ANNUAL REPORT

KATANA
CAPITAL LTD

08

Katana Capital will combine its listed investment company structure with the proven ability of its Manager ("Classic Capital Ltd") to provide investors with access to comprehensive investment techniques aimed at providing strong 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. In addition, the Company will seek to identify appropriate investment opportunities for review by the Manager.

CORPORATE DIRECTORY

Katana Capital Limited
ABN 56 116 054 301

Directors

Dalton Gooding
Peter Wallace
Derek La Ferla
Giuliano Sala Tenna

Company Secretary

Gabriel Chiappini

Registered Office

Level 37, Exchange Plaza
2, The Esplanade
Perth, Western Australia 6000
Telephone (08) 9326 7672
Facsimile (08) 9326 7676
www.katanacapital.com.au

Share Registry

Computershare Investor Services Pty Ltd
Level 2 45 St George's Terrace,
Perth WA 6000
Telephone (08) 9323 2000
Facsimile (08) 9323 2033

Auditor

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
PERTH WA 6000

ASX Code: KAT

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 intended 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 long-term 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.

VOTING RIGHTS

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held. Any shares which are not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share.

CONTENTS

VOTING RIGHTS

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held. Any shares which are not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share.

Fund Manager's

Investment Report

Classic Capital Pty Ltd as manager ('Manager') for Katana Capital Limited ('Company') has attached a report on the performance of the Company's portfolio for the 12 months to June 30th 2008.

Performance Summary

Although the Fund once again outperformed its respective benchmark, the Manager was disappointed that the return drifted into negative territory. In percentage terms, the portfolio yielded a gross investment return of -6.41% before operating expenses and tax. This did however compare favourably to the Company's stated benchmark – the All Ordinaries index – which returned –15.49% over the same period.

Importantly since listing in December 2005, the Manager has outperformed the All Ordinaries index for each financial year. During this three year period, the Manager has produced an average investment return of 17.52% pa versus 5.59% pa for the All Ordinaries index. This is an excellent achievement, yielding an average out performance of 65% per annum.

Year Ending	Average Return	All Ords Index	Out Performance
2006	9.95%	6.90%	44.20%
2007	49.03%	25.36%	93.34%
2008	-6.41%	-15.49%	58.62%
Average	17.52%	5.59%	65.39%

2008 Financial Year Review

Global equity markets endured a difficult year with the All Ordinaries falling 15.49% for the 12 months to the 30th June 2008. The month of June alone witnessed the ASX All Ordinaries falling 7.6%. This was the worst performance in June since the French surrendered to the Germans in 1940! The industrial sector bore the brunt of the initial sell off, however the down draft in equity markets eventually overflowed into the resource sector.

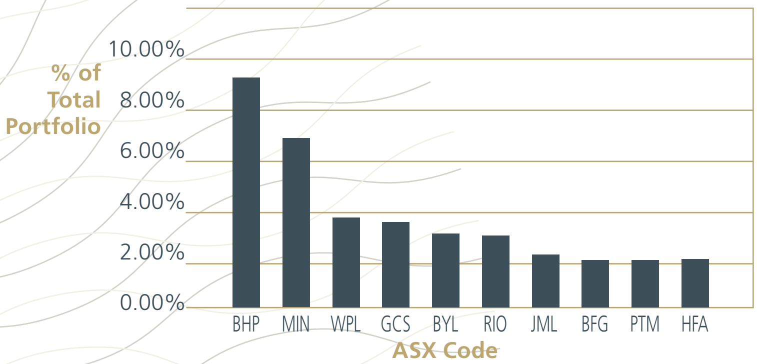
The catalyst for the current market volatility has been the continued decline in the sub prime mortgage market in the United States, which we first highlighted in our annual investment review some 12 months ago. What commenced as a US/UK-centric sub-prime mortgage crisis has evolved into a full blown credit crisis. This has resulted somewhat inevitably in the expansion of debt risk premiums from their historically low and unsustainable levels. The higher premiums and tighter credit markets have in turn resulted in the commencement of a debt de-leveraging cycle the likes of which we have not seen in many decades. When the debt levers begin to work in reverse, a decline in the capital or equity position of a financial institution will invariably be multiplied many times over in terms of the impact on the funds available to lend.

Another key feature over the last financial year was the relentless rise in the oil price. This has proved to be a serious concern for central banks around the world due to the inflationary pressures of an escalating oil price and the dampening effect that it has on economic growth.

Accordingly, the Fund had a bias towards the energy, resource and resource servicing sectors during the financial year. Additionally during the month of November (2007) the Fund sold two of its remaining three bank holdings – ANZ and NAB – with the view that the domestic banking sector offered minimal growth opportunities in the short to medium term. The Fund also avoided the melt down in the infrastructure and listed property trust segments by holding almost nil weightings in both of those sectors.

On the negative side, the largest single loss for the financial year was incurred in the overweight position secured in Brierty Limited during the December IPO. The overweight position was established as the stock fitted very clearly into the resource servicing theme, was well priced, had a 26 year record of continuous profitability and was undergoing a period of unprecedented revenue growth. However despite a solid debut, two successive profit downgrades wrought by a number of mismanaged contracts, saw the stock close 60% lower for the year. The Manager continues to monitor

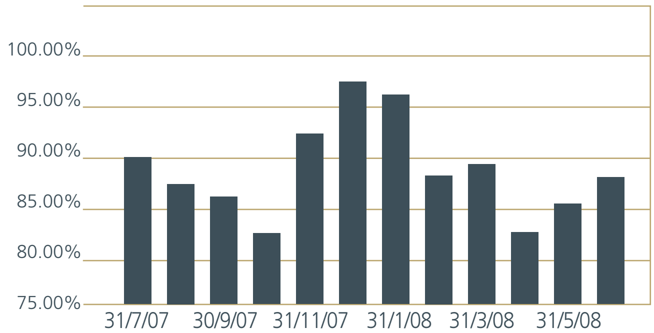
Top 10 Current Holdings



the company very closely, and is cautiously optimistic that Brierty Limited is putting in place the changes required to translate revenue growth into higher recurring profitability.

As at the close of the 2008 financial year, the portfolio had cash reserves of approximately $5.85m or 13.16% of the total value.

% of Portfolio Invested



As at the end of the financial year there were 73 companies in the portfolio. This diversification continued to assist the Manager to reduce the overall risk to the portfolio.

The Fund's single largest position is an investment in BHP Billiton Ltd (ASX code BHP). The Manager's bias towards the resource sector and resource servicing companies contributed to the Fund's out performance over the All Ordinaries index. The Manager believes that the resource sector and the resource servicing sector will continue to provide investors with superior returns. Long term Chinese economic growth continues to be driven by the ongoing urbanisation and industrialisation of the rural population. This stance is demonstrated by the Manager's weightings in not only BHP Billiton Limited but also Mineral Resources Limited, Woodside Petroleum Limited, Brierty Limited and RIO Tinto Limited.

On a separate note, the Manager has also increased the Fund's exposure to the funds management sector by adding to HFA Limited, Platinum Capital Limited and Perpetual Limited. This reflects the Manager's inherent confidence in the medium term outlook for the Australian equity market, along with the desire to capitalise on the growing superannuation pool. Additionally, the extraordinarily high free cashflow and gross profit margins are simply too compelling to ignore, despite the overwhelmingly negative sentiment towards this sector.

During the first half of the financial year, the Manager participated in a number of Initial Public offerings and placements. However as global equities retreated in the second half of the financial year, the pipeline of capital raisings dried up. The Manager believes the immediate outlook for capital raising opportunities remains limited.

