



## Results for announcement to the market

<b>Financial Results</b>	<b>% movement</b>	<b>31 December 2018 \$'000</b>	<b>31 December 2017 \$'000</b>
Revenue from ordinary activities	80.5%	<b>885</b>	<b>490</b>
Profit/(loss) from ordinary activities after tax attributable to members	-164%	<b>(2,618)</b>	<b>4,076</b>
Net profit/(loss) for the period attributable to members	-164%	<b>(2,618)</b>	<b>4,076</b>

<b>Dividends</b>	<b>Amount per Ordinary Security</b>	<b>Franked amount per Security</b>
2019 interim dividend*	\$0.0025	\$0.0025
2018 interim dividend	\$0.005	\$0.003

Record date for determining entitlements to the 2018 interim dividend	8 February 2019
-----------------------------------------------------------------------	-----------------

<b>Net Tangible Asset Backing</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Net tangible asset backing per ordinary security	\$0.88	\$0.93

### Other explanatory notes

\* **Dividend** – the company declared a 0.25 cent (\$0.0025) 100% franked dividend on 1 February 2019 for the quarterly period ended 31 December 2018

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

# **Katana Capital Limited**

ABN 56 116 054 301

## **Financial statements for the half-year ended 31 December 2018**

# Katana Capital Limited

ABN 56 116 054 301

## Financial statements for the half-year ended 31 December 2018

### Contents

	<b>Page</b>
Directors' report	<b>1</b>
Financial statements	
Consolidated statement of comprehensive income	<b>3</b>
Consolidated statement of financial position	<b>4</b>
Consolidated statement of changes in equity	<b>5</b>
Consolidated statement of cash flow	<b>6</b>
Notes to the consolidated financial statements	<b>7</b>
Directors' declaration	<b>15</b>
Auditor's independence declaration to the Directors of Katana Capital Limited	<b>16</b>
Independent auditor's review report to members of Katana Capital Limited	<b>17</b>

## 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 half-year ended 31 December 2018 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 half-year and up to the date of this report:

Dalton Leslie Gooding  
Peter Wallace  
Giuliano Sala Tenna

### OPERATING AND FINANCIAL REVIEW

The loss before tax for the half-year was \$4,092,290 (2017: profit of \$5,683,614) and loss after tax for the half-year was \$2,617,539 (2017: profit after tax of \$4,075,753).

### EARNINGS PER SHARE

The basic and diluted loss per share is 6.13 cents (2017: basic and diluted profit per share was 9.22 cents).

### DIVIDENDS

During the half-year the Company announced dividends payable for the June 2018 quarter of 1.00 cents per ordinary share (2017: 0.50 cents per ordinary share) and for the September 2018 quarter 0.75 cents per ordinary share (2017: 0.50 cents per ordinary share). The total dividends paid to shareholders were \$750,783 (2017: \$442,070). These dividends were declared and announced to the Australian Stock Exchange (ASX). The following is the summary of the announcement made and the total dividend paid:

Half year ended 31 December 2018:

Date of ASX announcement	Date of Payment	Dividend Declared	Dividend Amount
17 July 2018	17 August 2018	1.00 cents	\$430,154
11 October 2018	9 November 2018	0.75 cents	\$320,629
			<b>\$750,783</b>

Half year ended 31 December 2017:

Date of ASX announcement	Date of Payment	Dividend Declared	Dividend Amount
10 August 2017	11 September 2017	0.50 cents	\$221,403
23 October 2017	23 November 2017	0.50 cents	\$220,667
			<b>\$442,070</b>

The Company has also announced a dividend payable for the December 2018 quarter of 0.25 cents per ordinary share (2017: 0.50 cents per ordinary share). The dividend was declared and announced to the ASX on 1 February 2019 and will be paid out on 1 March 2019.

### 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 half-year under review.

## **Directors' report (continued)**

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

In the opinion of the directors, it is unlikely that there will be any significant changes in the state of affairs of the consolidated entity for the half-year ahead. The company remains committed to a quarterly dividend policy subject to the generation of profits.

