,697)	37,607
Profit for the year		-	-	-	5,645	5,645
Transfer to profits reserve		-	-	2,821	(2,821)	-
Dividends paid		-	-	(988)	-	(988)
Issue of shares		-	-	-	-	-
Shares bought back from shareholders		(980)	-	-	-	(980)
Transfer of option reserve	12(a)	-	(101)	-	101	-
Balance at 30 June 2018	11	43,254	-	3,802	(5,772)	41,284
Balance at 1 July 2018		**43,254**	**-**	**3,802**	**(5,772)**	**41,284**
Profit for the year		**-**	**-**	**-**	**(628)**	**(628)**
Transfer to profits reserve		**-**	**-**	**-**	**-**	**-**
Dividends paid		**-**	**-**	**(1,067)**	**-**	**(1,067)**
Issue of shares		**-**	**-**	**-**	**-**	**-**
Shares bought back from shareholders		**(983)**	**-**	**-**	**-**	**(983)**
Tax effect on capital raising cost		**70**	**-**	**-**	**-**	**70**
Balance at 30 June 2019	11	**42,341**	**-**	**2,735**	**(6,400)**	**38,676**

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

CONSOLIDATED STATEMENT OF CASH FLOW

	NOTE	**YEAR ENDED 30 JUNE 2019 $'000**	YEAR ENDED 30 JUNE 2018 $'000
Cash flows from operating activities			
Payments for purchases of financial assets		**(74,612)**	(95,610)
Proceeds on sale of financial assets		**75,043**	101,722
Payments to suppliers and employees		**(1,952)**	(1,518)
Interest received		**109**	98
Dividends and distributions received		**1,308**	855
Tax (paid)		**(266)**	(212)
Other revenue		**63**	12
Net cash (used in)/provided by operating activities	15	**(307)**	5,347
Cash flows from financing activities			
Proceeds from issue of new shares		**-**	-
Payments for buyback of shares		**(983)**	(980)
Dividend paid		**(1,067)**	(988)
Net cash used in financing activities		**(2,050)**	(1,968)
Net (decrease)/increase in cash and cash equivalents		**(2,357)**	3,379
Cash and cash equivalents at the beginning of the year		**11,625**	8,246
Cash and cash equivalents at the end of the year	5	**9,268**	11,625
Non cash activities - Dividend reinvestment		**-**	-

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The financial report of Katana Capital Limited (the "Company") and its subsidiaries (the "Group" or the "Consolidated Entity") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 30 September 2019.

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 Securities Exchange.

The nature of the operations and principal activities are described in the Directors' report. The Company and its subsidiary are for-profit entities.

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 certain 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 comprises the financial statements 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.

Changes in accounting policy and disclosures

The Group has adopted all the new and amended Australian Accounting Standards and AASB interpretations effective as at 1 July 2018. The nature and impact of each new standard and amendment is described below:

AASB 9 Financial Instruments, and relevant amending standards

AASB 9 was adopted on 1 July 2018 and the related amendments to other accounting standards introduced three significant areas of change from AASB 139 Financial Instruments: Classification and Measurement:

- a new model for classification and measurement of financial assets and liabilities;
- a new expected loss impairment model for determining impairment allowances; and
- a redesigned approach to hedge accounting.

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income (OCI). The classification is based on two criteria: (a) the Group's business model for managing the assets; and (b) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

No change to the classification or measurement of financial assets and liabilities has been required. Based on historical losses, the expected loss impairment model has an immaterial impact on the Group. In addition, the Group does not have hedging transactions.

All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the fair value option (FVO). The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The adoption of AASB 9 has not had a material effect on the Group.

2 Summary of significant accounting policies - *CONTINUED*

(b) Statement of compliance - *CONTINUED*

AASB 15 Revenue from Contracts with Customers - *CONTINUED*

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 Leases (or AASB 16 Leases, once applied).

The core principle of AASB 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with the core principle by applying the following steps:

> Step 1: Identify the contract(s) with a customer

> Step 2: Identify the performance obligations in the contract

> Step 3: Determine the transaction price

> Step 4: Allocate the transaction price to the performance obligations in the contract

> Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The adoption of AASB 15 has not had a material effect on the Group.

Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, as applicable, when they become effective.

