ANNUAL REPORT 2014

KATANA CAPITAL LTD

KATANA
CAPITAL LTD

KATANA CAPITAL WILL COMBINE ITS LISTED INVESTMENT COMPANY STRUCTURE WITH THE PROVEN ABILITY OF ITS MANAGER ("KATANA ASSET MANAGEMENT LTD") TO PROVIDE INVESTORS WITH ACCESS TO COMPREHENSIVE INVESTMENT TECHNIQUES AIMED AT PROVIDING 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.

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.

CORPORATE DIRECTORY

Katana Capital Limited
ABN 56 116 054 301

Board of Directors
Mr Dalton Gooding
Chairman, Non-Executive Director
Mr Peter Wallace
Non-Executive Director
Mr Giuliano Sala Tenna
Non-Executive Director
Mr Gabriel Chiappini
Company Secretary

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

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

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

Stock Exchange
ASX Limited
Exchange Plaza, 2 The Esplanade
Perth WA 6000

ASX Code: KAT

CHAIRMAN'S LETTER

DEAR SHAREHOLDER

I AM PLEASED TO PRESENT TO YOU KATANA'S 9TH ANNUAL REPORT SINCE LISTING ON THE ASX IN DECEMBER 2005.

The Financial Year ended 30 June 2014 saw your Company significantly outperform the ASX All Ordinaries by recording a Net Profit after Tax of $5.904m (FY13: $1.780m).

The Financial year was one of growth in the equities market both domestically and globally with improved market conditions compared to prior years. The All Ordinaries index ended the year at 5,382 points an increase from FY13 of 607 points.

Throughout FY14 Katana continued to focus on companies with strong balance sheets and high long term earning prospects with a continued discipline in managing our portfolio to approximately 50 ASX stocks (54 in portfolio at end of FY14).

Following the completion of FY14, Katana successfully raised $7.812m by way of a placement of 8.4m shares at $0.93 through Lead Manager Taylor Collison. In concert with the placement, Katana also announced a 1-for-8 Non Renounceable Rights issue at the same issue price of $0.93. We thank our loyal shareholders who participated in the Rights Issue with Katana receiving applications for 3,183,970 shares, representing a 60% take up, to raise $2.961m.

As a result of this post year-end equity raising, our Cash reserves of $5.647m at the end of FY14, has been strengthened by $10.773m (before costs of the issue). The Company will maintain a cautious approach to its cash reserves, with deployment of funds being dependent on market factors and new investment opportunities. This cautious approach has been heightened and justified by the downwards volatility in global equity and commodity markets at the time of writing this letter.

During FY14, your Company increased its dividends paid to shareholders to $1.728m compared to FY13 of $1.281m; this represents an increase gross pay-out of 35%. Katana has committed to paying a minimum of 1.5 cents per quarter for the next 12 months (FY15).

The Company, via its Fund Manager Katana Asset Management, believes that since its IPO in 2005, whereby Katana has out-performed the All Ordinaries Index in 8 of those 9 years by an average of 8.39% (pre-tax & pre-fees), that your company has developed and implemented a sustainable investment philosophy. This philosophy has resulted in Katana ending FY14 in a strong and robust position.

On behalf of the Board of Directors, I would also like to thank you for your continued support of the Company throughout the year.

Yours sincerely

Dalton Gooding
Chairman

INVESTMENT REPORT

KATANA ASSET MANAGEMENT LTD ('THE MANAGER') HAS COMPLETED A REPORT ON THE PERFORMANCE OF KATANA CAPITAL LIMITED'S PORTFOLIO FOR THE 12 MONTHS TO 30 JUNE 2014.

PERFORMANCE SUMMARY

The 2014 financial year (FY) bore witness to a strong rebound in both the absolute and relative performance of the underlying portfolio. During the year, the Manager generated a gross investment return (before fees and taxes) of 26.79% versus the All Ords Index which generated a gross return of 12.70%.

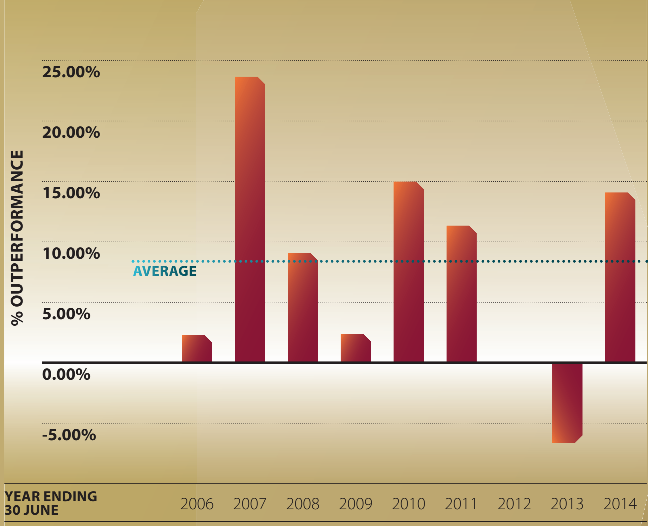
The result was pleasing for a number of reasons. Firstly, it represented the 3rd best relative performance in Katana's 9 year history, with the Manager out-performing its benchmark by 14.10% (before fees and taxes). Secondly, the outperformance was borne out of an extraordinarily volatile period in the prior financial year which required particular fortitude and self-belief in the chosen course of action.

Throughout the year, the Manager retained a relatively high level of cash and continued to hold between 50-60 individual stock positions. Whilst diversification moves in and out of favour with the wider investment community, it is an approach that the Manager is very much committed to. The Manager believes that achieving a certain level of performance from a diversified portfolio is a better risk adjusted outcome than achieving that same level of performance via a concentrated portfolio.

YEAR ENDING	KATANA GROSS INVESTMENT RETURN	ALL ORDS INDEX	OUT PERFORMANCE
2006	9.20%	6.90%	2.30%
2007	49.03%	25.36%	23.67%
2008	-6.41%	-15.49%	9.08%
2009	-23.57%	-25.97%	2.40%
2010	24.54%	9.55%	14.99%
2011	19.10%	7.75%	11.35%
2012	-11.19%	-11.25%	0.06%
2013	8.84%	15.47%	-6.63%
2014	26.79%	12.70%	14.09%
Average	**11.33%**	**2.94%**	**8.39%**

The bar chart below summarises the Manager's track record of outperformance in each of the past nine years.

KATANA GROSS INVESTMENT RETURNS VS ALL ORDS INDEX



2014 FINANCIAL YEAR REVIEW

The All Ordinaries index commenced the 2014 financial year at 4775 points, peaked at a high of 5,533 points in mid April 2014 and subsequently declined to finish at 5,382 points. From a statistical perspective, the 2014 FY was rather subdued, with only 3 negative months - the worst being -2.76% in January.

At the close of the 2013FY, 3 of the top 4 stocks by weighting were in the resources sector. However, the S&P/ASX Metals & Mining Index (XMM) declined by 11.9% in the last month of the 2013 FY as panic and fear de-coupled share prices from their underlying fundamentals. As Manager, we tested and re-tested our investment thesis and believed that the right course of action was to retain our current weightings. Our vindication was unusually swift on this occasion, with the XMM Index recovering by 12.1% in July alone and a further 4.35% in the month of August.

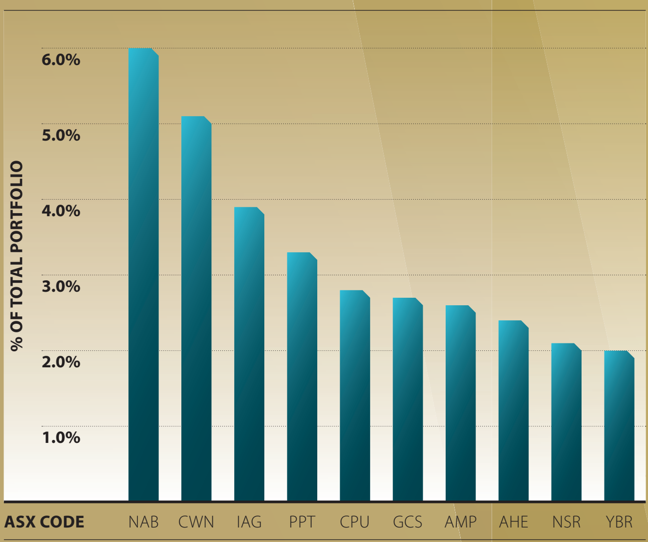
As the financial year unfolded, it became increasingly clear that the commodity supply side response that had been touted for the best part of 4 years had finally arrived. In particular, a record 90mtpa of new iron ore production was brought online in the first half of the year alone. Whilst demand remained robust (and continues to remain robust despite the popular press), the sheer magnitude of new supply and planned supply finally spelt the end of the resources boom. Accordingly the Manager used the share price strength in resource stocks in February and April to sell the portfolio's entire holdings in BHP, Rio Tinto and others. As at the 30th June 2014, the portfolio contained no holdings in these companies.

The global economy continued to intrigue and confuse, with 'good news' (in an economic sense) being treated as bad news (ie an end to Quantitative Easing) and vice versa. More recently we have witnessed good news being seen as bad news and bad news being seen likewise!