STOCKS HELD AS AT 30 JUNE 2008

ACONCAGUA RESOURCES LTD	257,500
ADCORP AUSTRALIA LTD	159,750
ADITYA BIRLA MIN LTD	219,000
ADVANCED SHARE LTD	47,500
ALARA URANIUM LTD	106,028
ALUMINA LIMITED	590,000
ARC ENERGY LIMITED	577,813
AUSTIN ENGINEERING LTD	104,500
AVOCA RESOURCE LIMITED	331,500
BABCOCK & BROWN LTD	403,150
BELL FINANCIAL GROUP	1,045,000
BHP BILLITON LIMITED	4,089,940
BLACKHAM RESOURCES LTD	96,000
BRIERTY LIMITED	1,505,860
CENTREPOINT ALLIANCE	147,000
CHEMROK LIMITED	680,155
CO2 GROUP LIMITED	276,000
CSR LIMITED	486,000
DRAGON MOUNTAIN GOLD	245,541
EMECO HOLDINGS LTD	428,000
ENERGY RESOURCE AUSTRALIA LTD	338,250
FORGE GROUP LIMITED	136,960
FUTURIS CORP LTD	330,000
GLOBAL CONSTRUCTION SERVICES LTD	1,645,170
GREAT SOUTHERN PLANTATIONS LTD	542,500
GREENCROSS LIMITED	425,402
HFA HOLDINGS LTD	1,035,000
IMF (AUSTRALIA) LTD	493,500
IMX RESOURCES LTD	155,400
INCREMENTAL PETROL LTD	345,000
INDIA RESOURCES LTD	112,500
INSURANCE AUSTRALIA GROUP	703,800
INTERSTAFF RECRTMNT	120,000
IRESS MARKET TECHNOLOGY LTD	313,000
ISPIRE LIMITED	140,000
JABIRU METALS LTD	1,175,625
JINDALEE RESOURCES	95,550
LOGICAMMS LIMITED	690,000

MACQUARIE GROUP LTD	680,680
METCASH LIMITED	925,000
MINERAL RESOURCES	3,215,000
MONARCH GOLD MINING	118,000
NAVITAS LIMITED	967,854
NEW HOPE CORP LTD	527,000
NEXUS ENERGY LIMITED	64,436
NORTH QUEENSLAND	195,143
NORTHERN IRON LTD	205,000
ORION EQUITIES LTD	585,000
OVER FIFTY GROUP	187,230
PANORAMIC RES LTD	202,000
PEEL EXPLORATION	130,500
PERPETUAL TRUSTEES AUST.	895,650
PLATINUM ASSET MNG	1,044,960
PORT BOUVARD LIMITED	122,000
QBE INSURANCE GROUP	222,600
RIO TINTO LTD	1,487,310
ROC OIL CORPORATION	397,813
SAI GLOBAL LIMITED	230,000
SEVEN NETWORK LTD	375,000
STRIKE RESOURCES LTD	954,000
SUNCORP METWAY LTD	945,750
TREASURY GROUP LTD	276,300
TRI ORIGIN MINERALS	61,600
VITA GROUP LTD	146,250
WATPAC LIMITED	107,575
WEBJET LTD	405,000
WESFARMERS LTD	273,877
WESTPAC BANKING CORPORATION	400,000
WOODSIDE PETROLEUM	1,685,000
TOTAL	38,627,420

Outlook

The current credit crisis will continue to weigh on global equity markets as investment banks around the world grapple with further write-downs and the recapitalisation of balance sheets. Significantly, the US is establishing a facility to inject much-needed liquidity into the banking system; has 'nationalised' key financial institutions such as Freddie Mac, Fannie Mae and AIG, which were carrying large, low-quality debt; and reduced interest rates. Many countries have implemented strategies to limit aggressive short selling and although equity markets are likely to remain volatile over the coming months, there is good reason to believe, based on history that the bulk of the falls in equity markets have now occurred.

In Australia the RBA recently reduced interest rates after a six year tightening cycle and more cuts are expected over the coming year, which should alleviate some of the weakness in consumer confidence and demand. The Manager believes the Australian share market is currently forming a base although stock selection will again play an integral part to the success of the portfolio.

The Manager believes that global economic growth will continue to slow due to tepid (or negative) growth in the US, Europe and Japan in the near term. Longer term, the Manager remains cautiously optimistic that increasing demand from the BRIC economies will eventually provide a catalyst for growth to resume. Ultimately over the long term, resource-rich countries such as Australia should benefit as the large BRIC populations progressively move to urban areas, necessitating spending on large infrastructure developments, with new personal wealth driving demand for a range of consumer goods and services.

The Manager recognises that Australia may be currently facing the greatest external financial crisis since the great depression. However in due course as sentiment recovers and volatility settles, the Manager is cautiously optimistic on the longer term outlook for the Australian share market based upon:

- Continued albeit reduced GDP growth, driven by improved terms of trade for key exports;
- Coordinated measures taken to address global liquidity issues and bank equity ratios
- Further domestic interest rates declines alongside aggressive FISCAL stimulus
- A continuing belief that the commodity price cycle has longevity, despite near term weakness;
- Australian share market price earnings ratios, which are trading well below their 10 year averages; and
- Strong corporate balance sheets, which continue to support the capacity of companies to make dividend and special dividend payments, capital returns and undertake share buybacks.

Given the recent declines in share prices, the Manager's preferred investment themes include energy, (via thermal coal, liquefied natural gas, oil and uranium), soft commodities such as wheat/grains, beef, wood pulp etc. and out of favour high yielding industrials and hybrids.

Additional Appointment

The Manager is pleased to highlight the appointment of Matthew Ward as a member of the investment team. Matthew has over 25 years experience analysing companies for both corporates and stockbroking firms. He has an economics degree with honours and is a qualified chartered accountant.

Brad Shallard
Investment Manager

Romano Sala Tenna
Investment Manager

FINANCIAL STATEMENTS

30 JUNE 2008

DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT WITH RESPECT TO THE RESULTS OF KATANA CAPITAL LIMITED (THE "COMPANY" OR "KATANA CAPITAL") FOR THE YEAR ENDED 30 JUNE 2008 AND THE STATE OF AFFAIRS OF THE COMPANY AT THAT DATE.

DIRECTORS

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

Dalton Leslie Gooding BBus, FCA.
(Non-executive Chariman)

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 a partner of Gooding Pervan and advises to a wide range of businesses with particular emphasis relating to taxation and accounting issues, due diligence, feasibilities and general business advice. Mr Gooding also has a number of other directorships of companies in many different segments of business. During the past three years Mr Gooding has also served as a director of the following other listed companies:

- Australian Wine Holdings Limited*
- SIPA Resources Limited*
- Briety Limited*
- Avita Capital

* denotes current directorship

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

Mr Wallace was appointed to the Board on 19 September 2005. Mr Wallace has had 39 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 has directed the capital raisings for several large Public companies as well as providing a variety of Corporate Advisory services to a wide range of companies, both private and publicly owned. During the past three years Mr Wallace has also served as a director of the following other listed companies:

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

* denotes current directorship

Derek La Ferla BA B Juris LLB.
(Non-executive Director)

Mr La Ferla was appointed to the Board on 19 September 2005. Mr La Ferla is a long standing corporate lawyer in Perth, he was a partner at Deacons and led the business unit leader for the Perth Corporate group.

Mr La Ferla's areas of practice include corporate governance and advice, capital raising and mergers and acquisitions. He acts for a wide range of clients including listed public companies, stockbroking houses, venture capital funds and large unlisted public and private companies.

