



ASX/MEDIA RELEASE

12 June 2006

HALF YEAR ACCOUNTS

Katana Capital Limited (ASX: KAT) (“Katana Capital”): Please find attached the company’s half year accounts, the company was incorporated on 19 September 2005. Accordingly this is the first half year financial report for the company, prepared for the period 19 September 2005 to 31 March 2006.

- ENDS -

For more information about Katana Capital Limited, please contact:

Dalton Gooding
Chairman - Katana Capital Ltd
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Romano Sala Tenna
Investment Manager – Classic Capital Pty Ltd
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Or visit: www.katanacapital.com.au



Katana Capital Limited

ABN 56 116 054 301

**HALF YEAR REPORT
31 MARCH 2006**

**KATANA CAPITAL LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Mr Dalton Gooding	Chairman
Mr Peter Wallace	Non Executive Director
Mr Derek La Ferla	Non Executive Director
Mr Giuliano Sala Tenna	Non Executive Director

COMPANY SECRETARY

Mr Gabriel Chiappini

INVESTMENT MANAGERS

Classic Capital Pty Ltd

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2 45 St George's Terrace,
Perth WA 6000
Telephone (08) 9323-2000
Facsimile (08) 93232033

AUDITOR

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

ASX CODE : KAT

PRINCIPAL OFFICE

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

REGISTERED OFFICE

Level 37, Exchange Plaza
2 The Esplanade
Perth WA 6000

LAWYERS

Deacons
Level 39, BankWest Tower
108 St George's Terrace
Perth WA 6005

**KATANA CAPITAL LIMITED
DIRECTORS' REPORT**

Your directors submit their report for the half-year ended 31 March 2006.

1. DIRECTORS

The names of the directors of the company in office at the date of this report or during the half-year are:-

Dalton Gooding

Peter Wallace

Derek La Ferla

Giuliano Sala Tenna

All directors, unless stated otherwise, held their position as a director throughout the entire half-year and up to the date of this report.

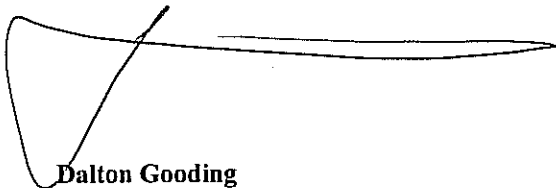
2. REVIEW AND RESULTS OF OPERATIONS

The company was incorporated on 19 September 2005. Following incorporation the company progressed with its listing on the Australian Stock Exchange on 23 December 2005 raising \$21,200,000 by way of its Initial Public Offering. Since listing the company has invested up to 31% of cash raised resulting in a profit after tax of \$440,500.

3. AUDITOR'S INDEPENDENCE DECLARATION

Section 307 (c) of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the half year ended 31 March 2006. The written Auditor's Independence Declaration is attached to the Auditor's Independent Review Report to the members and forms part of this Directors' Report.

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



Dalton Gooding

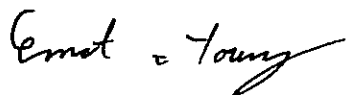
Chairman

Dated: 9 June 2006

Perth, Western Australia

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

In relation to our review of the financial report of Katana Capital Limited for the half-year ended 31 March 2006, 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



C B Pavlovich
Partner
9 June 2006

**KATANA CAPITAL LIMITED
DIRECTORS DECLARATION**

DIRECTORS' DECLARATION

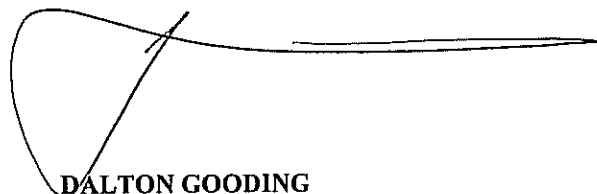
In accordance with a resolution of directors of Katana Capital Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the company:
 - (i) give a true and fair view of the financial position at 31 March 2006 and the performance for the half-year ended on that date of the company; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dated at Perth
9 June 2006

A handwritten signature in black ink, consisting of a large, stylized loop on the left and a long, horizontal tail extending to the right.