In all of this, it is important to remain focussed on the underlying fundamentals and avoid as much of the noise as it is possible to do so. We discuss this further in 'Outlook'.

The Top 10 holdings of the Fund are shown below. It has a noticeably different complexion to that of the preceding period, with a strong emphasis on and bias towards quality large and emerging industrial and diversified financial services companies.

TOP 10 CURRENT HOLDINGS



OUTLOOK

There are continued signs of growth in the US where quantitative easing appears to have achieved the desired effect. However at present, the market has chosen to ignore the good news coming out of the world's largest economy and instead focus on the 'noise' emanating from Europe. Whilst it would be unwise to be dismissive of the problems and issues arising from this part of the globe, the European economy is in some respects a 'distraction' from the primary drivers of our own economy.

Clearly the more important impact on the Australian economy is the workings of the less transparent and increasingly volatile Chinese market, which is 4 times the size of our next largest trading partner (Japan). Many of the intricacies therein cannot and will not be known until we view them in the rear mirror. However, some consistent, logical underlying themes have emerged that we can have some level of confidence in:

1. The current level of fixed and property investment is simply not sustainable
2. The Chinese economy is currently showing a limited ability to transition to a services and consumer driven economy and we can expect ongoing uncertainty and volatility as the authorities grapple with this transition
3. In addition to the mix of the Chinese economy, growth rates at or near 7.5% pa are unsustainable and we should re-base our expectations sooner rather than later
4. On the positive front, unlike the majority of western economies, the Chinese Government has the legal structure and financial firepower to make large and rapid changes and in the greater likelihood will do so to prevent a 'hard landing'.

In short, whilst this confirms our bearish outlook for the resources and resource servicing sectors, it does not mean the end of growth for the Australian economy. We continue to see some positive drivers over the medium to long term:

1. Firstly, whilst the supply side response has dampened commodity prices, at the end of the day Australia in all likelihood will export more tonnes of iron ore this financial year than it did at any time throughout history. This continues to provide a solid royalty base and underlying demand for supporting services.
2. China and Asia generally are still in the early phases on the energy utilisation curve. The demand for Australia's gas via LNG will grow and by 2018 or there about Australia will be the largest exporter of LNG anywhere in the world. Whilst the direct and indirect impact on jobs will be modest, the resultant royalties will be substantial (PRRT, company tax, payroll et al) and much of this (should) find its way into a new round of government-led infrastructure spending.
3. Chinese tourism is now 2nd only to New Zealand but growing rapidly. Seven of the top 10 sources of Australian bound tourism are now Asian nations. In addition the Chinese and greater Asian demand for Australian residential properties has increased significantly in the past 3+ years and is a growing source of demand for our job- intensive building sector.
4. The well documented increase in the demand for protein being driven by the emerging Asian middle class, provides ample opportunities for the Australian agricultural sector which boasts advantages in proximity, technology, bio-security and the unit cost of land.

INVESTMENT REPORT CONTINUED

In summary, the Manager has therefore continued to remain devoid of resource stocks, but has worked to identify China-facing businesses and those stocks that will benefit from a robust Australian economy.

The Manager believes that the stock market will move higher and provide decent gains over the next 8 months, boosted by a lower Australian dollar, stable interest rates and improving US economy.

Whilst the 'yield trade' is currently out of vogue, it is unlikely that interest rates will rise dramatically and hence investors will be drawn back to companies that offer a solid and sustainable yield.

Despite this, there will continue to be periods of volatility due to changes in expectations in regard to the local and global economic outlook. In addition, the ongoing withdrawal of quantitative easing in the US may cause some further nervousness, as will the machinations in Europe.

The Manager believes that it will continue to find and invest in good quality companies that are able to deliver high levels of profitable growth and ultimately outperform the broader market. The Manager will however, only invest valuable shareholder funds when it considers the risk/return equation to be favourable.

CORPORATE

During the 2014 financial year the company bought back 1,192,477 KAT shares under the share buyback. This reduced the number of share on issue from 35,194,896 shares to 34,002,419 shares as at 30 June 2014. As well as providing liquidity to existing shareholders, the buyback has increased the underlying net asset backing per share for all existing and remaining shareholders.

For the 2013/14 financial year Katana Capital Ltd declared dividends totalling 5.5 cents, of which 4.0c were fully franked and 1.5c franked to 50%. This represented an increase of 57% over the previous financial year.

Although Listed Investment Companies can trade at a discount to their NTA, particularly when times are challenging, it is worth highlighting some of the benefits of Listed Investment Companies. These include:

- the potential to pass on franking credits
- liquidity and ease of transacting
- the benefit of being a 'closed-ended fund' – ie that long term performance is not hindered by the Manager being a forced seller of equities to facilitate redemptions during periods of panic and hence depressed prices.

In early 2014, the Manager recruited a fifth portfolio manager in the form of Mr Steve Thomas. The Manager believes that Mr Thomas is an excellent addition to the team given his background as a mining geologist, 20+ years' experience in financial services and zealous attitude and approach.

Importantly, the Manager bears all of the cost of the additional staff member, but it is hoped that in the fullness of time it is Katana's shareholders whom will reap the benefits.

Subsequent to the completion of the financial year, 2 important events took place that it is hoped will reduce the overall cost of running Katana Capital Ltd and provide a better conversion from gross investment returns to net shareholder returns.

The first of these is the oversubscribed placement of new shares in Katana Capital and subsequent rights issue. In total, the funds under management increased by close to 35%. This is important to all shareholders, as it effectively reduces the cost per share to run the business.

Secondly, as reported to the ASX on the 26th September 2014, the Manager has voluntarily reduced the management and performance fees by approximately 20%. This will directly benefit all shareholders. In addition the Manager has further reduced some transaction costs and is working with the Board to review all costs in order to maximise the conversion of gross returns to net returns.

On behalf of all of the staff at Katana Asset Management, we take this opportunity to once again thank Katana Capital's valued shareholders for your support and belief throughout the 2014FY and beyond.

Brad Shallard
Romano Sala Tenna

INVESTMENT MANAGERS
KATANA ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT WITH RESPECT TO RESULTS OF KATANA CAPITAL LIMITED (THE "COMPANY" OR "KATANA CAPITAL") AND ITS CONTROLLED ENTITIES (THE "GROUP") FOR THE YEAR ENDED 30 JUNE 2014 AND THE STATE OF AFFAIRS FOR THE COMPANY AT THAT DATE.

DIRECTORS

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

INFORMATION ON DIRECTORS

Dalton Gooding
BBus, FCA.
(Non Executive Chairman)

Mr Gooding was appointed to the Board on 11 November 2005. Mr Gooding, formerly a long-standing partner at Ernst & Young, is a Fellow of the Institute of Chartered Accountants in Australia. He is currently the managing partner of Gooding Partners and advises to a wide range of businesses with particular emphasis relating to taxation and accounting issues, due diligence, feasibilities and general business advice. 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:

- SIPA Resources Limited
  - appointed 1 May 2003
- Brierty Limited
  - appointed 26 October 2007
- Avita Medical Limited
  - appointed 14 November 2002, resigned 1 July 2014

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

Mr Wallace was appointed to the Board on 19 September 2005. Mr Wallace has had 45 years in the Banking and Finance industry with experience gained in all aspects of debt and equity raising. Past Executive positions held include COO of a major Regional Bank as well as Chief Credit Officer and other General Management roles. Most recently as Head of Corporate Advisory for Bell Potter Securities Ltd, Mr Wallace directed the capital raisings for several large Public companies as well as providing a variety of Corporate Advisory services to a wide range of companies, both private and publicly owned. During the past three years Mr Wallace has also served as a director of the following other listed companies:

- Neptune Marine Services Limited
  - appointed 8 July 2011
- Goldfields Money Ltd
  - appointed 7 August 2014

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

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

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

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

Mr Sala Tenna has worked in the Finance Industry for over 17 years in various fields including credit, financial advising, business development, corporate advisory and equity sell side / buy side.

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

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

COMPANY SECRETARY

Gabriel Chiappini
B.Bus, GAICD, CA

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

DIRECTORS' REPORT CONTINUED

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 2014, and the numbers of meetings attended by each director were:

	DIRECTORS' MEETINGS		AUDIT & COMPLIANCE COMMITTEE MEETINGS	
	A	B	A	B
Dalton Gooding	5	5	2	2
Peter Wallace	5	5	2	2
Giuliano Sala Tenna	5	5	2	2

A = Number of meetings attended

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

COMMITTEE MEMBERSHIP

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

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

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

DIRECTORS' INTEREST IN SHARES AND OPTIONS

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

	NO. OF SHARES 30 JUNE 2014
Dalton Gooding	131,102
Peter Wallace	300,000
Giuliano Sala Tenna	100,000

There are no options outstanding as at 30 June 2014.

EARNINGS PER SHARE

	30 JUNE 2014 CENTS	30 JUNE 2013 CENTS
Basic earnings per share		
Earnings from continuing operations attributable to the ordinary equity holders of the company	**17.07**	4.82

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share was 34,592,393 (2013: 36,947,312).