### **AUDITOR INDEPENDENCE DECLARATION**

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

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



Dalton Gooding  
Chairman  
27 February 2019

**Katana Capital Limited**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2018**

		<b>Consolidated Half-year ended</b>	
		<b>31 December 2018</b>	<b>31 December 2017</b>
	Notes	\$	\$
<b>Revenue</b>			
Dividend		824,013	400,394
Distribution income		20,012	47,117
Investment (loss) / income	3	(4,151,074)	6,605,614
Interest		<u>40,846</u>	<u>42,658</u>
<b>Total net investment (loss) / income</b>		<u><b>(3,266,203)</b></u>	<u><b>7,095,783</b></u>
<b>Expenses</b>			
Fund manager's fees		(209,346)	(209,179)
Performance fee		(58,715)	(652,088)
Legal and professional		(44,938)	(41,099)
Directors' fees and expenses		(85,625)	(85,625)
Administration		<u>(427,463)</u>	<u>(424,178)</u>
<b>Total expenses</b>		<u><b>(826,087)</b></u>	<u><b>(1,412,169)</b></u>
<b>(Loss) / profit before income tax</b>		<b>(4,092,290)</b>	5,683,614
Income tax benefit / (expense)		<u>1,474,751</u>	<u>(1,607,861)</u>
<b>(Loss) / profit after income tax</b>		<u><b>(2,617,539)</b></u>	<u><b>4,075,753</b></u>
<b>Net (loss) / profit for the half-year attributable to members of Katana Capital Limited</b>		<u><b>(2,617,539)</b></u>	<u><b>4,075,753</b></u>
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) / income for the half-year attributable to the members of Katana Capital Limited</b>		<u><b>(2,617,539)</b></u>	<u><b>4,075,753</b></u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share attributable to the ordinary equity holders of the company:</b>			
Basic and diluted earnings per share		<b>(6.13)</b>	9.22

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

**Katana Capital Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
		<b>At</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2018</b>	<b>2018</b>
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	11,352,379	11,625,349
Trade and other receivables	5	267,387	259,629
Income tax receivable		29,003	-
Investments - held for trading	6	25,035,203	31,355,593
Other assets		<u>86,291</u>	<u>16,162</u>
<b>Total current assets</b>		<u><b>36,770,263</b></u>	<u>43,256,733</u>
<b>Non-current assets</b>			
Deferred tax assets	7	<u>1,085,062</u>	<u>-</u>
<b>Total assets</b>		<u><b>37,855,325</b></u>	<u>43,256,733</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	178,429	1,328,793
Income tax payable		<u>-</u>	<u>184,178</u>
<b>Total current liabilities</b>		<u><b>178,429</b></u>	<u>1,512,971</u>
<b>Non-current liabilities</b>			
Deferred tax liability	7	<u>-</u>	<u>459,770</u>
<b>Total liabilities</b>		<u><b>178,429</b></u>	<u>1,972,741</u>
<b>Net assets</b>		<u><b>37,676,896</b></u>	<u>41,283,992</u>
<b>EQUITY</b>			
Issued capital	9	43,015,865	43,254,639
Profit reserve	10 (a)	3,050,736	3,801,519
(Accumulated losses)	10 (b)	<u>(8,389,705)</u>	<u>(5,772,166)</u>
<b>Total equity</b>		<u><b>37,676,896</b></u>	<u>41,283,992</u>

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

**Katana Capital Limited**  
**Consolidated statement of changes in equity**  
**For the half-year ended 31 December 2018**