The Group is yet to assess the impact of the adoption of these standards and amendments on the financial statements and has not elected to early adopt any new standards or amendments that are issued but not yet effective.

- ***AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation (effective 1 July 2019)***

  This Standard amends AASB 9 Financial Instruments to permit entities to measure at amortized cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.

  The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in de-recognition should be recognized in profit or loss.

- ***AASB 2018-1 Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 July 2019)***

  The amendments clarify certain requirements in:

  > AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation

  > AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity

  > AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

- ***AASB Interpretation 23, and relevant amending standards Uncertainty over Income Tax Treatments (effective 1 July 2019)***

  The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

  > Whether an entity considers uncertain tax treatments separately

  > The assumptions an entity makes about the examination of tax treatments by taxation authorities

  > How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

  > How an entity considers changes in facts and circumstances.

2 Summary of significant accounting policies - *CONTINUED*

(b) Statement of compliance - *CONTINUED*

Accounting standards and interpretations issued but not yet effective - *CONTINUED*

- ***A Conceptual Framework for Financial Reporting, and relevant amending standards (effective 1 July 2020)***

  The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

  > Chapter 1 – The objective of financial reporting
  > Chapter 2 – Qualitative characteristics of useful financial Information
  > Chapter 3 – Financial statements and the reporting entity
  > Chapter 4 – The elements of financial statements
  > Chapter 5 – Recognition and de-recognition
  > Chapter 6 – Measurement
  > Chapter 7 – Presentation and disclosure
  > Chapter 8 – Concepts of capital and capital maintenance

  Amendments to References to the Conceptual Framework in IFRS Standards has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

  In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.

(c) Principle of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Investments and other financial assets

Financial assets are classified as either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018 and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

Trade Receivable 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.

Trade receivable (without a significant financing component) is initially recognized at their transaction price and all other receivables are initially measured at fair value. Receivables are measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model with the objective to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of the assessment whether contractual cash flows are solely payments of principal and interest, 'principal" is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable ate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

For all other receivables measured at amortised cost, the Group recognized lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

The Group considers an event of default has occurred when a financial assets is more than 90days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

2 Summary of significant accounting policies - *CONTINUED*

(e) Other income recognition

(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 and distributions

Dividends and distributions are recognised as revenue when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the year is tax payable on the current year'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 or 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 between the carrying amount and tax losses to the extent that 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 Group 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 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 statement of financial position 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 statement of cash flow, cash and cash equivalents includes deposits held at call with banks or financial institutions.

(h) 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 Group.

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.

Management fees, including performance fees, are calculated in accordance with the contractual arrangements and are payable in the year in which the returns are generated.

(i) 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 Group from the ATO are recognised as receivables in the statement of financial position.

Cash flows are included in the statement of cash flow 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.

2 Summary of significant accounting policies - *CONTINUED*

(j) Earnings per share

Basic earnings per share (EPS) is calculated as net profit attributable to shareholders divided by the weighted average number of shares. Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

> costs of servicing equity (other than dividends) and preference share dividends;

> 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.

(k) Derivative financial instruments

The Group may use derivative financial instruments such as exchange 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.

Exchange traded options

From time to time, the Group writes and then trades Exchange Traded Options ('ETO's'), the Group'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.

(l) 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.

(m) Pension benefits

Defined contribution plan

Contributions to superannuation funds are charged to the statement of comprehensive income when incurred.

(n) Parent entity financial information

The financial information for the parent entity, Katana Capital Limited, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements.

(o) Segment reporting

Operating segment are reporting in a manner consistent with internal reporting provided to the Board of Directors. The Board of Directors is the Chief Operating Decision Maker (CODM) and monitors operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

(p) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates.

The Company's significant accounting estimates and judgements include fair value measurement of financial assets and liabilities that are not traded in an active market.