There were no dilutive securities on issue as at 30 June 2014.

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 2014:

		30 JUNE 2014	30 JUNE 2013
Dividend paid during 1st Quarter of financial year	Total Paid	**$352,672**	-
	Cents per share	**1 cent**	nil
Dividend paid during 2nd Quarter of financial year	Total Paid	**$435,278**	$383,316
	Cents per share	**1.25 cents**	1 cents
Dividend paid during 3rd Quarter of financial year	Total Paid	**$427,917**	$358,985
	Cents per share	**1.25 cents**	1 cents
Dividend paid during 4th Quarter of financial year	Total Paid	**$512,662**	$539,134
	Cents per share	**1.5 cents**	1.5 cents
Total		**1,728,529**	1,281,435

CORPORATE INFORMATION

The Company was incorporated on 19 September 2005. During the 30 June 2007 financial year it incorporated a wholly owned subsidiary Kapital Investments (WA) Pty Ltd. Katana Capital Limited is incorporated and domiciled in Australia. The registered office is located at Level 9, The Quadrant Building, Perth, WA 6000, Australia.

PRINCIPAL ACTIVITY

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

EMPLOYEES

As at 30 June 2014, the Group did not have any full time employees (2013: Nil).

OPERATING AND FINANCIAL REVIEW

COMPANY OVERVIEW

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

Katana Capital has outperformed the All Ordinaries Index in seven of the eight years since its IPO in FY 2006 through to FY13 on a gross fees pre tax basis and we are happy to report that FY14 added to this exceptional track record with the Fund Manager delivering a positive return of 26.78% versus the All Ordinaries index return of 12.7%. One of the most pleasing aspects about this performance was that it was achieved with a relatively high average cash balance of over the course of the year demonstrating the exceptional risk reward profile of the portfolio throughout the year.

OPERATING RESULTS FOR THE YEAR

The profit before tax for the year was $6,256,834 (2013: $1,780,914 profit before tax) and profit after tax for the year was $5,904,101 (2013: $1,780,914 profit after tax).

INVESTMENTS FOR FUTURE PERFORMANCE

Katana's Fund Manager notes that the Australian equity market has now seen valuations return to more normalised historical levels and therefore we are entering a more challenging time for equity investing. In saying that the Fund Manager continues to find some pockets of value including in a number of mid and small-cap companies. In addition to this, the Fund Manager has reviewed and invested in a number of successful IPOs more recently with several more on the radar for immediate further work.

CASH FROM OPERATIONS

Net cash inflows from operations were $3,824,823 (2013: outflows $1,482,144) during the year which reflects the Group's investment from the Australian equities market.

Net cash flows for the financial year ending 30 June 2015 are expected to remain neutral and will be subject to the Group taking advantage of opportunities within the Australian equities market and the general performance of the market.

LIQUIDITY AND FUNDING

Following completion of the issue of 8,400,000 shares at $0.93 together with 1-for-8 rights issue, the Company foresees no need to raise additional equity and will use its remaining cash reserves to invest into the Australian equities market along with continuing dividend payments and share buybacks.

RISK MANAGEMENT

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

Implementation of the risk management system and day to day management of risk is the responsibility of the Fund Manager. The Fund Manager is primarily responsible for all matters associated with risk management associated with the Equity Markets and Investment of the Group's funds and has formalised an Investment Committee that meets on a regular basis to review the Group's investments.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SIGNIFICANT CHANGES AFTER BALANCE DATE

On 22 August 2014, the company announced to the ASX that it had completed the placement of 8,400,000 shares at an issue price of $0.93 per share to raise $7,812,000. Also on 22 August 2014, the company announced a 1-for-8 Non Renounceable Pro-Rata Rights Issue at an issue price of $0.93 per share. On 25 September 2014, the company announced to the ASX that it had received applications for 3,183,970 rights by eligible shareholders at an issue price of $0.93 raising a total of $2,961,092. Katana Capital will seek to place the shortfall of 2,111,435 rights with the Lead Manager to the offer, Taylor Collison.

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

DIRECTORS' REPORT CONTINUED

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The current global economic picture is now becoming more divergent as we witness an improving American economy while China begins to show some worrying signs in it's property markets and Europe re-enters yet another recession. The importance of this for all financial markets should not be underestimated as this will have direct implications for yield curves, currencies and global trade which will impact on different asset classes and sectors in different ways.

We must remember that the USA is still the largest economy in the world and hence it is difficult to see a negative environment for equity investing set against the backdrop of an improving American economy however we are likely to see further divergence in equity returns for those companies that directly benefit from a falling AUD, rising US yield curve and improving economic activity in the USA versus those companies that are more domestically focused or exposed to the slowing construction sector in China.

The Fund Manager believes this is very much an environment for active stock picking and we will see significant rotation out of some sectors in the market that have performed very well over the last few years into those sectors which are positively exposed to the above. We do not believe a passive investment strategy will work in this environment and hence we expect significant activity in the portfolio throughout FY 2015.

The Fund Manager has been receptive to a number of the recent IPOs to market and believe this will continue to represent some of the better investment opportunities in the coming year. The Fund Manager continues to believe it's flexible approach to investing across any sector and market capitalisation combined with it's nimbleness will provide it with a strong base to continue to outperform the broader market moving forward.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

UNISSUED SHARES

There were no options outstanding as at 30 June 2014.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

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

OPTIONS GRANTED AS REMUNERATION

There were no options granted as remuneration.

REMUNERATION REPORT (AUDITED)

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

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

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

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

(i) Chairman - non executive
Dalton Gooding

(ii) Non executive directors
Peter Wallace
Giuliano Sala Tenna

(B) OTHER KEY MANAGEMENT PERSONNEL

In addition to the Directors noted above, Katana Asset Management 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 Katana Asset Management Limited are Brad Shallard and Romano Sala Tenna.

OFFICER

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

REMUNERATION PHILOSOPHY

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

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

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

REMUNERATION STRUCTURE

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

(i) Non executive director remuneration

Objective

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

Structure

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

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2014 is detailed on page 11 of this report.

(ii) Senior manager and executive director remuneration

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

Employment contracts

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

DIRECTORS' REPORT CONTINUED

(iii) Compensation by other Key Management Personnel

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

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

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

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

The 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 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:

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT AND PERFORMANCE FEES

Total management and performance fees paid and accrued by the Group to Katana Asset Management Ltd for the year ended 30 June 2014 was $1,253,613 (30 June 2013: $428,813) as follows:

(i) Management fee

The Fund Manager receives a monthly management fee equal to 0.104167% of the Portfolio value calculated at the end of each month. The fee for 2014 was $445,958 (2013: $428,813). The directors and shareholders of Katana Asset Management Ltd are also shareholders in Katana Capital Limited.

(ii) 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 Fund Manager qualified to receive a performance fee of $807,655 for the financial year ended 30 June 2014 (2013: $Nil).

COMPANY PERFORMANCE

The profit/(loss) after tax for the group from 2010 is as follows:

	2014	2013	2012	2011	2010
Profit/(loss) after tax expense	**$5,904,101**	$1,780,914	$(5,209,056)	$3,940,477	$5,308,691
Earnings/(Loss) per share - cents	**17.07**	4.82	(13.26)	9.78	12.89
Share Price 30 June	**$0.945**	$0.78	$0.60	$0.84	$0.66

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL OF THE COMPANY AND THE GROUP

2014	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		
NAME	SALARY AND FEES	OTHER[1]	SUPERANNUATION	TERMINATION BENEFITS	OPTIONS	TOTAL	PERCENTAGE OF REMUNERATION WHICH IS PERFORMANCE BASED
	$	$	$	$	$	$	%
Non-executive directors							
Dalton Gooding	70,000	-	6,475	-	-	76,475	-
Peter Wallace	40,000	-	3,701	-	-	43,701	-
Giuliano Sala Tena	40,000	-	3,701	-	-	43,701	-
Total non-executive directors	**150,000**	**-**	**13,877**	**-**	**-**	**163,877**	**-**
Key Management Personnel (KMP)							
Katana Asset Management Ltd	445,958	807,655	-	-	-	1,253,613	64%
Total non-executive directors, officers & KMP	**595,958**	**807,655**	**13,877**	**-**	**-**	**1,417,490**	**-**

1 This relates to the performance fees to the Fund Manager as stated in (ii) above.

2013	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS		
NAME	SALARY AND FEES	OTHER	SUPERANNUATION	TERMINATION BENEFITS	OPTIONS	TOTAL	PERCENTAGE OF REMUNERATION WHICH IS PERFORMANCE BASED
	$	$	$	$	$	$	%
Non-executive directors							
Dalton Leslie Gooding	70,000	-	6,930	-	-	76,930	-
Peter Wallace	40,000	-	3,600	-	-	43,600	-
Giuliano Sala Tena	40,000	-	3,600	-	-	43,600	-
Total non-executive directors	**150,000**	**-**	**14,130**	**-**	**-**	**164,130**	**-**
Key Management Personnel (KMP)							
Katana Asset Management Ltd	428,813	-	-	-	-	428,813	-
Total non-executive directors, offices & KMP	**578,813**	**-**	**14,130**	**-**	**-**	**592,943**	**-**

DIRECTORS' REPORT CONTINUED

EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Option holdings

There were no options held by the directors or key management personnel during the financial year (2013: Nil).