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

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

Mr Sala Tenna has worked in the Finance Industry for over 10 years in various fields and is currently the National Manager – Institutional Sales with HFA Asset Management, an Australian based fund of hedge fund manager with over $3.8 billion assets under management.

DIRECTORS' REPORT

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

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

COMPANY SECRETARY

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

DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

Committee membership

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

Members acting on the Audit and Risk Management Committee of the Board at the date of this report are:

- Peter Wallace (Chairman of Committee)
- Dalton Gooding
- Giuliano Sala Tenna

Members acting on the Compliance Committee of the Board at the date of this report are:

- Derek La Ferla (Chairman of Committee)
- Peter Wallace
- Gabriel Chiappini (Company Secretary)

EARNINGS PER SHARE

	30 June 2008 Cents	30 June 2007 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(6.64)**	30.38
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(6.64)**	28.6

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 41,684,400 (2007: 24,722,986).

	Directors' Meetings		*Audit & Risk Management*		*Compliance*	
	A	*B*	*A*	*B*	*A*	*B*
Dalton Gooding	6	6	1	2	0	0
Peter Wallace	6	6	2	2	2	2
Derek La Ferla	4	6	0	0	2	2
Giuliano Sala Tenna	5	6	2	2	0	0

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

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 2008:

	30 June 2008 $	30 June 2007 $
Final ordinary dividend for the year ended 30 June 2007 of 2.5 cents (2007 – 1.5 cents) per fully paid share paid on 19 September 2007	**1,042,120**	321,000
Interim ordinary dividend for the year ended 30 June 2008 of 2 cents (2007 – 2.0 cents interim & 2 cents special) per fully paid share paid on 30 April 2008	**833,680**	1,480,974
	1,875,800	1,801,974

CORPORATE INFORMATION

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

Katana Capital Limited is incorporated and domiciled in Australia.

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

Principal activity

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

Employees

As at 30 June 2008 the Company did not have any full time employees.

OPERATING AND FINANCIAL REVIEW

Company overview

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

The Fund Manager is disappointed with the performance of the portfolio, with an investment loss totalling approximately $3.30m. The majority of these returns were generated from the downturn in equity holdings.

In percentage returns, the portfolio yielded a gross investment return of -6.41% before operating expenses and tax. This compared favourably to the Company's stated benchmark – the All Ordinaries index – which returned -15.49% over the same period.

Operating results for the year

The loss before tax for the year was $4,438,000 (2007: $10,538,992 profit) and loss after tax for the year was $2,766,949 (2007: $7,510,531 profit).

Operating costs for the year were kept to a minimum, with administration costs (exclusive of Fund Manager's fee) coming in at 1.28% of funds under management (2007: 1.03%).

Investments for future performance

The current credit crisis will continue to weigh on global equity markets as investment banks around the world grapple with further write-downs and the recapitalisation of balance sheets. Significantly, the US is establishing a facility to inject much needed liquidity into the banking system; has 'nationalised' key financial institutions such as Freddie Mac, Fannie Mae and AIG, which were carrying large, low-quality debt; and reduced interest rates. Many countries have implemented strategies to limit aggressive short selling and although equity markets are likely to remain volatile over the coming months, there is good reason to believe, based on history that the bulk of the falls in equity markets have now occurred.

DIRECTORS' REPORT

The Manager's preferred investment themes currently include energy, (via thermal coal, liquefied natural gas, oil and uranium), soft commodities such as wheat/grains, beef, wood pulp etc. and industrial stocks that have strong cash flows, pricing power and robust business models.

Capital structure

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

Cash from operations

Net cash outflows used in operations was $5,399,084 during the year which reflects the Company's investment into the Australian equities market.

Net cash flows for the financial year ending 30 June 2009 are expected to increase subject to the Company continuing to take advantage of opportunities within the Australian equities market and the general performance of the market.

Liquidity and funding

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

Risk management

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

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Board, with the assistance from the Fund Manager as required. The Board together with the Fund Manager is responsible for all matters associated with risk management.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year.

SIGNIFICANT CHANGES AFTER BALANCE DATE

A final dividend for the 30 June 2008 financial year has not been declared by the Company. The Directors note that there has been a substantial correction in the markets in which the Company invests between the balance sheet date and the date of this report. Changes in the value of the Company's investments are reflected in the Company's Net Tangible Asset Backing per share which is reported to the Australian Securities Exchange (ASX) monthly and is available via the ASX website. The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to focus on implementing its investment strategy in accordance with the Investment Mandate pursuant to the Classic Capital Limited agreement:

- achieve a pre tax return which outperforms the ASX All Ordinaries Index; and
- preserve the capital invested.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

Unissued shares

There were1,000,000 unlisted options as at the date of this report expiring 19 December 2009 with an exercise price of $1.10. These options were issued to the directors of the Company as approved by shareholders at the Annual General Meeting in November 2006. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares issued on the exercise of options

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

REMUNERATION REPORT (AUDITED)

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

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

(a) Details of Key Management Personnel

The following persons were directors of Katana Capital Limited during the financial year:
(i) Chairman – non-executive
Dalton Leslie Gooding

(ii) Non-executive directors
Peter Wallace
Derek La Ferla
Giuliano Sala Tenna

(b) Other key management personnel

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

Officer

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

Remuneration philosophy

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

The remuneration policy is not linked to company performance.

Remuneration committee

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

Remuneration structure

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

DIRECTORS' REPORT

(i) Non-executive director remuneration

Objective

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

Structure

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

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2008 is detailed in Table 1 of this report.

(ii) Officer remuneration

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

(iii) Senior manager and executive director remuneration

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

Employment contracts

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

Compensation by other Key Management Personnel

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

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

The Company has entered into the Management Agreement with the Fund Manager with respect to the management of the Portfolio. The main provisions of the Management Agreement are summarised below. The Management Agreement is for an initial period of 10 years from its commencement date (Initial Term) unless earlier terminated in accordance with its terms.

The commencement date (Commencement Date) is the date on which the company listed on the Australian Stock Exchange 23 December 2005.

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

(1) the Shareholders of the Company approve such renewal by ordinary resolution;
(2) the Fund Manager is not in breach of the Management Agreement; and
(3) the Fund Manager has not in the reasonable opinion of the Board materially breached the management Agreement during the Initial Term.

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

(1) at any time during the term:
    (a) the Company fails to make payment of the remuneration in accordance with the Management Agreement and the failure continues for 21 days from the delivery of a written notice by the Fund Manager to the Company requesting payment;
    (b) the Company enters into liquidation (except voluntary liquidation for the purpose of reconstruction);
    (c) the Company is guilty of any gross default, breach, non-observance or non-performance of any of the terms of and conditions contained in the Management Agreement; or
    (d) a receiver or receiver and manager is appointed to the whole or part of the undertakings of the Company; and

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

The Company may immediately terminate the Management Agreement if:

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

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

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

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

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

(6) a change in control of the Fund manager occurs without the Fund Manager obtaining at least 30 days prior written consent from the Company;
(7) the Fund Manager is guilty of any gross default, breach, non-observance or non-performance of any of the terms and conditions contained in the Management Agreement;

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

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

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

The Company may, by written notice to the Fund Manager at any time within six months after the end of any five year period during the term, terminate the Management Agreement if Shareholders pass an ordinary resolution to terminate and the average

DIRECTORS' REPORT

Portfolio return for the five 12 month periods comprising the relevant five year period is less than the average percentage increase in the ASX All Ordinaries Index for those five 12 month periods.