Details on the determination of fair value are provided in Note 16(h).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Investment (loss)/income

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
Realized gains/(losses) on financial assets at fair value through profit or loss	**819**	3,085
Unrealized gains/(losses) on financial assets at fair value through profit or loss	**(2,099)**	6,183
Other income	**63**	12
Total income	**(1,217)**	9,280

4 Income tax expense

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
(a) Income tax expense		
Total Income tax expense/(benefit) results in a:		
Current tax expense	**-**	394
Deferred tax (benefit)/expense from:		
Change in deferred tax liability	**(353)**	498
Change in deferred tax asset	**(388)**	1,274
	(741)	2,166
(b) Deferred tax asset recognised through equity		
Prior year under/(over)	**(70)**	-
	(70)	-
(c) Reconciliation of income tax expense to prima facie tax payable		
Prima facie income tax expense calculated at 30%	**(411)**	2,342
Less the tax effect of :		
Imputation credit gross up	**138**	76
Franking credit offset	**(459)**	(252)
Under/(over) provision of prior year tax	**-**	-
Non Deductible Expenditure	**(9)**	-
	(741)	2,166

5 Current assets - Cash and cash equivalents

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Cash at banks	**9,268**	11,625

6 Current assets - Receivables

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Other receivables	**45**	162
Unsettled trades receivable	**344**	114
Total	**389**	276

There are no receivables past due or impaired.

Due to the short-term nature of these receivables, their carrying value approximates their fair value.

7 Current assets – Financial assets at fair value through profit or loss

	30 JUNE 2019 $'000	30 JUNE 2018 $'000
Investment in listed equities	**27,021**	29,257
Investment in unlisted equities	**534**	400
Investment in listed unit trusts	**1,514**	1,699
Total financial assets at fair value through profit or loss	**29,069**	31,356

The above investments consist primarily of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. For fair value measurements refer to Note 16(h).

8 Non-current assets - Deferred tax assets

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Investments and unsettled shares	**77**	31
Provisions	**79**	376
Tax Losses	**643**	-
Other	**-**	4
	799	411
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 10)	**(448)**	(411)
Net deferred tax assets	**351**	-

The deferred tax asset is recognised as an asset at this time due to the Company's view that utilising the tax asset is considered probable based on long term movements in the Australian market equity returns.

9 Current liabilities - Payables

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Unsettled trades payable	**258**	103
Management fees	**172**	137
Performance fee payable	**-**	996
Other payables	**53**	93
	483	1,329

Due to the short-term nature of these payables, their carrying value approximates their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Non-current liabilities - Deferred tax liabilities

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
The balance comprises temporary differences attributable to :		
Investments and unsettled shares	**439**	771
Dividends receivable	**9**	44
Other	**-**	56
	448	871
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 8)	**(448)**	(411)
Net deferred tax assets	**-**	460

11 Issued capital

	30 JUNE 2019		30 JUNE 2018	
	NO. OF SHARES	$'000	NO. OF SHARES	$'000
Issued and paid up capital - Ordinary shares	**41,739,670**	**42,341**	43,080,100	43,254

(a) Movements in ordinary share capital:

DATE	DETAILS	NO. OF SHARES	$'000
01 July 2017	**Opening balance**	44,312,362	44,234
	Shares bought back from shareholders	(1,232,262)	(980)
30 June 2018	**Closing balance**	43,080,100	43,254
01 July 2018	**Opening balance**	**43,080,100**	**43,254**
	Shares bought back from shareholders	**(1,340,430)**	**(983)**
	Tax effect on capital raising cost	**-**	**70**
30 June 2019	**Closing balance**	**41,739,670**	**42,341**

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

During the period from 1 July 2018 to 30 June 2019, 1,340,430 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of $0.75 with the price ranging from $0.72 to $0.78 per share.

The Company has a dividend reinvestment plan (DRP) for its dividend distribution, which shareholders have the discretion to join or exit. The DRP shares are managed via an on-market buy-back of shares that are then re-distributed to shareholders. During the year as part of the DRP the Company issued nil new shares to meet the DRP shortfall for buy-back shares acquired on-market.

(b) 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. The Group defines its capital as the total funds under management, being $39,158,582 at 30 June 2019 (30 June 2018: $43,256,733), including equities and cash reserves. The Group does not have any additional externally imposed capital requirements however has as a goal the ability to continue to grow assets under management and maintain a sustainable dividend return to shareholders. To assist with meeting its internal guidelines, Katana Asset Management Limited holds regular Investment Committee meetings to assess the equity portfolio.

12 Reserves and accumulated losses

(a) Reserves

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Option premium reserve	**-**	-

The option premium reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration. This amount was transferred to accumulated losses in the prior year.