(ii) Shareholdings

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

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

2014 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR IN THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR[2]	BALANCE AT THE END OF THE YEAR
Directors of Katana Capital Limited				
Ordinary shares				
Dalton Leslie Gooding	117,991	-	13,111	131,102
Peter Wallace	300,000	-	-	300,000
Giuliano Sala Tenna	100,000	-	-	100,000
Other key management personnel of the Company				
Ordinary shares				
Brad Shallard	2,602,717	-	365,781	2,968,498
Romano Sala Tenna	2,828,378	-	455,692	3,284,070
Katana Asset Management Ltd	-	-	-	-

2 Acquired from the market during the year

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

Dalton Gooding is a partner of Gooding Partners Chartered Accounting firm and as part of providing taxation advisory services, Gooding Partners received $33,352 (2013: $21,551) for tax services provided.

END OF REMUNERATION REPORT (AUDITED)

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

The total amount of insurance contract premiums paid was $31,750 (2013: $29,800). This amount has not been included in Directors and Executives remuneration.

INDEMNIFICATION OF AUDITORS

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

AUDITOR INDEPENDENCE

The Directors have obtained an independence declaration from the Company's auditors, Ernst & Young, as presented on page 14 of this Annual report.

NON-AUDIT SERVICES

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

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

Dalton Gooding
Chairman

Perth, Western Australia

26 September 2014

AUDITOR'S INDEPENDENCE DECLARATION

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
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 2014, 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

Peter McIver

Peter McIver
Partner
26 September 2014

PM:EH:KAT:036

FINANCIAL STATEMENTS

30 JUNE 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED FOR THE YEAR ENDED 30 JUNE 2014 $	30 JUNE 2013 $
INCOME			
Dividends		**804,281**	1,051,724
Interest		**188,704**	348,335
Distributions income		**77,414**	27,313
Investment income	3	**7,236,354**	1,467,323
Total income		**8,306,753**	2,894,695
EXPENSES			
Fund manager's fees	13 (a)	**(445,958)**	(428,813)
Legal and professional		**(89,852)**	(97,891)
Directors' fees and expenses		**(163,877)**	(167,658)
Administration		**(542,577)**	(419,419)
Performance fees	13 (a)	**(807,655)**	-
Total expenses		**(2,049,919)**	(1,113,781)
Profit before income tax		**6,256,834**	1,780,914
Income tax expense	4 (a)	**(352,733)**	-
Profit after income tax		**5,904,101**	1,780,914
Net profit for the year attributable to members of Katana Capital Limited		**5,904,101**	1,780,914
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year attributable to the members of Katana Capital Limited		**5,904,101**	1,780,914
		CENTS	CENTS
Earnings per share attributable to the ordinary equity holders of the company:			
Basic and diluted earnings per share	18 (a)	**17.07**	4.82

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTES	CONSOLIDATED AT 30 JUNE 2014 $	30 JUNE 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	5	**5,647,123**	4,552,320
Trade and other receivables	6	**1,671,190**	794,716
Investments - held for trading	7	**29,043,356**	26,008,616
Other assets		**34,675**	27,712
Total current assets		**36,396,344**	31,383,364
Non-current assets			
Deferred tax assets	8	**-**	-
Total assets		**36,396,344**	31,383,364
LIABILITIES			
Current Liabilities			
Financial liabilities held at fair value through profit or loss – exchange traded options		**35,123**	-
Trade and other payables	9	**1,806,623**	355,580
Dividends payable		**3,317**	3,317
Income tax payable		**66,505**	-
Total current liabilities		**1,911,568**	358,897
Non-current liabilities			
Deferred tax liabilities	10	**286,228**	-
Total liabilities		**2,197,796**	358,897
Net assets		**34,198,548**	31,024,467
EQUITY			
Issued capital	11	**34,607,708**	35,609,199
Option premium reserve	12(a)	**101,100**	101,100
Accumulated losses	12(b)	**(510,260)**	(4,685,832)
Total equity		**34,198,548**	31,024,467

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED

	NOTES	ISSUED CAPITAL $	OPTION PREMIUM RESERVE $	ACCUMULATED LOSSES $	TOTAL $
BALANCE AT 1 JULY 2012		**37,833,877**	**101,100**	**(5,185,311)**	**32,749,666**
Profit for the year		-	-	1,780,914	1,780,914
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**1,780,914**	**1,780,914**
Buy-back of shares	11	(2,224,678)	-	-	(2,224,678)
Dividends provided for or paid	21	-	-	(1,281,435)	(1,281,435)
Balance at 30 June 2013		**35,609,199**	**101,100**	**(4,685,832)**	**31,024,467**
BALANCE AT 1 JULY 2013		**35,609,199**	**101,100**	**(4,685,832)**	**31,024,467**
Profit for the year		-	-	5,904,101	5,904,101
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**5,904,101**	**5,904,101**
Buy-back of shares	11	(1,001,491)	-	-	(1,001,491)
Dividends provided for or paid	21	-	-	(1,728,529)	(1,728,529)
Balance at 30 June 2014		**34,607,708**	**101,100**	**(510,260)**	**34,198,548**

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED 30 JUNE 2014 $	30 JUNE 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds on sale of financial assets		**97,846,071**	47,299,686
Payments for purchases of financial assets		**(93,790,651)**	(49,043,281)
Payments to suppliers and employees		**(1,238,145)**	(1,111,154)
Interest received		**208,295**	340,029
Dividends received		**787,023**	1,032,726
Other revenue		**9,303**	6,157
Tax received/(paid)		**2,927**	(6,307)
Net inflow/(outflow) from operating activities	15	**3,824,823**	(1,482,144)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		**(1,728,529)**	(1,281,435)
Payments for shares bought back		**(1,001,491)**	(2,224,754)
Net cash outflow from financing activities		**(2,730,020)**	(3,506,189)
Net increase/(decrease) in cash and cash equivalents		**1,094,803**	(4,988,333)
Cash and cash equivalents at the beginning of the financial year		**4,552,320**	9,540,653
Cash and cash equivalents at end of year	5	**5,647,123**	4,552,320

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2014

1 CORPORATE INFORMATION

The financial report of Katana Capital Limited (the "Company") and its subsidiaries (the "Group" or the "Consolidated Entity") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 26 September 2014.

The Company was incorporated on 19 September 2005. In July 2006 it incorporated its 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. The Company and its subsidiary are for-profit entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report comprises the financial statements of Katana Capital Limited and its subsidiaries.

The financial report is presented in Australian dollars.

(b) Statement of compliance

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

Changes in accounting policy and disclosures

The Group has adopted all the new and amended Australian Accounting Standards and AASB interpretations effective as at 1 July 2013. The nature and impact of each new standard and amendment is described below:

- AASB 10 Consolidated Financial Statements

  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations. The adoption had no material impact on the Group's financial statements.

- AASB 12 Disclosure of Interests in Other Entities

  New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The adoption had no material impact on the Group's financial statements.

- AASB 13 Fair Value Measurement

  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities, and provides guidance on how to determine fair value when fair value is required or permitted.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value measurements have been is disclosed in Note 16.

- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

  AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. The adoption of these amendments had no material impact on the Group's financial statements.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

  This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

The adoption of these amendments had no material impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Statement of compliance *(continued)*

Accounting standards and interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2014. The nature of each new standard and amendment is described below:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (application date of 1 July 2014)

  AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.

- AASB 9 Financial Instruments (application date of 1 July 2018)

  On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.

  The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

  The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

  AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

  The main changes are described below.

  a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
  b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
  c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
  d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
     - The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
     - The remaining change is presented in profit or loss

  AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

  Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (application date of 1 July 2014)

  AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] (application date of 1 July 2014)

  AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Statement of compliance *(continued)*

Accounting standards and interpretations issued but not yet effective. *(continued)*

- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139] (application date of 1 July 2014)

  These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.

  These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

  These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.

- AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle (application date of 1 July 2014)

  This standard sets out amendments to Australian Accounting Standards arising from the issuance by the IASB of IFRSs Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. The following items are addressed by this standard:

  - AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
  - AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
  - AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
  - AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
  - AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

- AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle (application date of 1 July 2014)

  Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

  - AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
  - AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

- AASB 1031 Materiality (application date of 1 July 2014)

  The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.

  AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.

- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (application date of 1 July 2014)

  The Standard contains three main parts and makes amendments to a number Standards and Interpretations.

  - Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.
  - Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.
  - Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Statement of compliance *(continued)*

Accounting standards and interpretations issued but not yet effective. *(continued)*

- IFRS 15 Revenue from Contracts with Customers (application date of 1 July 2017)

  IFRS 15, which has not yet been adopted by the AASB, supersedes:

  a. IAS 11 Construction Contracts

  b. IAS 18 Revenue

  c. IFRIC 13 Customer Loyalty Programmes

  d. IFRIC 15 Agreements for the Construction of Real Estate

  e. IFRIC 18 Transfers of Assets from Customers

  f. SIC-31 Revenue—Barter Transactions Involving Advertising Services

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

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

  Step 2: Identify the performance obligations in the contract

  Step 3: Determine the transaction price

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

  Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards or amendments will be adopted when they become effective.