Consolidated	Notes	Issued capital \$	Option premium reserve \$	Profit reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>		<b>44,234,488</b>	<b>101,100</b>	<b>1,968,715</b>	<b>(8,697,310)</b>	<b>37,606,993</b>
Profit for the half-year		-	-	-	4,075,753	4,075,753
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the half-year</b>		-	-	-	<b>4,075,753</b>	<b>4,075,753</b>
Buy-back of shares	9	(273,310)	-	-	-	(273,310)
Dividends provided for or paid		-	-	(442,070)	-	(442,070)
Transfer from retained earnings to profit reserve		-	-	4,075,753	(4,075,753)	-
<b>Balance at 31 December 2017</b>		<b><u>43,961,178</u></b>	<b><u>101,100</u></b>	<b><u>5,602,398</u></b>	<b><u>(8,697,310)</u></b>	<b><u>40,967,366</u></b>
 <b>Balance at 1 July 2018</b>		 <b>43,254,639</b>	 -	 <b>3,801,519</b>	 <b>(5,772,166)</b>	 <b>41,283,992</b>
Loss for the half-year		-	-	-	(2,617,539)	(2,617,539)
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive loss for the half-year</b>		-	-	-	<b>(2,617,539)</b>	<b>(2,617,539)</b>
Buy-back of shares	9	(308,854)	-	-	-	(308,854)
Dividends provided for or paid		-	-	(750,783)	-	(750,783)
Tax effect on the capital raising cost		70,080	-	-	-	70,080
<b>Balance at 31 December 2018</b>		<b><u>43,015,865</u></b>	<b><u>-</u></b>	<b><u>3,050,736</u></b>	<b><u>(8,389,705)</u></b>	<b><u>37,676,896</u></b>

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



**Katana Capital Limited**  
**Consolidated statement of cash flow**  
**For the half-year ended 31 December 2018**

		<b>Consolidated Half-year ended</b>	
		<b>31 December 2018</b>	<b>31 December 2017</b>
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Proceeds on sale of financial assets		39,906,481	53,925,877
Payments for purchases of financial assets		(37,879,093)	(49,335,130)
Payments to suppliers and employees		(2,052,691)	(902,057)
Interest received		40,750	42,658
Dividends/distributions received		957,798	476,842
Other revenue		26,606	11,355
Tax paid		<u>(213,182)</u>	<u>(755)</u>
<b>Net inflow from operating activities</b>		<u>786,669</u>	<u>4,218,790</u>
<b>Cash flows from financing activities</b>			
Dividends paid		(750,783)	(442,070)
Payments for shares bought back		<u>(308,856)</u>	<u>(273,310)</u>
<b>Net outflow from financing activities</b>		<u>(1,059,639)</u>	<u>(715,380)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		(272,970)	3,503,410
Cash and cash equivalents at the beginning of the half-year		<u>11,625,349</u>	<u>8,246,072</u>
<b>Cash and cash equivalents at end of the half-year</b>	4	<u>11,352,379</u>	<u>11,749,482</u>

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

## 1 Corporate information

The financial report of Katana Capital Limited (the "Company") and its subsidiaries (the "Group" or the "Consolidated Entity") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors of Katana Capital Limited on 27 February 2019.

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

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

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

## 2 Summary of significant accounting policies

### (a) Basis of preparation

The general purpose condensed financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by Katana Capital Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX listing rules.

### (b) Adoption of new and revised accounting standards and interpretations

The Group adopted all the new standards and interpretations that were effective 1 July 2018 and they did not have any material impact to the financial statements. The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2018, except for the following:

#### *AASB 9: Financial Instruments*

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

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

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

The assessment of the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

No change to the classification or measurement of financial assets and liabilities has been required. Based on historical losses, the expected loss impairment model has an immaterial impact on the Group. In addition, the Group does not have hedging transactions. The Group's changes to accounting policy for trade and other receivables is detailed below:

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

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

## 2 Summary of significant accounting policies (continued)

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

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

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

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

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

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

### AASB 15: Revenue from Contracts with Customers

AASB 15 was adopted by the Group on 1 July 2018. It provides a single, principles-based five-step model to be applied to all contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. There has been no change on the Group's revenue accounting policy.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3 Investment income