(b) Profit reserve

The profit reserve is made up of amounts allocated from retained earnings / (accumulated losses) that are preserved for future dividend payments.

Movement in profit reserve were as follows:

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Opening balance	**3,802**	1,969
Transfer from retained earnings	**-**	2,821
Dividends paid	**(1,067)**	(988)
Balance at the end of the year	**2,735**	3,802

(c) Accumulated losses

Movements in accumulated losses were as follows:

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Balance at the beginning of the year	**(5,772)**	(8,697)
Transfer to profits reserve	**-**	(2,821)
Transfer from options reserve	**-**	101
Profit/(Loss) for the year attributable to the members of the company	**(628)**	5,645
Balance at the end of the year	**(6,400)**	(5,772)

13 Key management personnel disclosures

(a) Key management personnel compensation

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
Short-term employee benefits		
Director fees	**150**	150
Post-employment benefits	**14**	14
	164	164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 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 at the date of this report are as follows: Mr Dalton Gooding, Mr Giuliano Sala Tenna and Mr Peter Wallace.

(b) Related party transactions

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

Related parties during the year are outlined below:

Director related:

Dalton Gooding is a partner of Gooding Partners Chartered Accounting firm and as part of providing taxation advisory services, Gooding Partners received $49,363 (2018: $36,465) for tax services provided..

Other Key management services - Katana Asset Management Ltd:

Katana Asset Management Ltd, the Fund Manager for the Group, provides the Group with Key Management Services. The directors of Katana Asset Management Ltd are Brad Shallard and Romano Sala Tenna.

Katana Capital incurred management fees of $438,699 to the Fund Manager for management services provided during the year (2018: $421,680). There was nil performance fee due to the Fund Manager for the year (2018: $996,230). An additional $58,714 of performance fee was paid this year which relates to the shortfall of prior year performance fee. The Fund Manager and its directors have the following shareholdings:

2019 NAME	BALANCE AT THE START OF THE YEAR	CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Brad Shallard	**4,266,494**	**291,009**	**4,557,503**
Romano Sala Tenna	**4,784,765**	**565,415**	**5,350,180**

2018 NAME	BALANCE AT THE START OF THE YEAR	CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Brad Shallard	4,103,382	163,112	4,266,494
Romano Sala Tenna	4,596,613	188,152	4,784,765

Wholly owned group transactions

There are no transactions with companies within the wholly owned group.

15 Reconciliation of profit after income tax to cash inflow from operating activities

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
(Loss)/profit for the year attributable to shareholders after tax	**(628)**	5,645
Adjustments for:		
Decrease/(increase) in financial assets at fair value through profit/loss	**2057**	(3,155)
Decrease/(increase) in trade and other receivables	**117**	(103)
(Increase)/decrease in deferred tax assets	**(281)**	1,312
(Decrease)/increase in trade and other payables	**(846)**	1,006
Increase/(decrease) in deferred tax liabilities	**(460)**	460
(Decrease)/increase in current tax liabilities	**(266)**	182
Net cash used in operating activities	**(307)**	5,347

16 Financial risk management

The Group'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 Group's overall risk management program 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.

Financial risk management is carried out by the Investment Manager under policies approved by the Board of Directors (the "Board").

The Group 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.

(a) 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:

(i) listed securities;

(ii) rights to subscribe for or convert to listed securities (whether or not such rights are tradable on a securities exchange);

(iii) any securities which the Fund Manager reasonably expects will be quoted on the ASX within a 24 month period from the date of investment;

(iv) listed securities for the purpose of short selling;

(v) warrants or options to purchase any investment and warrants or options to sell any investment;

(vi) 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;

(vii) deposits with any bank or corporation declared to be an authorised dealer in the short term money market;

(viii) 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, any Australian government authority, or a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;

(ix) units or other interest in cash management trusts;

(x) underwriting or sub-underwriting of securities as and where permitted by relevant laws and regulations and the Fund Manager's AFSL; and

(xi) 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% 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 Group after tax.

> the Fund Manager will adhere to the parameters on a pre stock basis as set out in the table below unless the prior approval of the Board is received to do otherwise.

(b) Portfolio composition and management

The aim of the Fund Manager is to build for the Group a portfolio of 20 to 60 companies, with an emphasis towards holding a larger number of smaller positions. Under the current Mandate, the Group'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 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 Group after tax.