The Group is yet to assess the impact of the adoption of these standards and amendments on its financial statements.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Basis of consolidation *(continued)*

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

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

(d) Investments and other financial assets

Financial assets are classified as either financial assets held for trading (financial assets at fair value through profit or loss), 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 statement of comprehensive income. 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 reporting 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 statement of comprehensive income when the financial assets are derecognised or impaired, as well as through the amortisation process.

(iii) Derecognition of financial assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences between the carrying amount and tax losses to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

g) Cash and cash equivalents

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

For the purposes of the statement of cash flow, cash and cash equivalents includes deposits held at call with banks or financial institutions.

(h) Trade and other 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(j) Interest-bearing loans and borrowings

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

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

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

(k) Goods and Services Tax (GST)

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

Reduced input tax credits (RITC) recoverable by the Company from the ATO are recognised as receivables in the statement of financial position.

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

(l) Earnings per share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

(m) Derivative financial instruments

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

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

Exchange traded options

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

(n) 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.

(o) Pension benefits

Defined contribution plan

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Share based payments

Equity settled transactions

The Company can provide benefits to its employees (including key management personnel) in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

There are currently no formal plans in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group or Company receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of Katana Capital Limited (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

a. The grant date fair value of the award.
b. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
c. The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above, less the amounts already charged in previous periods. There is a corresponding entry to equity. Equity-settled awards granted by Katana Capital Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Katana Capital Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. Shares in the Group reacquired on-market are classified and disclosed as reserved shares and deducted from equity.

(q) Parent entity financial information

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

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) 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.

3 INVESTMENT INCOME

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Realised gains/(losses) on investments held for trading	**253,991**	(1,882,565)
Unrealised gains on investments held for trading	**6,973,060**	3,343,731
Other	**9,303**	6,157
	7,236,354	1,467,323

4 INCOME TAX EXPENSE

(a) Income tax expense

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Current tax expense	**66,505**	-
Deferred tax expense	**286,228**	-
	352,733	-
Deferred income tax expense included in income tax expense comprises:		
Increase/(decrease) in deferred tax assets (Note 8)	**152,148**	230,008
(Increase)/decrease in deferred tax liabilities (Note 10)	**(438,376)**	(230,008)
	(286,228)	-

(b) Reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Profit from continuing operations before income tax expense	**6,256,834**	1,780,914
Tax at the Australian tax rate of 30% (2013 - 30%)	**1,877,050**	534,274
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Franking credits	**83,352**	117,151
Franking rebate	**(277,839)**	(390,504)
Deferred tax asset not recognised - movement	**-**	(109,895)
Non Assessable Income	**(1,858)**	(1,103)
Adjustment in respect of income tax of previous year	**747**	-
Tax losses recouped - previously not recognised	**(1,328,719)**	(149,923)
Income Tax Expense	**352,733**	-

5 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
Cash at bank	**1,147,121**	3,052,320
Fixed term deposits	**4,500,002**	1,500,000
	5,647,123	4,552,320

6 CURRENT ASSETS - TRADE AND OTHER CURRENT RECEIVABLES

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
Unsettled trades - listed equities	**1,518,730**	688,803
Interest receivable	**7**	19,598
Dividend receivable	**129,653**	82,450
Distribution receivable	**22,800**	3,865
	1,671,190	794,716

There are no receivables past due or impaired.
Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

7 CURRENT ASSETS - INVESTMENTS HELD FOR TRADING

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
Equity securities - classified as held at fair value through profit or loss	**24,551,209**	23,994,218
Convertible notes	**-**	619,500
Australian listed trusts	**3,484,148**	620,506
Australian unlisted trusts	**1,007,999**	774,392
	29,043,356	26,008,616

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

8 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
The balance comprises temporary differences attributable to:		
Tax losses	**-**	1,655,931
Other		
Investments	**430,562**	192,026
Provisions	**297,408**	54,471
Other	**1,340**	2,658
Tax losses not recognised	**-**	(1,327,924)
Total deferred tax assets	**729,310**	577,162
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 10)	**(729,310)**	(577,162)
Net deferred tax assets	**-**	-

The deferred tax asset is recognised as an asset at this time due to the Company's view that utilising the tax asset is considered probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 JUNE 2014

9 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED AT 30 JUNE 2014 $	30 JUNE 2013 $
Unsettled trades - listed equities	**801,015**	171,636
Management fee - Katana Asset Management Ltd	**113,872**	104,557
Trade creditors	**46,434**	53,616
Performance fee payable	**807,655**	-
PAYG tax instalments	**14,250**	2,374
Custody fees payable	**23,397**	23,397
	1,806,623	355,580

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

10 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED AT 30 JUNE 2014 $	30 JUNE 2013 $
The balance comprises temporary differences attributable to:		
Deferred tax liabilities		
Investments	**976,640**	546,548
Dividends receivable	**38,896**	24,735
Other	**2**	5,879
Total Deferred tax liabilities	**1,015,538**	577,162
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 8)	**(729,310)**	(577,162)
Net deferred tax liabilities	**286,228**	-

11 ISSUED CAPITAL

	CONSOLIDATED ENTITY AT 30 JUNE 2014 SHARES	30 JUNE 2013 SHARES	CONSOLIDATED ENTITY AT 30 JUNE 2014 $	30 JUNE 2013 $
Ordinary shares fully paid	**34,002,419**	35,194,896	**34,607,708**	35,609,199

(a) Movements in ordinary share capital:

DATE	DETAILS	NUMBER OF SHARES	$
1 July 2012	**Opening balance**	38,383,700	37,833,877
	Buy-back of shares	(3,188,804)	(2,224,678)
30 June 2013	**Balance**	35,194,896	35,609,199
1 July 2013	**Opening balance**	35,194,896	35,609,199
	Buy-back of shares	(1,192,477)	(1,001,491)
30 June 2014	**Balance**	34,002,419	34,607,708

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

During the period from 1 July 2013 to 30 June 2014, 1,192,477 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of $0.83 with the price ranging from $0.75 to $0.97 per share.

11 ISSUED CAPITAL CONTINUED

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. The Company defines its capital as the total funds under management, being $36,396,344 at 30 June 2014 (30 June 2013: $31,383,364), including equities and cash reserves. The Company does not have any additional externally imposed capital requirements however has as a goal the ability to continue to grow assets under management and maintain a sustainable dividend return to shareholders. To assist with meeting its internal guidelines, Katana Asset Management Limited holds regular Investment Committee meetings to assess the equity portfolio.

12 RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
Option premium reserve	**101,100**	101,100
	101,100	101,100

The option premium reserve is used to record the value of share based payments provided to employees, including KMP, as part of their remuneration.

(b) Accumulated losses

Movements in accumulated losses were as follows:

	CONSOLIDATED AT	
	30 JUNE 2014 $	30 JUNE 2013 $
Opening balance	**(4,685,832)**	(5,185,311)
Net profit after tax attributable to members of the Company	**5,904,101**	1,780,914
Dividends	**(1,728,529)**	(1,281,435)
Closing balance	**(510,260)**	(4,685,832)

13 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Short-term employee benefits		
- Director fees	**150,000**	150,000
- Management fee to Fund Manager	**445,958**	428,813
- Performance fee to Fund Manager	**807,655**	-
Post-employment benefits	**13,877**	14,130
	1,417,490	592,943

14 RELATED PARTY TRANSACTIONS

(a) Directors

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

(b) Related party transactions

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

Dalton Gooding is a partner of Gooding Partners Chartered Accounting firm and as part of providing taxation advisory services, Gooding Partners received $33,352 (2013: $21,551) for tax services provided.

All related party transactions are made at arms length on normal commercial terms and conditions.

Outstanding balances at period end are unsecured and settlement occurs in cash.

Wholly owned group transactions

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

15 RECONCILIATION OF PROFIT AFTER INCOME TAX TO CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Profit/(loss) for the year	**5,904,101**	1,780,914
(Gains)/losses recognised on measurement to fair value of investments	**(6,973,060)**	(3,343,731)
(Increase)/decrease in financial assets held for trading	**3,939,875**	803,931
(Increase)/decrease in trade and other receivables	**(883,437)**	(479,165)
Increase/(decrease) in trade and other payables	**1,451,044**	(244,093)
Increase/(decrease) in financial liabilities held at fair value through profit or loss	**33,567**	-
Increase/(decrease) in deferred tax liabilities	**286,228**	-
Increase/(decrease) in current tax liabilities	**66,505**	-
Net cash inflow/(outflow) from operating activities	**3,824,823**	(1,482,144)

16 FINANCIAL RISK MANAGEMENT

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

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

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

(a) Mandate

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

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

The Mandate specifies the following risk control features:

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

- no investment may represent more than 10% of the issued securities of a company at the time of investment.
- total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Group after tax.
- the Fund Manager will adhere to the parameters on a pre stock basis as set out in the table below unless the prior approval of the Board is received to do otherwise.