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

Management and performance fees

(1) Management fee

The Fund Manager will receive a monthly management fee equal to 0.104167% of the Portfolio value calculated at the end of each month. The fee for 2008 was $652,461 (2007: $405,214). The Directors and shareholders of Classic Capital Pty Ltd are also shareholders in Katana Capital Limited.

(2) Performance fee

Performance fee to be paid in respect of each performance calculation period of 18.5% of the amount by which the Fund Manager outperforms the ASX All Ordinaries during the calculation period (calculated annually for the 12 month period ending 30 June). The fee for 2008 was $nil (2007: $1,125,707).

Table 1: Directors' & officers remuneration for the period ended 30 June 2008

2008	*Short-term benefits*			*Post Employment*	*Long-Term Benefits*	*Share-based Payments*		
Name	*Salary & Fees $*	*Other $*	*Cash STI $*	*Superannuation $*	*Termination Benefits $*	*Options $*	*Total $*	*% of Remuneration Performance based $*
Non-executive directors								
Dalton Leslie Gooding	71,499	-	-	5,850	-	-	77,349	-
Peter Wallace	37,500	-	-	3,375	-	-	40,875	-
Derek La Ferla	37,500	-	-	3,375	-	-	40,875	-
Giuliano Sala Tenna	37,500	-	-	3,375	-	-	40,875	-
Sub total non-executive directors	**183,999**	-	-	**15,975**	-	-	**199,974**	-
Other key management personnel (Group)								
Gabriel Chiappini	86,166	-	-	-	-	-	86,166	-
Total key management personnel compensation (Group)	270,165	-	-	15,975	-	-	286,140	-

2007	Short-term benefits			Post Employment	Long-Term Benefits	Share-based Payments		
Name	Salary & Fees $	Other $	Cash STI $	Superannuation $	Termination Benefits $	Options $	Total $	% of Remuneration Performance based $
Non-executive directors								
Dalton Leslie Gooding	50,000	-	-	4,500	-	25,275	79,775	-
Peter Wallace	30,000	-	-	2,700	-	25,275	57,975	-
Derek La Ferla	30,000	-	-	2,700	-	25,275	57,975	-
Giuliano Sala Tenna	30,000	-	-	2,700	-	25,275	57,975	-
Sub-total non-executive directors	**140,000**	-	-	**12,600**	-	**101,100**	**253,700**	-
Other key management personnel (Group)								
Gabriel Chiappini	68,045	-	-	-	-	-	68,045	-
Total key management personnel compensation	**208,045**	-	-	**12,600**	-	**101,100**	**321,745**	-

Options

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

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

Name			% remuneration consisting of options	
	Number of ordinary shares	Number of options over ordinary shares*	2008	2007
Directors of Katana Capital Limited				
Dalton Leslie Gooding	100,000	250,000		32
Peter Wallace	300,000	250,000		44
Derek La Ferla	100,000	250,000		44
Giuliano Sala Tenna	100,000	250,000		44

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

No options were exercised during the period.

DIRECTORS' REPORT

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has, during the financial period, entered into deeds of access and indemnity with each Director. These deeds provide access to documentation and indemnification against liability for loss suffered, as a result of any act or omission, to the extent permitted by the Corporations Act 2001, from conduct of the consolidated entity's business.

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors of the Company against costs incurred in defending proceedings except for conduct involving:

- a wilful breach of duty; or
- a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors have obtained an independence declaration from the Company's auditors Ernst & Young as presented on page 15 of this Annual Report.

NON-AUDIT SERVICES

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

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

Dalton Gooding
Chairman
29 September 2008
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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

In relation to our audit of the financial report of Katana Capital Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
26 September 2008

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Investment Income					
Dividends		**1,251,718**	658,339	**1,214,193**	658,339
Interest		**415,168**	386,597	**401,823**	379,817
Investment income/(loss)	3	**(4,912,211)**	11,559,874	**(4,181,844)**	11,286,914
Total investment income		**(3,245,325)**	12,604,810	**(2,565,828)**	12,325,070
Expenses					
Fund manager's fees		**(652,461)**	(1,530,921)	**(652,461)**	(1,530,921)
Legal and professional		**(115,930)**	(114,567)	**(112,748)**	(113,715)
Directors' fees and expenses		**(242,392)**	(258,696)	**(242,392)**	(258,696)
Administration		**(180,718)**	(158,228)	**(180,718)**	(157,258)
Impairment of intercompany receivable		**-**	-	**(414,778)**	-
Interest expense		**(1,174)**	(3,406)	**(1,174)**	(3,406)
Total expenses		**(1,192,675)**	(2,065,818)	**(1,604,271)**	(2,063,996)
Profit/(loss) before income tax		**(4,438,000)**	10,538,992	**(4,170,099)**	10,261,074
Income tax expense/(benefit)	4	**1,671,051**	(3,028,461)	**1,601,684**	(2,945,086)
Profit/(loss) from continuing operations		**(2,766,949)**	7,510,531	**(2,568,415)**	7,315,988
Profit/(loss)for the year attributable to members of Katana Capital Limited		**(2,766,949)**	7,510,531	**(2,568,415)**	7,315,988
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share	23	**(6.64)**	30.38		
Diluted earnings per share	23	**(6.64)**	28.56		

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

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
ASSETS					
Current assets					
Cash and cash equivalents	5	**5,851,873**	13,240,092	**5,604,607**	13,193,741
Trade and other receivables	6	**282,582**	404,065	**282,582**	404,065
Investments – held for trading	7	**38,627,420**	38,083,334	**38,627,420**	37,371,974
Current tax receivables		**78,620**	-	**78,620**	-
Other assets	8	**42,127**	26,903	**42,127**	25,844
Total current assets		**44,882,622**	51,754,394	**44,635,356**	50,995,624
Non-current assets					
Investments	11	**-**	-	**120**	120
Receivables	9	**-**	-	**251,259**	480,733
Total non-current assets		**-**	-	**251,379**	480,853
Total assets		**44,882,622**	51,754,394	**44,886,735**	51,476,477
LIABILITIES					
Current liabilities					
Trade and other payables	12	**1,404,243**	1,314,548	**1,404,243**	1,314,548
Financial liabilities	13	**-**	53,895	**-**	53,895
Interest bearing liabilities	14	**-**	10,121	**-**	10,121
Dividends payable		**6,869**	120,204	**6,869**	120,204
Income tax liability		**-**	470,395	**-**	456,267
Total current liabilities		**1,411,112**	1,969,163	**1,411,112**	1,955,035
Non-current liabilities					
Deferred tax liability	15	**1,085,954**	2,756,926	**1,086,076**	2,687,680
Total non-current liabilities		**1,085,954**	2,756,926	**1,086,076**	2,687,680
Total liabilities		**2,497,066**	4,726,089	**2,497,188**	4,642,715
Net assets		**42,385,556**	47,028,305	**42,389,547**	46,833,762
EQUITY					
Issued capital	16	**40,158,270**	40,158,270	**40,158,270**	40,158,270
Option premium reserve		**101,100**	101,100	**101,100**	101,100
Retained earnings	17	**2,126,186**	6,768,935	**2,130,177**	6,574,392
Total equity		**42,385,556**	47,028,305	**42,389,547**	46,833,762