The capacity to short sell securities, as well as employ debt, allows the Fund Manager the 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 of 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.

16 Financial risk management - *CONTINUED*

(b) Portfolio composition and management - *CONTINUED*

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	1.0%	5.0%	12.5%
ASX S&P Top 100/Cash Hybrids	1.0%	3.0%	10.0%
ASX S&P Top 500	No Minimum	2.0%	7.5%
Outside of ASX S&P Top 500/Other Instruments	No Minimum	1.0%	5.0%

(c) 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 Group. 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 (e.g. comparative investment merit).

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

(d) Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and prices will affect the Group income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Group is exposed to equity securities, convertible notes and derivative securities price risk. This arises from investments held by the Group for which prices in the future are uncertain. The paragraph below sets out how this component of price risk is managed and measured.

Investments are classified in the statement of financial position as financial assets at fair value through profit/loss. 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 price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The table on page 37 summarises the impact of an increase/decrease in the Australian Securities Exchange All Ordinaries Index on the Group's net assets attributable to shareholders at 30 June 2019. The analysis is based on the assumptions that the index increased/decreased by 10% (2018: 10%) with all other variables held constant and that the fair value of the Group'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 with combined value of $29,069,390 (2018: $31,355,593) that represented the maximum exposure as at reporting date.

(ii) Foreign exchange risk

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

(iii) Interest rate risk

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

16 Financial risk management - *CONTINUED*

(d) Market risk - *CONTINUED*

(iii) Interest rate risk - *CONTINUED*

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

	WEIGHTED AVERAGE INTEREST RATE (% P.A.)	30-JUN-19 $'000	30-JUN-18 $'000
Financial Assets			
Cash and short term deposits - floating	0.95%	**9,268**	11,625

The table above summarises the impact of an increase/decrease of interest rates on the Group'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 (2018: +/- 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.

(e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's operating profit and other comprehensive income to interest rate risk and other 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, historical correlation of the Group 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 Group invest. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

PRICE RISK

	-10%	10%	-10%	10%
	IMPACT ON OPERATING PROFIT		IMPACT ON OTHER COMPREHENSIVE INCOME	
30 June 2019	**(2,907)**	**2,907**	**-**	**-**
30 June 2018	(3,136)	3,136	-	-

INTEREST RATE RISK

	-50BPS	+50BPS	-50BPS	+50BPS
	IMPACT ON OPERATING PROFIT		IMPACT ON OTHER COMPREHENSIVE INCOME	
30 June 2019	**(46)**	**46**	**-**	**-**
30 June 2018	(58)	58	-	-

(f) 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 2019 the Group does not hold any debt securities (30 June 2018: nil).

The Group does trade in Exchange Traded Options ("ETO's"). 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 2019 the Group held no Exchange Traded Options (30 June 2018: nil).

Compliance with the Group'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, which has a credit rating of A-1, which is the significant concentration risk.

16 Financial risk management - *CONTINUED*

(g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

To control liquidity, the Group invests in financial instruments which under normal market conditions are readily convertible to cash. The Group held no derivatives (ETO's), as at 30 June 2019 (30 June 2018: $nil).

Financial liabilities of the Group comprise trade and other payables and dividends payable. Trade and other payables have no contractual maturities but are typically settled within 30 days.

(h) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

(a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 - valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

(c) Level 3 - valuation technique for which the lowest level input that is significant to the fair value movement that is not observable.

For instruments for which there is currently no active market, the Company uses valuation methods generally accepted in the industry. Some of the inputs to those method may not be market observable and are therefore estimated based on assumptions. In the case of unlisted equities, recent transactional evidence has been obtained that supported current valuation. If, in the future, similar transactions occur at significantly different values, the fair value of unlisted equities will be revised appropriately.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Company's assets and liabilities measured and recognised at fair value at reporting date.

	30 JUNE 2019			
	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Investment in listed equities	**27,021**	**-**	**-**	**27,021**
Investment in unlisted equities	**-**	**-**	**534**	**534**
Investment in unlisted trusts	**1,514**	**-**	**-**	**1,514**
Total financial assets	**28,535**	**-**	**534**	**29,069**

	30 JUNE 2018			
	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial assets				
Investment in listed equities	29,257	-	-	29,257
Investment in unlisted equities	-	-	400	400
Investment in unlisted trusts	1,699	-	-	1,699
Total financial assets	30,956	-	400	31,356

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. In determining the fair value of the securities the company holds in the unlisted investments, the company referred to the Net Tangible Assets of the investee, recent trading in units of the investment and all other market factors associated with the unlisted investment.