16 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Portfolio composition and management

The aim of the Fund Manager is to build for the Group a portfolio of 20 to 60 companies, with an emphasis towards holding a larger number of smaller positions. Under the current Mandate, the 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 gearing limits in the Mandate. Under the Mandate, total cumulative gearing on the Portfolio may not exceed 50% of the total value of the net tangible assets of the Group after tax.

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

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%

(c) Asset allocation

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

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

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

(d) Market risk

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

(i) Price Risk

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

Investments are classified in the statement of financial position as held for trading. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The Investment Manager mitigates price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The table on page 35 summarises the impact of an increase/decrease in the Australian Securities Exchange All Ordinaries Index on the Company's net assets attributable to shareholders at 30 June 2014. The analysis is based on the assumptions that the index increased/decreased by 10% (2013: 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 with combined value of $29,008,233 (2013: $26,008,616) that represented the maximum exposure as at reporting date.

16 FINANCIAL RISK MANAGEMENT CONTINUED

(d) Market risk *(continued)*

(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 derivative financial instruments to mitigate the risk of future interest rate changes.

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

	WEIGHTED AVERAGE INTEREST RATE (% P.A.)	YEAR ENDED CONSOLIDATED 30 JUNE 2014	30 JUNE 2013
Financial Assets			
Cash and short term deposits - floating	**3.96%**	**5,647,123**	4,552,320

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 (2013: +/- 50 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the fair value of fixed interest securities.

(e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Company's operating profit and other comprehensive income to interest rate risk and other price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Company 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 invest. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	PRICE RISK			
	-10%	+10%	-10%	+10%
	IMPACT ON OPERATING PROFIT		IMPACT ON OTHER COMPREHENSIVE INCOME	
30 June 2014	**(2,900,823)**	**2,900,823**	**-**	**-**
30 June 2013	(2,600,876)	2,600,876	-	-

	INTEREST RATE RISK			
	-50BPS	+50BPS	-50BPS	+50BPS
	IMPACT ON OPERATING PROFIT		IMPACT ON OTHER COMPREHENSIVE INCOME	
30 June 2014	**(28,236)**	**28,236**	**-**	**-**
30 June 2013	(21,762)	21,762	-	-

16 FINANCIAL RISK MANAGEMENT CONTINUED

(f) Credit risk

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

As at 30 June 2014 the Company does not hold any debt securities (30 June 2013: Nil).

The Company does trade in Exchange Traded Options ("ETO's"). The Investment Manager has established limits such that, at any time, such that options are not traded without holding the physical security in the portfolio and contracts are with counterparties included in the Board's Approved Counterparties list. As at 30 June 2014 the Company held four short term ETO's (30 June 2013: Nil), with three of the ETO's expiring on 24 July 2014 (Macquarie Group Limited) and one ETO expiring on 28 August 2014 (Flight Centre Travel Group Limited). 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.

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.

(g) 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 held four derivatives (ETO's), the financial liability on these derivatives as at 30 June 2014 was $35,123 (30 June 2013: Nil). The four derivatives have now all expired or have been closed out, the trading in ETO's by the company is restricted to ASX top 200 equities and a restricted counterparty list together with having a covered position.

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

(h) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

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

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

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

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

16
FINANCIAL RISK MANAGEMENT CONTINUED

(h) Fair value measurements *(continued)*

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2014.

GROUP - AS AT 30 JUNE 2014	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Assets				
Financial assets held at fair value through profit and loss				
- Equity securities	**24,551,209**	**-**	**-**	**24,551,209**
- Listed Unit Trust	**3,484,148**	**-**	**-**	**3,484,148**
- Unlisted Unit Trust	**-**	**1,007,999**	**-**	**1,007,999**
Total assets	**28,035,357**	**1,007,999**	**-**	**29,043,356**
Liabilities				
Financial liabilities held at fair value through profit and loss				
- Options	**35,123**	**-**	**-**	**35,123**
Total Liabilities	**35,123**	**-**	**-**	**35,123**

GROUP - AS AT 30 JUNE 2013	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Assets				
Financial Assets held at fair value through profit and loss				
- Equity securities	24,218,628	-	-	24,218,628
- Convertible notes	-	619,500	-	619,500
- Listed Unit Trust	396,095	-	-	396,095
- Unlisted Unit Trust	-	774,393	-	774,393
Total assets	24,614,723	1,393,893	-	26,008,616

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

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

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

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

The following tables present the changes in level 3 instruments for the year ended 30 June 2014:

GROUP	2014 $	2013 $
Opening balance	**-**	266,932
Transfer into Level 3	**-**	-
Transfer out to Level 2	**-**	-
Sales	**-**	(177,215)
Purchases	**-**	-
Gains and losses recognised in profit or loss	**-**	(89,717)
Closing balance	**-**	-
Total gains for the period included in profit or loss that relate to assets held at the end of the reporting period	**-**	(89,717)

17 SEGMENT REPORTING

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

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

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

18 EARNINGS PER SHARE

(a) Basic earnings per share:

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 CENTS	30 JUNE 2013 CENTS
Profit per share from continuing operations attributable to the ordinary equity holders of the Company	**17.07**	4.82

There are no dilutive securities on issue as at 30 June 2014 (30 June 2013: Nil).

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

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 $	30 JUNE 2013 $
Basic earnings per share		
Profit from continuing operations	**5,904,101**	1,780,914
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**5,904,101**	1,780,914

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

	CONSOLIDATED YEAR ENDED	
	30 JUNE 2014 NUMBER	30 JUNE 2013 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**34,592,393**	36,947,312
Adjustments for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**34,592,393**	36,947,312

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.

There are no dilutive securities on issue as at 30 June 2014 (30 June 2013: Nil).

19 EVENTS OCCURRING AFTER REPORTING DATE

On 22 August 2014, the company announced to the ASX that it had completed the placement of 8,400,000 shares at an issue price of $0.93 per share to raise $7,812,000. Also on 22 August 2014, the company announced a 1-for-8 Non Renounceable Pro-Rata Rights Issue at an issue price of $0.93 per share. On 25 September 2014, the company announced to the ASX that it had received applications for 3,183,970 rights by eligible shareholders at an issue price of $0.93 raising a total of $2,961,092. Katana Capital will seek to place the shortfall of 2,111,435 rights with the Lead Manager to the offer, Taylor Collison. Other than the above, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operation of the Company or the results of those operations, or the state of affairs of the Company in subsequent financial years.

20 REMUNERATION OF AUDITORS

	CONSOLIDATED YEAR ENDED 30 JUNE 2014 $	30 JUNE 2013 $
(a) Audit services		
Ernst & Young Australia		
Audit and review of financial reports	**54,000**	53,000
Total remuneration for audit and other assurance services	**54,000**	53,000
(b) Non-audit services		
Other services	**-**	-
Total remuneration for other assurance services	**-**	-
Total auditors' remuneration	**54,000**	53,000

21 DIVIDENDS

		PARENT ENTITY YEAR ENDED 30 JUNE 2014	30 JUNE 2013
Dividend paid during 1st Quarter of financial year	Total Paid	**$352,672**	-
	Cents per share	**1 cent**	-
Dividend paid during 2nd Quarter of financial year	Total Paid	**$435,278**	$383,316
	Cents per share	**1.25 cents**	1 cents
Dividend paid during 3rd Quarter of financial year	Total Paid	**$427,917**	$358,985
	Cents per share	**1.25 cents**	1 cents
Dividend paid during 4th Quarter of financial year	Total Paid	**$512,662**	$539,134
	Cents per share	**1.5 cents**	1.5 cents
Total		**1,728,529**	1,281,435

	CONSOLIDATED YEAR ENDED 30 JUNE 2014 $	30 JUNE 2013 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	**93,360**	555,922

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

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

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

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

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

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

22 PARENT ENTITY FINANCIAL INFORMATION

	PARENT ENTITY AS AT 2014 $	2013 $
Balance sheet		
Current assets	**36,396,344**	31,383,364
Non-current assets	**-**	-
Total assets	**36,438,870**	31,383,364
Current liabilities	**1,911,568**	358,897
Non-current liabilities	**286,228**	-
Total liabilities	**2,197,796**	358,897
Shareholders' equity		
Contributed equity	**34,607,708**	35,609,199
Option premium reserve	**101,100**	101,100
Accumulated loss	**(510,260)**	(4,685,832)
	34,198,548	31,024,467
Profit or loss for the year	**5,904,101**	1,780,914
Total comprehensive income	**5,904,101**	1,780,914

Investment in controlled entity at cost

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

Tax consolidation legislation

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

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

Katana Capital Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated Group from 1 July 2007. Katana Capital Limited is the head entity of the tax consolidated Group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote (see Note 4).

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

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

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

23 COMMITMENTS AND CONTINGENCIES

There are no outstanding contingent liabilities or commitments as at 30 June 2014 (30 June 2013: Nil).