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	ISSUED CAPITAL	OPTION PREMIUM RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	$	$	$	$	$
CONSOLIDATED					
Balance at 1 July 2006		20,887,710	-	1,060,378	21,948,088
Profit/(loss) for year		-	-	7,510,531	7,510,531
Total recognised income and expense for the year		**-**	**-**	**7,510,531**	**7,510,531**
Dividends provided for or paid	27	-	-	(1,801,974)	(1,801,974)
Conversion of $0.95 options into fully paid ordinary shares		19,270,560	-	-	19,270,560
Share-based payments		-	101,100	-	101,100
Balance at 30 June 2007		**40,158,270**	**101,100**	**6,768,935**	**47,028,305**
CONSOLIDATED					
Balance at 1 July 2007		40,158,270	101,100	6,768,935	47,028,305
Profit /(loss)for year		-	-	(2,766,949)	(2,766,949)
Total recognised income and expense for the year		**-**	**-**	**(2,766,949)**	**(2,766,949)**
Dividends provided for or paid	27	-	-	(1,875,800)	(1,875,800)
Balance at 30 June 2008		**40,158,270**	**101,100**	**2,126,186**	**42,385,556**
PARENT					
Balance at 1 July 2006		20,887,710	-	1,060,378	21,948,088
Profit/(loss) for year		-	-	7,315,988	7,315,988
Total recognised income and expense for the year		**-**	**-**	**7,315,988**	**7,315,988**
Dividends provided for or paid	27	-	-	(1,801,974)	(1,801,974)
Conversion of $0.95 options into fully paid ordinary shares		19,270,560	-	-	19,270,560
Share-based payments		-	101,100	-	101,100
Balance at 30 June 2007		40,158,270	101,100	6,574,392	46,833,762
PARENT					
Balance at 1 July 2007		40,158,270	101,100	6,574,392	46,833,762
Profit /(loss)for year		-	-	(2,568,415)	(2,568,415)
Total interest recognised and expense for the year		**-**	**-**	**(2,568,415)**	**(2,568,415)**
Dividends provided for or paid	27	-	-	(1,875,800)	(1,875,800)
Balance at 30 June 2008		40,158,270	101,100	2,130,177	42,389,547

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

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2008 $	2007 $	**2008 $**	2007 $
Cash flows from operating activities					
Proceeds on sale of financial assets		**24,387,886**	15,570,278	**24,387,886**	15,178,679
Payments for purchases of financial assets		**(28,577,244)**	(28,846,925)	**(28,558,239)**	(28,016,925)
Payments to suppliers and employees		**(2,297,452)**	(789,535)	**(2,480,631)**	(786,654)
Interest received		**415,168**	386,597	**401,823**	379,817
Dividends received		**1,242,943**	658,339	**1,205,418**	658,339
Interest paid		**(1,174)**	(3,406)	**(1,174)**	(3,406)
Taxes paid		**(569,211)**	(37,692)	**(555,082)**	(37,692)
Net cash (outflow) inflow from operating activities	20	**(5,399,084)**	(13,062,344)	**(5,599,999)**	(12,627,842)
Cash flows from investing activities					
Investment in subsidiary		**-**	-	**-**	(120)
Loan provided to subsidiary		**-**	-	**-**	(480,733)
Net cash (outflow) inflow from investing activities		**-**	-	**-**	(480,853)
Cash flows from financing activities					
Proceeds from issues of shares		**-**	19,270,560	**-**	19,270,560
Dividends paid		**(1,989,135)**	(1,681,771)	**(1,989,135)**	(1,681,771)
Proceeds from/(repayments of) borrowings		**-**	(2,210)	**-**	(2,210)
Net cash inflow (outflow) from financing activities		**(1,989,135)**	17,586,579	**(1,989,135)**	17,586,579
Net increase (decrease) in cash and cash equivalents		**(7,388,219)**	4,524,235	**(7,589,134)**	4,477,884
Cash and cash equivalents at the beginning of the financial year		**13,240,092**	8,715,857	**13,193,741**	8,715,857
Cash and cash equivalents at end of year	5	**5,851,873**	13,240,092	**5,604,607**	13,193,741

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

1 Corporate Information

The financial report of Katana Capital Limited ("the Company") for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 29 September 2008.

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

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

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

2 Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

The financial report is presented in Australian dollars.

(b) Statement of compliance

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2007. The adoption of these standards give rise to additional disclosure which did not have a material effect on the financial statements of the Group.

The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit or loss or the financial position of the Group.

During the period, a number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective. These have not been adopted by the Group for the annual reporting period ending 30 June 2008. The impact of these new or amended Accounting Standards is not expected to give rise to material changes in the Group's financial statements.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Katana Capital Limited as at 30 June 2008 and the results of the subsidiary for the year then ended. Katana Capital Limited and its subsidiary together are referred to in this financial report as the "Company" or the consolidated entity.

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

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

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

(d) Investments and other financial assets

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

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

(i) Financial assets held for trading

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

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

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

(ii) Loans and receivables

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

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

(iii) Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a "pass-through" arrangement; or

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

2 Summary of Significant Accounting Policies (continued)

- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(e) Revenue recognition

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

(i) Interest income

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

(ii) Dividends

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

(f) Income tax

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

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

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

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

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

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

(g) Cash and cash equivalents

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

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

(h) Trade and other receivables

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

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

(i) Trade and other payables

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

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

(j) Interest bearing loans and borrowings

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

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

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

(k) Goods and Services Tax (GST)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

2 Summary of Significant Accounting Policies (continued)

(l) Earnings per share

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

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

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

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

(m) Significant accounting judgements, estimates and assumptions

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

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

(n) Derivative financial instruments

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

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

Exchange traded options

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

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

(o) Contributed equity

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

(p) Pension benefits

Defined contribution plan

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

3 Investment Income

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Realised gains/(losses) on investments held for trading	**7,157,716**	3,920,741	**7,888,083**	3,879,141
Unrealised gains/(losses) on investments held for trading	**(12,250,427)**	7,225,50	**(12,250,427)**	6,994,140
Changes in fair value of options	**114,532**	350,179	**114,532**	350,179
Other income	**65,968**	63,454	**65,968**	63,454
	(4,912,211)	11,559,874	**(4,181,844)**	11,286,914

4 Income Tax Expense

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
(a) Income tax expense				
Current tax	**-**	487,764	**-**	473,635
Deferred tax	**(1,671,051)**	2,540,697	**(1,601,684)**	2,471,451
	(1,671,051)	3,028,461	**(1,601,684)**	2,945,086
Income tax expense is attributable to:				
Profit from continuing operations	**(1,671,051)**	3,028,461	**(1,601,684)**	2,945,086
Aggregate income tax expense	**(1,671,051)**	3,028,461	**(1,601,684)**	2,945,086
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 10)	**(634,334)**	6,084	**(634,374)**	6,246
(Decrease) increase in deferred tax liabilities (note 15)	**(1,036,638)**	2,532,701	**(967,230)**	2,463,293
Other	**(79)**	1,912	**(80)**	1,912
	(1,671,051)	2,540,697	**(1,601,684)**	2,471,451

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

4 Income Tax Expense (continued)

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	$	$	$	$
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	**(4,438,000)**	10,538,992	**(4,170,099)**	10,261,074
Tax at the Australian tax rate of 30% (2007 – 30%)	**(1,331,400)**	3,161,697	**(1,251,030)**	3,078,322
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	**1,082**	30,667	**1,082**	30,667
Franking credits	**146,994**	70,455	**141,170**	70,455
Franking rebate	**(486,648)**	(234,851)	**(470,567)**	(234,851)
Other	**(1,079)**	-	**(22,339)**	-
Under provision from prior year	**-**	493	**-**	493
Income tax expense/(benefit)	**(1,671,051)**	3,028,461	**(1,601,684)**	2,945,086

(c) Tax consolidation legislation

Katana Capital Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2007. The accounting policy in relation to this legislation is set out in note 2(f).