16 Financial risk management - *CONTINUED*

(h) Fair value measurements - *CONTINUED*

Financial assets at fair value through profit or loss are dependent on the change of input variables used to determine fair value, namely changes in market prices of equity securities. The majority of the investments are invested in shares of companies listed on the Australian Stock Exchange which are valued based on market observable information.

There were no transfers between level 1 and level 2 during the year.

There were no changes in level 3 instruments for the year ended 30 June 2019 (2018: $Nil).

17 Segment reporting

For management purposes, the Group is organised into one main operating segment, which invests in equity securities, debt instruments, and related derivatives. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating disclosures are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

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

The Group does not derive revenue of more than 10% from any one of its investments held.

18 Earnings per share

(a) Basic earnings per share:

	YEAR ENDED 30 JUNE 2019 CENTS	YEAR ENDED 30 JUNE 2018 CENTS
Basic and diluted (loss)/earnings per share	**(1.47)**	12.85

(b) Reconciliation of earnings used in calculating earnings per share

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
(Loss)/profit from continuing operations	**(628)**	5,641
(Loss)/profit attributable to the ordinary equity holders of the Company used in the calculation of basic and diluted (loss)/earnings per share	**(628)**	5,641

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

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**42,570,041**	43,896,154
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	**42,570,041**	43,896,154

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Events occurring after reporting date

Other than the events below, the directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the company or the results of those operations, or the state of affairs of the company in subsequent financial years.

On 19 July 2019, the company announced a fully franked 0.5 cent per share dividend.

20 Remuneration of auditors

		YEAR ENDED 30 JUNE 2019 $	YEAR ENDED 30 JUNE 2018 $
(a)	***Audit Services***		
	Audit and review of financial reports	**40,000**	60,100
	Total	**40,000**	60,100
(b)	***Non-Audit Services***		
	Other services	**-**	-
		40,000	60,100

21 Dividends

		PARENT ENTITY	
		YEAR ENDED 30 JUNE 2019 $	YEAR ENDED 30 JUNE 2018 $
Dividend paid during 1st Quarter of the year	Total Paid	**430**	221
	Cents per share	**1 cents**	0.5 cents
Dividend paid during 2nd Quarter of the year	Total Paid	**321**	221
	Cents per share	**0.75 cents**	0.5 cents
Dividend paid during 3rd Quarter of the year	Total Paid	**106**	219
	Cents per share	**0.25 cents**	0.5 cents
Dividend paid during 4rd Quarter of the year	Total Paid	**210**	327
	Cents per share	**0.5 cents**	0.75 cents
	Total Paid	**1,067**	988

	30 JUNE 2019 $'000	30 JUNE 2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	**421**	83

The above amounts represent the balance of the franking account as at the reporting date, 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.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

22 Parent entity financial information

PARENT ENTITY

	AS AT 30 JUNE 2019 $'000	AS AT 30 JUNE 2018 $'000
Assets	**39,077**	43,257
Liabilities	**401**	1,973
Net Assets	**38,676**	41,284
Equity	**38,676**	41,284
	-	-

	YEAR ENDED 30 JUNE 2019 $'000	YEAR ENDED 30 JUNE 2018 $'000
Profit/(loss) for the year	**(628)**	5,645
Total comprehensive income/(loss) for the year	**(628)**	5,645

Investment in controlled entity at cost

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

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 (see Note 4).

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

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 the 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 have 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.

23 Commitments and contingencies

There are no outstanding contingent liabilities or commitments as at 30 June 2019 (30 June 2018: Nil).

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Katana Capital Limited, I state that:

(a) The financial statements and notes of the consolidated entity set out on pages 20 to 41 are in accordance with the *Corporations Act 2001*, including

(i) Giving a true and fair view of the financial position as at 30 June 2019 and of its performance for the year ended on that date of the consolidated entity.

(ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2011;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b).

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

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2011 for the financial year ended 30 June 2019.