24 PRELIMINARY FINAL REPORT - UNAUDITED NET PROFIT AFTER TAX RECONCILIATION

On 29 August 2014, the company lodged its Preliminary Final Report with the ASX andnoted that the Preliminary Final Report was in the process of being audited. The company reported an unaudited Net Profit after Tax of $6,232,855 with a tax expense of $23,979. Following the lodgement of the Preliminary Final Report on 29 August 2014, the company's advisors finalised their review of the FY14 Income Tax Return and Tax Effect Accounting schedules. As a result of this review, the Income Tax Expense for the period ending 30 June 2014 increased from $23,979 to $352,733 and the Net Profit after Tax decreased from $6,232,855 to $5,904,101, representing an increase in tax expense by $328,754.

DIRECTORS' DECLARATION

30 JUNE 2014

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

(a) The financial statements and notes of the consolidated entity set out on pages 16 to 40 are in accordance with the *Corporations Act 2001*, including

(i) giving a true and fair view of the financial position as at 30 June 2014 and of its performance for the year ended on that date of the consolidated entity; and

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

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

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

(d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2011* for the financial year ended 30 June 2014.

On behalf of the Board

Katana Capital Limited

Dalton Gooding
Chairman

26 September 2014

Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Ernst & Young
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Perth WA 6000 Australia
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Independent auditor's report to the members of Katana Capital Limited

Report on the financial report

We have audited the accompanying financial report of Katana Capital Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with 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.

PM:EH:KAT:037

Building a better working world

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Katana Capital Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
26 September 2014

PM:EH:KAT:037

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Katana Capital Limited (Katana) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Katana on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the ASX Corporate Governance Council's corporate governance guidelines contained in Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines), the Katana Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Katana's corporate governance statement has been prepared in accordance with the ASX Corporate Governance Principles and Recommendations with 2010 Amendments 2nd Edition. During FY15 Katana will look to adopt the 3rd edition Corporate Governance Guidelines as updated by the ASX Corporate Governance Council. Where a recommendation has not been followed it is disclosed together with reasons for the departure.

Where a recommendation has not been followed it is disclosed together with reasons for the departure.

The Katana Corporate Governance Statement is structured with reference to the Second Edition Corporate Governance Guidelines, which are as follows:

Principle 1 Lay solid foundations for management and oversight

Principle 2 Structure the board to add value

Principle 3 Promote ethical and responsible decision making

Principle 4 Safeguard integrity in financial reporting

Principle 5 Make timely and balanced disclosure

Principle 6 Respect the rights of shareholders

Principle 7 Recognise and manage risk

Principle 8 Remunerate fairly and responsibly

For further information on corporate governance policies adopted by Katana, refer to our website **www.katanacapital.com.au**

PRINCIPLE	CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATION	COMPLIANCE	HOW WE COMPLY
1	**Lay solid foundations for management and oversight**		
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives	✓	The Board has a Corporate Governance Statement which outlines the role and duties of the Board. The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by: (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to the points noted below: (b) ensuring the Company is properly managed by: (i) setting and communicating clear objectives; (ii) appointing and removing the Managing Director of the Company; (iii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company secretary; (iv) input into and final approval of management's development of corporate strategy and performance objectives; (v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance; (vi) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; (d) approval of the annual budget; (e) monitoring the financial performance of the Company; (f) approving and monitoring financial and other reporting; (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company; (h) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate; and (i) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety. Katana does not employ a Chief Executive Officer or Managing Director, but instead has a Fund Manager that is responsible for the Investment Risk Management and management of the equity Portfolio. The Fund Manager is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out their responsibilities the Fund Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results. Matters which are not covered by the delegations require Board approval. The Corporate Governance Statement is available on the Company's website in the Corporate Governance section.
1.2	Disclose the process for evaluating the performance of senior executives	✓	There are no senior executives in the Company, however the board reviews the performance of the Fund Manager in accordance with the Mandate. Refer to Annual Report for Katana's mandate with the Fund Manager.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.		Refer 1.2, performance of the Fund Manager is reviewed by the board in accordance with the Fund Manager's Mandate.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE	CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATION	COMPLIANCE	HOW WE COMPLY
2	**Structure of the Board to add value**		
2.1	A majority of the Board should be independent directors	✓	The majority of the Board is independent where an independent director is a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations. The company currently has 2 out 3 of its directors classified as independent directors.
2.2	The chairperson should be an independent director	✘	The Chairman, Mr Gooding as noted above in 2.1 does not meet the Governance Council's independence criteria, however the board believes that Mr Gooding will at all times act independently and discharge his duties for the benefit of all shareholders. Mr Gooding is not strictly independent as noted above due to him being a Partner of Chartered Accounting firm Gooding Partners, which from time to time provides professional tax advice on an arms-length basis and as required on a commercial basis, for further information refer to the related party note in the accounts. This is not considered to be a material transaction for Mr Gooding.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	✓	As noted in 1.1 & 1.2 above Katana does not employ a Chief Executive Officer but instead has a Mandate with the Fund Manager which covers some of the functions a traditional Chief Executive Officer would ordinarily perform. The Chairman, Mr Dalton Gooding, facilitates the relationship between the Board and the Fund Manager.
2.4	The Board should establish a nomination committee	✘	The Board does not have a Nomination Committee. The duties of such committee have been considered and adopted by the full Board. The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors. The Board invites persons with relevant industry experience and financial experience to assist it in its appointment of directors.
2.5	The process for evaluating the performance of the Board, its committees and individual directors should be disclosed.	✓	The Company does not have a documented procedure for the evaluating the performance of the Board, its committees and directors. An evaluation of the performance of the Board and its directors is undertaken informally each year. The Chairman of the Board is the driver of this process. This year the Chairman conducted interviews with each director. The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.
2.6	The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available ideally on the Company's website.		Refer 2.4 - The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors. The Board invites persons with relevant industry experience and financial experience to assist it in its appointment of directors.
3	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	✓	The Company has implemented a suite of policies including a Code of Business Conduct which provides guidelines aimed at maintaining high ethical standards and corporate behaviour. The principals of the policies include: • Respect the law and act in accordance with it; • Respect confidentiality and not misuse company information, assets or resources; • Avoid real or perceived conflicts of interest; • Act in the best interest of stakeholders; and • Perform their duties in ways that minimise environmental impacts and maximise workplace safety. Directors and employees are expected to comply with all Company policies and to act professionally with integrity, honesty and responsibility at all times.
	(a) the practices necessary to maintain confidence in the Company's integrity;	✓	
	(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;	✓	
	(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;	✓	
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓	The Board has adopted a policy concerning diversity and has disclosed the policy on its website.

PRINCIPLE	CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATION	COMPLIANCE	HOW WE COMPLY
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✘	Katana encourages diversity in its workforces and to that end has adopted an equal opportunity and anti-discrimination policy which seeks to provide equal employment opportunities to all employee's regardless of race, gender, religion, age, nationality or any other grounds while providing a workplace where everyone is treated equally and fairly and where discrimination, harassment and inequality are not tolerated. Further the Group does not positively discriminate in favour of any group of people and positions of employment are based on technical ability, qualifications and experience. Therefore although the company supports the recommendations contained in the ***ASX Corporate Governance Principles and Recommendation***, it does not follow the recommendations requiring the company to establish measurable objectives for achieving gender diversity as this contradicts our position of not discriminating in favour of any group of people. While not setting specific targets for achieving gender diversity, Katana does not discriminate in favour of or against the appointment of women at any level in the organisation, nor does it discriminate based on gender in setting salary levels, training and development or in other advancement opportunities. This will always be based on technical abilities and qualifications with no consideration to gender.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women in the board	✓	The company does not have any full time employees either male or female. It does not have a female board members.
3.5	Provide related disclosures: • An explanation of any departure from Recommendation 3 • Posting to the company's web site any applicable code of conduct or a summary and the diversity policy or a summary of its main provisions	✓	Explanation of departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) in its future annual reports. The Corporate Governance Policies which includes the Diversity Policy and Corporate Code of Conduct is posted on the Company's website.
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	✓	The Audit, Compliance and Risk Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the internal and external audit function. In doing so, it is the Audit and Risk Committee's responsibility to maintain free and open communications between the Committee, the external auditors, the internal auditors and the management of the Company.
4.2	Structure the audit committee so that it consists of:		The committee complies with the structure as required by the Best Practice Recommendation 4.2.
	(a) only non-executive directors	✓	
	(b) majority of independent directors	✓	
	(c) independent chairperson, who is not the chairperson of the Board	✓	
	(d) at least three members	✓	
4.3	The audit committee should have a formal charter	✓	The Audit, Compliance and Risk Committee Charter is available on the Company's website in the Corporate Governance section.
4.4	The 'Guide to Reporting on Principle 4' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available ideally on the Company's website.	✓	As at the date of this statement, the Company is of the view that it has complied with each of the recommendations under Principle 4 and any future departure (if any) from Recommendation 4 above will be disclosed.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLE	CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATION	COMPLIANCE	HOW WE COMPLY
5	**Make timely and balance disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. These policies or a summary of the policies should be disclosed.	✓	The Company's continuous disclosure policy has been adopted to ensure compliance with obligations under the continuous disclosure regime of the Corporations Law and the Listing Rules of the Australian Stock Exchange Limited and to ensure that all Katana shareholders have access to material information about the Company and its prospects. The disclosure obligations include: • All employees, Company officers and Directors must comply with the ASX Listing Rules and Corporations Law provisions relating to a timely disclosure of price sensitive information to the ASX. The Company does this by releasing written announcements to the ASX. • The Fund Manager together with the board are accountable for the establishment, communication and maintenance of this policy and ensuring that material information is disclosed to the ASX.
5.2	In accordance with the 'Guide to Reporting on Principle 5', the Company has made its Continuous Disclosure and Compliance Policy available on its website.	✓	The Continuous Disclosure Policy can be found on the company's website.
6	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	✓	The Company places considerable importance on effective communications with shareholders and other stakeholders. Katana's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. The strategy provides for the use of systems that ensure a regular and timely release of information about the company is provided to shareholders. Mechanisms employed include: • Announcements lodged with ASX; • Half Yearly Report • Monthly Net Tangible Asset Backing ASX disclosure; • Presentations at the Annual General Meeting; • Annual Report • Promote effective communication with shareholders; and • Encourage shareholder participation at AGMs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.		The Company's Information Disclosure Policy is available on the Company's website in the Investor Centre section.
7	**Recognise and manage risk**		
7.1	The Company should establish policies on risk oversight and management.	✓	The Company is committed to the identification; monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Fund Manager is charged with implementing appropriate risk management systems within the Company and in particular with the investment process. The Board monitors and receives advice on areas from the Fund Manager on operational and financial risk, and considers strategies for appropriate risk management arrangements. The Fund Manager has an Investment Committee that meets on a regular basis to analyse, monitor and review the investment portfolio. Specific areas of risk identified initially and which will be regularly considered at Board meetings include financial performance, performance of portfolio, compliance within regulatory framework, markets, statutory compliance and continuous disclosure obligations. The Fund Manager has its own Investment Committee that regularly reviews the Company's portfolio and reviews the performance of individual stocks. The Investment Committee also makes recommendations on significant investments and conducts its own research to assist with this process. The annual report details material financial and investment risks which arose during the reporting period (see notes to financial statements).