5 Current Assets – Cash and Cash Equivalents

	CONSOLIDATED		PARENT ENITY	
	2008	2007	2008	2007
	$	$	$	$
Bank balances	**5,851,873**	3,245,298	**5,604,607**	3,198,947
Short-term bank bills	**-**	9,994,794	**-**	9,994,794
	5,851,873	13,240,092	**5,604,607**	13,193,741

There were no short-term bank bills as at 30 June 2008. For 2007, short-term bank bills had an approximate term of 30 days and had been achieving a yield of between 5.95% and 6.44%.

6 Current Assets – Trade and Other Current Receivables

	CONSOLIDATED		PARENT ENITY	
	2008	2007	2008	2007
	$	$	$	$
Unsettled trades – listed equities	**187,982**	318,240	**187,982**	318,240
Dividend receivable	**94,600**	85,825	**94,600**	85,825
	282,582	404,065	**282,582**	404,065

7 Current Assets – Investments

	CONSOLIDATED		PARENT ENITY	
	2008 $	2007 $	2008 $	2007 $
Listed equities – held for trading	**38,627,420**	36,290,179	**38,627,420**	35,578,819
Initial public offering applications	**-**	1,793,155	**-**	1,793,155
	38,627,420	38,083,334	**38,627,420**	37,371,974

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

Other current investments have been measured at cost.

8 Current Assets – Other Current Assets

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Prepayments – insurance	**14,300**	19,351	**14,300**	18,292
GST recoverable	**27,827**	7,552	**27,827**	7,552
	42,127	26,903	**42,127**	25,844

9 Non-current Assets – Non-current Receivables

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Receivable from wholly owned subsidiary				
Receivable	**-**	-	**666,037**	480,733
Impairment allowance	**-**	-	**(414,778)**	-
	-	-	**251,259**	480,733

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

10 Non-current Assets – Deferred Tax Assets

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
The balance comprises temporary differences attributable to:				
Tax losses	**688,319**	-	**688,319**	-
Other				
Share issue costs	**71,630**	107,262	**71,508**	107,262
Options	**-**	21,536	**-**	21,536
Provisions	**11,250**	7,500	**11,250**	7,500
Other	**67**	634	**67**	472
Total deferred tax assets	**771,266**	136,932	**771,144**	136,770

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

10 Non-current Assets – Deferred Tax Assets (continued)

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Set-off of deferred tax liabilities pursuant to set-off provisions (note 15)	**(771,266)**	(136,932)	**(771,144)**	(136,770)
Net deferred tax assets	**-**	-	**-**	-

Movements – Consolidated

	Tax losses $	Share Issue Costs $	Other $	Total $
At 1 July 2006	-	143,016	-	143,016
(Charged)/credited to the income statement	-	(35,754)	**29,670**	(6,084)
At 30 June 2007	-	107,262	**29,670**	136,932
At 30 June 2007	-	107,262	**29,670**	136,932
(Charged)/credited to the income statement	**688,319**	(35,632)	**(18,353)**	634,334
At 30 June 2008	**688,319**	71,630	**11,317**	771,266

Movements – Parent Entity

	Tax losses $	Share Issue Costs $	Other $	Total $
At 1 July 2006	-	143,016	-	143,016
(Charged)/credited to the income statement	-	(35,754)	**29,508**	(6,246)
At 30 June 2007	-	107,262	**29,508**	136,770
At 30 June 2007	-	107,262	**29,508**	136,770
(Charged)/credited to the income statement	**688,319**	(35,754)	**(18,191)**	634,374
At 30 June 2008	**688,319**	71,508	**11,317**	771,144

11 Non-current Assets – Investments

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Investment in controlled entity at cost	**-**	-	**120**	120
	-	-	**120**	120

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

12 Current Liabilities – Trade and Other Payables

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Unsettled trades – listed equities	**1,202,648**	-	**1,202,648**	-
Accrual – Classic Capital management fee	**144,186**	1,303,082	**144,186**	1,303,082
Trade creditors	**49,489**	5,346	**49,489**	5,346
Employee pay as you go tax instalments	**7,920**	6,120	**7,920**	6,120
	1,404,243	1,314,548	**1,404,243**	1,314,548

13 Current Liabilities – Financial Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Exchange traded options – at fair value*	**-**	53,895	**-**	53,895
	-	53,895	**-**	53,895

* The Company writes and then trades Exchange Traded Options (ETO's), the company's policy for managing its Risk for ETO's is to ensure it only writes ETO's against shares that it physically holds. ETO's are governed by the Australian Stock Exchange (ASX) and are traded on the ASX. The ETO's had an average expiry date of 12 August 2007.

14 Current Liabilities – Interest Bearing Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Insurance premium funding	**-**	10,121	**-**	10,121
	-	10,121	**-**	10,121

15 Non-current Liabilities – Deferred Tax Liabilities

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
The balance comprises temporary differences attributable to:				
Deferred tax liabilities				
Investments	**1,828,840**	2,853,012	**1,828,840**	2,783,604
Dividends receivable	**28,380**	25,747	**28,380**	25,747
Other	-	15,099	**-**	15,099
Total deferred tax liabilities	**1,857,220**	2,893,858	**1,857,220**	2,824,450
Set-off of deferred tax liabilities pursuant to Set-off provisions	**(771,266)**	(136,932)	**(771,144)**	(136,770)
Net deferred tax liabilities	**1,085,954**	2,756,926	**1,086,076**	2,687,680
Opening balance at 1 July	**2,893,858**	218,140	**2,824,450**	218,140
Charged/(credited) to the income statement	**(1,036,638)**	2,540,697	**(967,230)**	2,471,451
Other	**-**	(1,911)	**-**	(1,911)
	1,857,220	2,893,858	**1,857,220**	2,824,450

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

15 Non-current Liabilities – Deferred Tax Liabilities (continued)

Movements – Consolidated	Investments $	Other $	Total $
At 1 July 2006	343,733	17,424	361,157
Charged/(credited) to the income statement	2,509,279	23,422	2,532,701
At 30 June 2007	2,853,012	40,846	2,893,858
At 30 June 2007	2,853,012	40,846	2,893,858
Charged/(credited) to the income statement	(1,024,172)	(12,466)	(1,036,638)
At 30 June 2008	1,828,840	28,380	1,857,220

Movements – Parent	Investments $	Other $	Total $
At 1 July 2006	343,733	17,424	361,157
Charged/(credited) to the income statement	2,439,871	23,422	2,463,293
At 30 June 2007	2,783,604	40,846	2,824,450
At 30 June 2007	2,783,604	40,846	2,824,450
Charged/(credited) to the income statement	(954,764)	(12,466)	(967,230)
At 30 June 2008	1,828,840	28,380	1,857,220

16 Issued Capital

	PARENT ENTITY		PARENT ENTITY	
	2008 Shares	2007 Shares	2008 $	2007 $
Ordinary shares				
Fully paid	**41,684,800**	41,684,800	**40,158,270**	40,158,270

(a) Movements in ordinary share capital:

Date	Details	Number of shares	$
1 July 2006	Opening balance	21,400,000	20,887,710
	Options converted into fully paid ordinary shares at $0.95	20,284,800	19,270,560
30 June 2007	Balance	41,684,800	40,158,270
1 July 2007	Opening balance	41,684,800	40,158,270
30 June 2008	Balance	41,684,800	40,158,270

Fully paid ordinary shares carry one vote per share and carry the right to dividends.
Effective 1 July 1998 the Corporations legislation abolished the concept of authorised capital and par value shares. Accordingly, the company does not have authorised capital nor par value in respect of its issued shares.
Equity has been the Company's only source of funds since incorporation.