On behalf of the Board Katana Capital Limited

Dalton Gooding
CHAIRMAN

30 September 2019
Perth, Western Australia

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Katana Capital Limited (the Company) and its subsidiary (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

FD:LC:KAT:018

Building a better working world

1. Investment valuation

Why significant	How our audit addressed the key audit matter
As a listed investment company, the Group has a significant investment portfolio consisting primarily of listed equities. As set out in Note 7 of the financial report, the value of these financial assets as at 30 June 2019, was $29.069 million which equates to 75% of the total assets held by the Group. As detailed in the Group's accounting policies, and as described in Note 2(d) to the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore valuation of the investment portfolio is considered a key area of focus.	We agreed a sample of investment holdings to the confirmation received from the custodian as at 30 June 2019. We obtained and considered the assurance report on the controls of the Group's administrator, in relation to the Investment Administration Services and Custody Services it provided for the year ended 30 June 2019 and considered the auditor's qualifications, competence, objectivity and the results of their procedures. We assessed the fair value of a sample of investments in the portfolio held at 30 June 2019. For listed securities, the values were agreed to independently sourced market prices. We assessed the adequacy of the disclosure in Note 7 of the financial report.

2. Management and performance fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to the fund manager, Katana Asset Management Ltd, are significant expenses to the Group. As at 30 June 2019, management and performance fees totalled $0.498 million which equates to 34% of total expenses. The Group's accounting policy for management and performance fees is described in Note 2(h) of the financial report. All expenses are recognised on an accrual basis, with performance fees recognised in the financial report if the performance hurdles for the Group have been met at the end of the relevant measurement period, which is the date where certainty exists that the criteria have been met and the liability have been crystallised.	We performed a recalculation of management and performance fees in accordance with the contractual arrangements including agreeing the contract rate to the calculation. We assessed the performance fee eligibility calculations including considering the inputs into the calculation model and whether the methodology was in accordance with the underlying contractual arrangements. We assessed the adequacy of the disclosure in Note 14 of the financial report.

Building a better working world

3. Recognition and recoverability of deferred tax assets

Why significant	How our audit addressed the key audit matter
At 30 June 2019, the Group has recognised $0.351 million of net deferred tax assets ("DTA") consisting mainly of unused tax losses. The analysis of the recognition and recoverability of the deferred tax assets was considered a key audit matter due to the value of the asset and the judgements involved in the assessment process as assumptions are affected by expected future market or economic conditions. The Group recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered as disclosed in note 8 to the financial report. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.	Our tax specialists were involved in the assessment of the recognition of deferred tax balances based on local tax regulations. We analysed the recoverability of the deferred tax assets by assessing the Group's estimated future taxable income. We performed sensitivity analyses on the key assumptions in the forecasts. We assessed the adequacy of the disclosures in Note 8 to the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Building a better working world

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Katana Capital Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
30 September 2019

ADDITIONAL ASX INFORMATION

Ordinary Fully Paid Shares - AS AT 23 AUGUST 2019

Range of Units

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1-1,000	59	13,312	0.03
1,001-5,000	45	139,581	0.34
5,001-10,000	50	423,624	1.02
10,001-100,000	183	6,648,024	15.96
100,001 Over	77	34,431,103	82.66
Rounding			-0.01
Total	**414**	**41,655,644**	**100.00**

Unmarketable Parcels

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $ 500.00 parcel at $ 0.7700 per unit	650	48	4,446