PRINCIPLE	CORPORATE GOVERNANCE BEST PRACTICE RECOMMENDATION	COMPLIANCE	HOW WE COMPLY
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	As part of the reporting process the Fund Manager has provided the Board prior to the Board approving the annual and half-yearly accounts, a written statement that the integrity of the financial statements (as per ASX Recommendation 4.1) are founded on a system of risk management and internal compliance and control which implements the Board's policies and the Company's risk management and internal control system is operating efficiently and effectively in all material matters.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	The Board has received assurance from the Fund Manager that the s295A declaration is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial risks.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓	The company will provide explanation of any departures (if any) from best practice recommendations in its future annual reports. The information is disclosed in the annual report
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	✘	As the company does not presently have any employees including employment of a Managing Director and Senior Executives there is no requirement for remuneration committee
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors • Is chaired by the independent chair • Has at least 3 members	✘	Remuneration Committee has not been established as the company does not have any executives or employees
8.3	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives	✓	Refer Director's Report
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓	In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information: (a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors; (b) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1 and 8.2. An explanation for the departure from Recommendation 8.1 and 8.2 are set out above.

ADDITIONAL ASX INFORMATION

ORDINARY FULLY PAID SHARES (TOTAL)

As of 30 September 2014

Range of Units

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 - 1,000	38	12,701	0.03
1,001 - 5,000	47	178,484	0.39
5,001 - 10,000	67	567,695	1.25
10,001 - 100,000	252	9,894,756	21.72
100,001 - 9,999,999,999	86	34,893,576	76.61
Rounding			**0.00**
Total	**490**	**45,547,212**	**100.00**

Unmarketable Parcels

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum $ 500.00 parcel at $ 0.93 per unit	538	27	4037

TOP 20 SHAREHOLDERS

KATANA CAPITAL LIMITED ORDINARY FULLY PAID SHARES (TOTAL) As of 30 September 2014

Top Holders

RANK	NAME	UNITS	% OF UNITS
1	WONDER HOLDINGS PTY LTD	2,518,139	5.53
2	MR STEPHEN JAMES LAMBERT + MRS RUTH LYNETTE LAMBERT + MR SIMON LEE LAMBERT <LAMBERT RETIREMENT A/C>	2,193,829	4.82
3	CLASSIC CAPITAL PTY LTD <BRL UNIT A/C>	1,509,126	3.31
4	KATANA ASSET MANAGEMENT LTD	1,322,137	2.90
5	JOVE PTY LTD	1,151,586	2.53
6	MR VERNON CHARLES WHEATLEY + MRS JOYCELYN EDITH WHEATLEY <PULO RD SUPER FUND A/C>	1,070,577	2.35
7	MR ROMANO SALA TENNA + MRS LINDA SALA TENNA <THE SALA TENNA SUPER A/C>	1,066,048	2.34
8	COOLAH HOLDINGS PTY LTD <LAMBERT FAMILY A/C>	1,061,873	2.33
9	MR BRAD JOHN SHALLARD + MRS LISA MAREE DUPEROUZEL <THE SHALLARD SUPER FUND A/C>	1,027,104	2.26
10	HOPERIDGE ENTERPRISES PTY LTD <JONES FAMILY A/C>	1,000,000	2.20
11	BS CAPITAL PTY LTD <THE SHALLARD FAMILY A/C>	997,836	2.19
12	TAXA JUNO NOMINEES PTY LTD <RONALD JAMES FAMILY A/C>	830,000	1.82
13	MR VICTOR JOHN PLUMMER	793,549	1.74
14	MRS LINDA SALA TENNA	687,082	1.51
15	WAVEFRONT ASSET PTY LTD <FELSTEAD FAMILY A/C>	630,000	1.38
16	KATANA EQUITY PTY LTD <SALATENNA FAMILY CHARITY A/C>	627,465	1.38
17	CAMBO INVESTMENTS PTY LTD	590,419	1.30
18	METHUEN HOLDINGS PTY LTD <THE PB FAMILY A/C>	580,284	1.27
19	EST MR LAWRENCE HENRY DA SILVA	530,706	1.17
20	MR MARCUS BESEN + MRS JULIE CATHERINE FLEMMING <BESEN FAMILY FOUNDATION A/C>	520,000	1.14
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)	**20,707,760**	**45.46**
	Total Remaining Holders Balance	**24,839,452**	**54.54**

SUBSTANTIAL SHAREHOLDERS

NAME	FULLY PAID SHARES	%
WONDER HOLDINGS PTY LTD	2,518,139	5.53

ADDITIONAL ASX REPORTING

(a) List of investments held as at 30 June 2014

KATANA INVESTMENT PORTFOLIO
NATIONAL AUSTRALIA BANK LTD
BETASHARES CAPITAL LTD AUSTRALIA HIGH INTEREST CASH
CROWN RESORTS LTD
INSURANCE AUSTRALIA GROUP LTD
PERPETUAL LTD
YBR SM FD
COMPUTERSHARE LTD
GLOBAL CONSTRUCTION SERVICES LTD
AMP LTD
AUTOMOTIVE HOLDINGS GROUP LTD
NATIONAL STORAGE REIT
YELLOW BRICK ROAD HOLDINGS LTD
IRON ORE HOLDINGS LTD
TREASURY GROUP LTD
EUROZ LTD
QBE INSURANCE GROUP LTD
SG FLEET GROUP LTD
MYER HOLDINGS LTD
HFA HOLDINGS LTD
ASALEO CARE LIMITED
FSA GROUP LTD
WOODSIDE PETROLEUM LTD
AFFINITY EDUCATION GROUP LTD
ANZ BANKING LTD
MYSTATE LTD
BRICKWORKS LTD
M2 GROUP LTD
HENDERSON GROUP PLC
SANTOS LTD
INGENIA COMMUNITIES GROUP
ICAR ASIA LTD
MINERAL RESOURCES LTD
BENTHAM IMF LTD
PIONEER CREDIT LTD
AMP CAPITAL CHINA GROWTH FUND
COCA-COLA AMATIL LTD
NEW HOPE CORP LTD
GAGE ROADS BREWING CO LTD
MONASH IVF GROUP LTD
SMARTGROUP CORP LTD
AMCOM TELECOMMUNICATIONS LTD
BURU ENERGY LTD
GI DYNAMICS INC
BEACH ENERGY LTD
REGIS RESOURCES LTD
PACIFIC BRANDS LTD
SPECIALTY FASHION GROUP LTD
OTTO ENERGY LTD
COMMODITIES GROUP LT
DIGITAL CC LTD
CROWE HORWATH AUSTRALASIA LTD
PS&C LTD
SUNCORP GROUP LTD
TROY RESOURCES LTD
ELIXIR PETROLEUM LTD

(b) Total Number of Transactions during the report period

Total number of transactions during the 12 months to 30 June 2014 was 1,247 with brokerage fees of $376,892.

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

Please refer to disclosure made in Remuneration Report.

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KATANA

CAPITAL LTD