(b) Movements in options:

Date	Details	30 June 2008 Number of options	30 June 2007 Number of options
1 July 2006 & 30 June 2007	Opening balance	**1,000,000**	21,400,000
	Options converted into fully paid ordinary shares at $0.95	**-**	(20,284,800)
	Options expiring 31 May 2007	**-**	(1,115,200)
	Options issued to directors pursuant to the AGM held in November 2006	**-**	1,000,000
30 June 2008	Balance	**1,000,000**	1,000,000

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

(c) Capital management

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

17 Reserves and Retained Profits

Retained profits

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Opening retained earnings	**6,768,935**	1,060,378	**6,574,392**	1,060,378
Net profit/(loss) after tax attributable to members of the Company	**(2,766,949)**	7,510,531	**(2,568,415)**	7,315,988
Dividends paid	**(1,875,800)**	(1,801,974)	**(1,875,800)**	(1,801,974)
Balance 30 June	**2,126,186**	6,768,935	**2,130,177**	6,574,392

18 Key Management Personnel Disclosures

(a) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	**183,999**	140,000	**183,999**	140,000
Post-employment benefits	**15,975**	12,600	**15,975**	12,600
Share-based payments	**-**	101,100	**-**	101,100
	199,974	253,700	**199,974**	253,700

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

18 Key Management Personnel Disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

2008

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

2007

Name	Balance at start of the year	Granted as compen-sation	Excercised	Other changes	Balance at end of the year	Vested and excercisable	Unvested
Directors of Katana Capital Limited							
Dalton Leslie Gooding	50,000	250,000	(50,000)	-	250,000	250,000	-
Peter Wallace	150,000	250,000	(150,000)	-	250,000	250,000	-
Derek La Ferla	50,000	250,000	(50,000)	-	250,000	250,000	-
Guiliano Sala Tenna	50,000	250,000	(50,000)	-	250,000	250,000	-
Other key management personnel of the Group							
Brad Shallard	215,000	-	(215,000)	-	-	-	-
Romano Sala Tenna	325,000	-	(325,000)	-	-	-	-

(ii) Share holdings

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

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

2008

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

2007

Name	Balance at the start of the year	Received during the year on the excercise of options	Other changes during the year	Balance at the end of the year
Directors of Katana Capital Limited				
Ordinary shares				
Dalton Leslie Gooding	50,000	50,000	-	100,000
Peter Wallace	150,000	150,000	-	300,000
Derek La Ferla	50,000	50,000	-	100,000
Giuliano Sala Tenna	50,000	50,000	-	100,000
Other key management personnel of the Group				
Ordinary shares				
Brad Shallard	215,000	215,000	150,000	580,000
Romano Sala Tenna	225,000	325,000	430,000	980,000

(c) Other transactions and balances with key management personnel

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

19 Related Party Transactions

(a) Directors

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

19 Related Party Transactions (continued)

(b) Related party transactions

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

(i) Mr Derek La Ferla who was a partner of Deacons law firm during the year and as part of providing corporate legal services, Deacons received $10,870 (2007: $5,895) for legal services provided.
(ii) Dalton Gooding is a partner of Gooding Pervan Chartered Accounting firm and as part of providing taxation advisory services, Gooding Pervan received $18,492 (2007: $14,331) for tax services provided.

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

Wholly owned group transactions

Loans from Katana Capital Limited to its wholly owned subsidiary are repayable on demand, unsecured and interest free, though are not expected to be repaid within the next 12 months. Loan balance to subsidiary at 30 June 2008 is $251,259 (2007: $480,733).

20 Reconciliation of Profit/(loss) after Income Tax to Net Cash Inflow from Operating Activities

	CONSOLIDATED		PARENT ENTITY	
	2008 $	**2007 $**	**2008 $**	**2007 $**
Profit/(loss) for the year	**(2,766,949)**	7,510,531	**(2,568,415)**	7,315,988
Impairment of intercompany	**-**	-	**414,778**	-
Other non-cash items	**(53,895)**	-	**(53,895)**	-
(Gains)/losses recognised on measurement to fair value of held for trading investments	**12,250,427**	(7,225,500)	**12,250,427**	(6,994,140)
Loss recognised on remeasurement to fair value of exchange trade options	**-**	70,141	**-**	71,786
Change in operating assets and liabilities				
(Increase)/decrease in trade and other receivables	**106,259**	(345,985)	**(80,104)**	(353,537)
(Increase)/decrease in financial assets held for trading	**(12,794,513)**	(16,190,851)	**(13,505,873)**	(15,657,542)
(Increase) decrease in other assets	**-**	-	**-**	-
(Decrease)/increase in trade and other payables	**79,574**	90,859	**79,574**	90,859
(Decrease)/increase in current tax liabilities	**(549,015)**	489,675	**(534,887)**	429,204
(Decrease)/increase in deferred tax liabilities	**(1,670,972)**	2,538,786	**(1,601,604)**	2,469,540
Net cash (outflow) inflow from operating activities	**(5,399,084)**	(13,062,344)	**(5,599,999)**	(12,627,842)

21 Financial Risk Management

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

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

The Company uses derivative financial instruments to alter certain risk exposures. Financial risk management is carried out by the Investment Manager under policies approved by the Board of Directors (the Board).
The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk.

Mandate

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

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

The Mandate specifies the following risk control features:
The Portfolio may comprise securities in up to 80 companies from time to time.

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

Portfolio composition and management

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

21 Financial Risk Management (continued)

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

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

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

Asset allocation

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

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

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

(a) Market risk

(i) Price risk

The Company is exposed to equity securities and derivative securities price risk. This arises from investments held by the Company for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Paragraph (ii) below sets out how this component of price risk is managed and measured. They are classified on the balance sheet as at fair value through profit or 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 this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board. The mandate specifies that following risk control features:

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

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

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

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

The table on page 38 summarises the impact of an increase/decrease of the Australian Securities Exchange All Ordinaries on the Company's net assets attributable to shareholders at 30 June 2008. The analysis is based on the assumptions that the index increased/decreased by 10% (2007 – 10%) with all other variables held constant and that the fair value of the Company's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

(ii) Foreign exchange risk

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

(iii) Interest rate risk

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

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

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values.

	Weighted Average Interest Rate (%pa)	Year ended Consolidated 30 June 2008	Year ended Parent 30 June 2007	30 June 2008	30 June 2007
Financial Assets					
Cash and short-term deposits – floating	5.58%	**5,851,873**	3,245,298	**5,604,607**	3,198,947
Cash fixed interest rate	-%	**-**	9,994,794	**-**	9,994,794
Current receivables	-%	**94,600**	85,825	**94,600**	85,825
Due from brokers – for securities sold	-%	**187,982**	318,240	**187,982**	318,240
Financial assets held for trading	-%	**38,627,420**	38,083,334	**38,627,420**	37,389,865
Non-current receivables	-%	**-**	-	**251,259**	480,733
		44,761,875	51,727,491	**44,765,868**	51,468,404

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

21 Financial Risk Management (continued)

	Weighted Average Interest Rate (%pa)	Year ended Consolidated 30 June 2008	Year ended Parent 30 June 2007	30 June 2008	30 June 2007
Financial Liabilities					
Payables	-%	**201,595**	1,306,996	**201,595**	1,306,996
Due to brokers – payable for securities purchased	-%	**1,202,648**	-	**1,202,648**	-
Financial liabilities	-%	**-**	53,895	**-**	53,895
Interest bearing liabilities	-%	**-**	10,121	**-**	10,121
		1,404,243	1,371,012	**1,404,243**	1,371,012

The table below summarises the impact of an increase/decrease of interest rates on the Company's operating profit and net assets attributable to shareholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 50 basis points (2007 – +/- 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.