Top 20 Shareholders

RANK	NAME	UNITS	% OF UNITS
1	WONDER HOLDINGS PTY LTD	2,518,139	6.05
2	KATANA ASSET MANAGEMENT LTD	2,246,484	5.39
3	CLASSIC CAPITAL PTY LTD <BRL UNIT A/C>	1,958,857	4.70
4	COOLAH HOLDINGS PTY LTD <LAMBERT FAMILY A/C>	1,474,096	3.54
5	JOVE PTY LTD	1,465,891	3.52
6	MR ROMANO SALA TENNA + MRS LINDA SALA TENNA <THE SALA TENNA SUPER A/C>	1,342,642	3.22
7	MR BRAD JOHN SHALLARD + MRS LISA MAREE DUPEROUZEL <THE SHALLARD SUPER FUND A/C>	1,293,594	3.11
8	BS CAPITAL PTY LTD <THE SHALLARD FAMILY A/C>	1,256,733	3.02
9	PULO RD PTY LTD <PULO RD SUPER FUND A/C>	1,204,400	2.89
10	MRS LINDA SALA TENNA	865,351	2.08
11	MR RONALD WILLIAM JAMES + MRS ELIZABETH JANET JAMES	830,000	1.99
12	AUXILIUM CAPITAL PTY LTD <SALATENNA FAMILY CHARITY A/C>	819,245	1.97
13	CAMBO INVESTMENTS PTY LTD	743,608	1.79
14	COLLORI PTY LTD <ELLSEE INVESTMENT A/C>	725,157	1.74
15	METHUEN HOLDINGS PTY LTD <THE PB FAMILY A/C>	655,910	1.57
16	MR MARK JOHN BAHEN + MRS MARGARET PATRICIA BAHEN <SUPERANNUATION ACCOUNT>	600,000	1.44
17	BLU BONE PTY LTD	545,000	1.31
18	MRS ELSIE DA SILVA	530,706	1.27
19	KEFIR PTY LTD <SNOWBALL SUPER FUND A/C>	500,000	1.20
20	WFF PTY LTD <WHEATLEY FAMILY FNDN A/C>	473,288	1.14
Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**22,049,101**	**52.94**

Substantial Shareholders

NAME	SHARES	% OF SHARES
WONDER HOLDINGS PTY LTD	2,518,139	6.05
Brad Shallard	4,585,602	11.01
Romano Sala Tenna	5,410,003	12.99

ADDITIONAL ASX REPORTING

(a) List of Investments Held at 30 June 2019

Katana Investment Portfolio

BETASHARES AUSTRALIAN HIGH ETF
AUSTRALIAN FINANCE GROUP ORD
ARISTOCRAT LEISURE ORD
AMA GROUP ORD
ARQ GROUP ORD
BETASHARES AUSTR EQU STRONG BEAR CF
BELL FINANCIAL GROUP ORD
BHP BILLITON ORD
BORAL ORD
CREDIT CORP GROUP ORD
CHALLENGER ORD
THE CITADEL GROUP ORD
CSL ORD
CYBG PLC CDI
ECLIPX GROUP ORD G
EDUCATION HORIZON GP
EMECO HOLDINGS ORD
EVOLUTION MINING ORD
GALILEO MINING ORD
INGENIA COMMUNITIES UNT
JANUS HENDERSON CDI
K2 ASSET MANAGEMENT HOLDINGS ORD
KAROON GAS AUSTRALIA ORD
KATANA CAPITAL ORD
LENDLEASE GROUP UNT
L1 LONG SHORT FUND ORD
MCPHERSON'S ORD
MINCOR RESOURCES ORD
MINERAL RESOURCES ORD
MACQUARIE GROUP ORD
MACQUARIE GROUP PRF
NUFARM ORD
NEXTDC ORD
ORORA ORD
PACIFIC CURRENT GROUP ORD
PANORAMIC RESOURCES ORD
PARADIGM BIOPHARMACEUTICAL LIMIT ORD
POINTSBET HOLDINGS ORD
PREMIER INVESTMENTS ORD
PIONEER CREDIT ORD
PRAEMIUM ORD
PACIFIC SMILES GROUP ORD
QUICKFEE PVT PL ORD
QANTM INTELLECTUAL PROPERTY ORD
RIO TINTO ORD
RESMED CDI
RAMELIUS RESOURCES ORD
RESOLUTE MINING ORD
SOUTH32 ORD G
SYNLAIT MILK ORD
SEVEN GROUP HOLDINGS ORD
SOUTHERN CROSS ELECTRICAL ENGINEERING ORD
TABCORP HOLDINGS ORD
THE REJECT SHOP ORD
WESFARMERS ORD
WORLEYPARSONS ORD
WOODSIDE PETROLEUM ORD

(b) Total Number of Transactions during the report period

Total number of transactions during the 12 months to 30 June 2019 was 859 with brokerage fees of $300,320.99

(c) Total management fees paid or accrued and summary of agreement

Please refer to disclosure made in Remuneration Report.

(d) Corporate Governance Statement

Please refer to www.katanaasset.com

www.katanaasset.com

KATANA
CAPITAL LIMITED