	<b>Consolidated Half-year ended</b>	
	<b>31 December 2018</b>	31 December 2017
	\$	\$
Realised gains on investments held for trading	124,685	3,293,152
Unrealised (losses)/gains on investments held for trading	(4,282,353)	3,301,107
Other	6,594	11,355
	<b>(4,151,074)</b>	<b>6,605,614</b>

#### 4 Current assets - Cash and cash equivalents

	Consolidated At	
	31 December 2018	30 June 2018
	\$	\$
Cash at bank	<u>11,352,379</u>	<u>11,625,349</u>

#### 5 Current assets - Trade and other receivables

	Consolidated At	
	31 December 2018	30 June 2018
	\$	\$
Unsettled trades - listed equities	146,058	113,812
Interest receivable	128	32
Dividend receivable	12,000	145,785
Other Receivables	109,201	-
	<u>267,387</u>	<u>259,629</u>

There are no receivables past due or impaired.

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

#### 6 Current assets - Investments held for trading

	Consolidated At	
	31 December 2018	30 June 2018
	\$	\$
Equity securities	23,122,451	29,256,587
Australian listed trusts	1,512,752	1,699,006
Unlisted equity securities	400,000	400,000
	<u>25,035,203</u>	<u>31,355,593</u>

Held for trading investments consist primarily of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

## 7 Deferred tax assets (liabilities)

	Consolidated At	
	31 December 2018	30 June 2018
	\$	\$
<b>The balance comprises temporary differences attributable to:</b>		
Investments and unsettled shares	-	30,927
Provisions	46,873	376,643
Unused tax losses	1,208,674	-
Other	8,930	3,844
Total deferred tax assets	<u>1,264,477</u>	<u>411,414</u>
<i>Set-off of deferred tax liabilities pursuant to set-off provisions</i>		
Investments and unsettled shares	(175,777)	(771,375)
Dividends receivable	(3,638)	(43,736)
Other	-	(56,073)
Total Deferred tax liabilities	<u>(179,415)</u>	<u>(871,184)</u>
Net deferred tax assets (liabilities)	<u>1,085,062</u>	<u>(459,770)</u>

Deferred tax assets relate to recognised tax losses. Based on the historical movements in the Australian market equity returns, it is probable that the Group will make future taxable profits and such losses will be utilised. The Group believes that such future taxable profits will be generated based on the following:

- The losses generated during the half year period is the result of a short-term cyclical economic downturn and is not by itself indicative of lack of probability of future taxable profits
- The Group has in the past demonstrated an ability to generate taxable profits requiring cash tax payments to be made
- Return expectations for market and the portfolio remain consistent with historical results over a reasonable time horizon

## 8 Current liabilities - Trade and other payables

	Consolidated At	
	31 December 2018	30 June 2018
	\$	\$
Unsettled trades - listed equities	-	103,089
Management fee - Katana Asset Management Ltd	136,532	136,532
Trade creditors	18,500	41,600
Performance fee payable	-	996,230
Custody fees payable	23,397	23,397
Other payables	-	27,945
	<u>178,429</u>	<u>1,328,793</u>

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

## 9 Issued capital

	Consolidated		Consolidated	
	At		At	
	31 December	30 June	31 December	30 June
	2018	2018	2018	2018
	Shares	Shares	\$	\$
Ordinary shares fully paid	<u>42,671,540</u>	43,080,100	<u>43,015,865</u>	43,254,639

### (a) Movements in ordinary share capital:

Date	Details	Number of shares	\$
1 July 2017	Opening balance	44,312,362	44,234,488
	Buy-back of shares	(273,165)	(273,310)
31 December 2017	Balance	<u>44,039,197</u>	<u>43,961,178</u>
1 July 2018	Opening balance	43,080,100	43,254,639
	Buy-back of shares	(408,560)	(308,854)
	Tax Effect on Capital Raising Cost	-	70,080
31 December 2018	Balance	<u>42,671,540</u>	<u>43,015,865</u>

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

During the period from 1 July 2018 to 31 December 2018, 408,560 shares were bought back on market and were subsequently cancelled. The shares were acquired at an average price of \$0.77 with the price ranging from \$0.76 to \$0.78 per share.