(b) Summarised sensitivity analysis

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

		Price Risk	Interest Rate Risk	
	-10%	+10%	-50bps	+50bps
	Impact on Operating Profit/Equity			
30 June 2008	(3,862,742)	3,862,742	(36,955)	36,955
30 June 2007	(3,808,333)	3,808,333	(32,487)	32,487

(c) Credit risk

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

As at 30 June 2008 the Company does not hold any debt securities.

The Company does trade in Exchange Traded Options the Investment Manager has established limits such that, at any time, such that options are not traded without holding the physical security in the portfolio and contracts are with counterparties included in the Board's Approved Counterparties list. As at 30 June 2008 the Company did not hold any Exchange Traded Options.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.
The majority of cash assets are held with one bank.

(d) Liquidity risk

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

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

The Company does not hold derivatives.

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

(e) Fair value estimation

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

- Fair value in an active market

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

22 Segment Information

Business segments

The Company operates solely in the financial investment industry.

Geographical segments

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

23 Earnings Per Share

		Year ended Consolidated
	30 June 2008 Cents	30 June 2007 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(6.64)**	30.38
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(6.64)**	28.56

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

23 Earnings Per Share (continued)

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

	30 June 2008 $	Year ended Consolidated 30 June 2007 $
Basic earnings per share		
Profit from continuing operations	**(2,766,949)**	7,510,531
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(2,766,949)**	7,510,531
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(2,766,949)**	7,510,531
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**(2,766,949)**	7,510,531

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

	30 June 2008 Number	Year ended Consolidated 30 June 2007 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**41,684,440**	24,722,986
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	**-**	1,571,368
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**41,684,440**	26,294,354

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

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

The options outstanding at 30 June 2008, as disclosed in note 16 are not considered dilutive for the year ended 30 June 2008.

The weighted average number of converted and lapsed potential ordinary shares included in diluted earnings per share calculation is nil for the year ended 30 June 2008 (2007: 1,571,368).

24 Commitments and Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2008 (2007: nil).

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

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

25 Events Occurring after the Balance Sheet Date

A final dividend for the 30 June 2008 financial year has not been declared by the Company. The Directors note that there has been a substantial correction in the markets in which the Company invests between the balance sheet date and the date of this report. Changes in the value of the Company's investments are reflected in the Company's Net Tangible Asset Backing per share which is reported to the Australian Securities Exchange (ASX) monthly and is available via the ASX website.

26 Remuneration of Auditors

	CONSOLIDATED		PARENT ENTITY	
	2008 $	**2007 $**	**2008 $**	**2007 $**
(a) Audit services				
Ernst & Young Australia				
Audit and review of financial reports	**45,500**	37,500	**45,500**	37,500
Total remuneration for audit services	**45,500**	37,500	**45,500**	37,500
(b) Non-audit services				
Other services				
Other services	**-**	-	**-**	-
Total remuneration for non-audit services	**-**	-	**-**	-
	45,500	37,500	**45,500**	37,500

27 Dividends

	PARENT ENTITY	
	2008 $	**2007 $**
(a) Ordinary shares		
Final dividend for the year ended 30 June 2007 of 2.5 cents (2006 – 1.5 cents) per fully paid share paid on 8 November 2007 (2006 – 31 October 2006)		
Fully franked (2006 – 31.9% franked) based on tax paid @ 30% – 2.5 cents (2006 – 1.5 cents) per share	**1,042,120**	321,000

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2008

27 Dividends (continued)

	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Interim dividend for the year ended 30 June 2008 of 2 cents (2007 – 2 cents interim & 2 cents special) per fully paid share paid 30 April 2008 (2007 – 14 May 2007)		
Fully franked (2007 – 37% franked) based on tax paid @ 30% – 2 cents (2007 – 2 cents interim & 2 cents special) per share	**833,680**	1,480,974
Total dividends provided for or paid	**1,875,800**	1,801,974
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 2007 were as follows:		
Paid in cash	**1,875,800**	1,801,974
	1,875,800	1,801,974

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $	PARENT ENTITY 2008 $	PARENT ENTITY 2007 $
Franking credit balance				
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	**249,124**	18,441	**218,913**	17,382

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the amount of the current tax liability;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

In the Directors' opinion:
(a) the financial statements and notes set out on pages 20 to 42 are in accordance with the Corporations Act 2001, including:
    (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
(c) the financial statements are in accordance wit hthe provisions of the Company's Constitution.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board Katana Capital Limited

Dalton Gooding, Chairman
29 September 2008
Perth, Western Australia

AUDITORS' REPORT

ERNST & YOUNG

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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

Report on the Financial Report

We have audited the accompanying financial report of Katana Capital Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

AUDITORS' REPORT

ERNST & YOUNG

Independence

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

Auditor's Opinion

In our opinion:

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

   i giving a true and fair view of the financial position of Katana Capital Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Katana Capital Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
26 September 2008

ADDITIONAL ASX INFORMATION

DISTRIBUTION OF SHARES AND OPTIONS AS AT 29 AUGUST 2008

	Fully Paid Shares Distribution of holdings Number of holders
1-1,000	14
1,001 – 5,000	46
5,001 – 10,000	172
10,001 – 100,000	353
100,001 and over	74
	659

20 LARGEST SHAREHOLDERS AS AT 25 SEPTEMBER 2008

Holder	Fully Paid Shares Shares	%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	2,341,503	5.62
WONDER HOLDINGS PTY LTD	2,244,035	5.38
HOPERIDGE ENTERPRISES PTY LTD	2,000,000	4.8
ORION EQUITIES LIMITED	1,200,000	2.88
MRS LINDA SALA TENNA + MRS LISA SHALLARD	1,071,016	2.57
JOVE PTY LTD	1,044,086	2.5
COOLAH HOLDINGS PTY LTD	1,010,000	2.42
TAXA JUNO NOMINEES PTY LTD	850,000	2.04
MISS LISA DUPEROUZEL	783,064	1.88
MR ROMANO SALA TENNA + MRS LINDA SALA TENNA	775,212	1.86
BLIGH PTY LTD	640,000	1.54
MR BRAD JOHN SHALLARD + MRS LISA MAREE DUPEROUZEL	605,569	1.45
MRS LINDA SALA TENNA	510,007	1.22
CAMBO INVESTMENTS PTY LTD	500,000	1.2
MR KENNETH CARSON + MR ROBIN GERRARD THYSSEN	500,000	1.2
KEFIR PTY LTD		
LEDGE FINANCE LTD	500,000	1.2
UNITING CHURCH IN AUSTRALIA PROPERTY TRUST (WA)		
MR STEPHEN JAMES LAMBERT + MRS RUTH LYNETTE LAMBERT + MR SIMON LEE LAMBERT	460,000	1.1
COLLORI PTY LTD	400,000	096
	18,023,967	**43.25**

SUBSTANTIAL SHAREHOLDERS

	Fully Paid Shares	**%**
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	2,341,503	5.62
WONDER HOLDINGS PTY LTD	2,244,035	5.38

Katana Capital Ltd
ABN 56 116 054 301

Level 37, Exchange Plaza
2, The Esplanade
Perth, Western Australia 6000
Telephone: (08) 9326 7672
Facsimile: (08) 9326 7676
www.katanacapital.com.au