### (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 \$37,855,325 at 31 December 2018 (30 June 2018: \$43,256,733), 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 Ltd holds regular Investment Committee meetings to assess the equity portfolio.

## 10 Reserves and Accumulated losses

### (a) Profit reserve

The profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividend payments. Movement in profit reserve were as follows:

	<b>Consolidated At</b>	
	<b>31 December 2018</b>	30 June 2018
	\$	\$
Opening balance	3,801,519	1,968,715
Transferred from retained earnings (see 10(b))	-	2,820,726
Dividends paid	<u>(750,783)</u>	<u>(987,922)</u>
	<u><b>3,050,736</b></u>	<u><b>3,801,519</b></u>

### (b) Accumulated losses

Movements in accumulated losses were as follows:

	<b>Consolidated At</b>	
	<b>31 December 2018</b>	30 June 2018
	\$	\$
Opening balance	(5,772,166)	(8,697,310)
Net (losses) profit after tax attributable to members of the Company	(2,617,539)	5,644,770
Transfer from option reserve	-	101,100
Transfer to profit reserves (see 10(a))	-	(2,820,726)
Closing balance	<u><b>(8,389,705)</b></u>	<u><b>(5,772,166)</b></u>

## 11 Related party transactions

### (a) Directors

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

### (b) Related party transactions

All related party transactions are made at arm's length on normal commercial terms and conditions.

Outstanding balances at half-year end are unsecured and settlement occurs in cash.

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 \$20,604 (2017: \$16,500) for tax services provided.

## 12 Financial Risk Management

### (a) 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.

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December and 30 June 2018.

Group - as at 31 December 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Financial assets held at fair value through profit or loss:				
- Equity securities	23,122,451	-	-	23,122,451
- Listed unit trusts	1,512,752	-	-	1,512,752
- Unlisted equity securities	-	-	400,000	400,000
<b>Total assets</b>	<b>24,635,203</b>	<b>-</b>	<b>400,000</b>	<b>25,035,203</b>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Liabilities</b>				
Financial liabilities held at fair value through profit or loss:				
- Options	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
 Group - as at 30 June 2018	 Level 1 \$	 Level 2 \$	 Level 3 \$	 Total \$
<b>Assets</b>				
Financial assets held at fair value through profit and loss				
- Equity securities	29,256,587	-	-	29,256,587
- Listed unit trusts	1,699,006	-	-	1,699,006
- Unlisted equity securities	-	-	400,000	400,000
<b>Total assets</b>	<b>26,353,593</b>	<b>-</b>	<b>400,000</b>	<b>31,355,593</b>
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Liabilities</b>				
Financial liabilities held at fair value through profit or loss:				
- Options	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **12 Financial Risk Management (continued)**

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.

## **13 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.

## **14 Events occurring after reporting date**

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

On 1 February 2019, the Company announced a 0.25 cent per share dividend.

## **15 Commitments and contingencies**

There are no outstanding contingent liabilities or commitments as at 31 December 2018 (30 June 2018: Nil)

## Directors' declaration

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

- (a) The financial statements and notes of the consolidated entity set out on pages 3 to 14 are in accordance with the *Corporations Act 2001*, including
  - (i) Giving a true and fair view of the financial position as at 31 December 2018 and of its performance for the half-year ended on that date of the consolidated entity.
  - (ii) Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board  
Katana Capital Limited



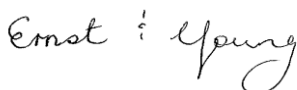
Dalton Gooding  
Chairman  
27 February 2019

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

As lead auditor for the review of Katana Capital Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



F Drummond  
Partner  
27 February 2019

# Independent Auditor's Review Report to the Members of Katana Capital Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of Katana Capital Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Directors' Responsibility for the Half-Year Financial Report

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

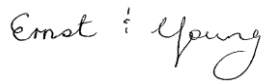
### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



F Drummond  
Partner  
Perth  
27 February 2019