DALTON GOODING
Chairman

KATANA CAPITAL LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 March 2006

	Note	<u>2006</u>
Investment Income		
Dividend Income	2	43,421
Interest Income		247,072
Investment Income:	2	
Unrealised gains in net fair value of investments		337,855
Realised gains on sale of investments	2	104,500
Options Income		<u>77,452</u>
Total Investment Income		<u>810,300</u>
Expenses		
Administration		73,131
Directors' fees and expenses		86,296
Interest Expense		1,431
Legal and professional fees		15,523
Manager's fees		<u>71,684</u>
Total expenses		248,065
Profit before income tax		<u>562,235</u>
Income tax expense attributable to operating profit		(121,735)
Net Profit attributable to members of Katana Capital Limited		<u>440,500</u>
Basic earnings per share (cents per share)		<u>3.73</u>
Diluted earnings per share (cents per share)		<u>3.73</u>

The accompanying notes form part of this condensed Income Statement.

KATANA CAPITAL LIMITED
CONDENSED BALANCE SHEET
AS AT 31 March 2006

	Note	At 31 March 2006 \$
		<u> </u>
Current Assets		
Cash and cash equivalents		14,110,973
Receivables		769,228
Financial assets held for trading		6,663,982
Other assets		<u>62,690</u>
Total Current Assets		<u>21,606,873</u>
Non Current Assets		
Future income tax benefit		<u>143,151</u>
Total Non Current Assets		<u>143,151</u>
Total Assets		<u>21,750,024</u>
Current Liabilities		
Payables		269,251
Interest-bearing liabilities		30,828
Income tax liability		<u>8,216</u>
Total Current Liabilities		<u>308,295</u>
Non Current liabilities		
Deferred tax liability		<u>113,519</u>
Total Non Current Liabilities		<u>113,519</u>
Total Liabilities		<u>421,814</u>
Net Assets		<u>21,328,210</u>
Equity		
Issued Capital	5	20,887,710
Retained Earnings		<u>440,500</u>
Total Equity		<u>21,328,210</u>

The accompanying notes form part of this condensed Balance Sheet.

KATANA CAPITAL LIMITED
CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 March 2006

	2006
	\$
Cash flows from operating activities	
Payments to suppliers and employees	(40,073)
Interest paid	(1,431)
Interest received	247,072
Dividends received	43,422
Net cash flows from operating activities	<u>248,990</u>
Cash flows from investing activities	
Proceeds from sale of investments	154,402
Payments for investments	<u>(7,067,805)</u>
Net cash flows used in investing activities	<u>(6,913,403)</u>
Cash flows from financing activities	
Proceeds from issue of shares	21,350,000
Share issue expenses	(605,441)
Proceeds from borrowings	30,828
Net cash flows from financing activities	<u>20,775,387</u>
Net increase in cash held	14,110,973
Cash at beginning of the year	<u>-</u>
Cash at end of the year	<u>14,110,973</u>

KATANA CAPITAL LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 March 2006

	Issued Capital \$	Retained Earnings \$	Total Equity \$
At 19 September 2005	-	-	-
Issue of share capital	150,000	-	150,000
Shares issued on Initial Public Offering in December 2006	21,200,000	-	21,200,000
Profit for the period	-	440,500	440,500
Capital raising expenses net of tax	(462,290)	-	(462,290)
At 31 March 2006	20,887,710	440,500	21,328,210

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 March 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of Half Year Consolidated Financial Report

The company was incorporated on 19 September 2005. Accordingly this is the first half year financial report for the company, prepared for the period 19 September 2005 to 31 March 2006. The half year financial report does not include all notes of the type normally included within an 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 company as a full financial report.

It is also recommended that the half year financial report be considered together with any public announcements made by Katana Capital Limited during the half year ended 31 March 2006 in accordance with the continuance disclosure obligations arising under the Corporations Act 2001.

(b) Basis of Accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year report has been prepared in accordance with the historical cost convention, except for Financial Assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(c) Statement of Compliance

Compliance with AASB 134 ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the company are disclosed below.

Investments

All investments are initially recognised at cost, being the fair value for the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading or available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For Investments 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 investment.

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 trade date i.e. the date that the company commits to purchase the asset.

Loans & Receivables

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

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

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 March 2006

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.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Dividend Income

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

Interest

Interest is recognised on an accruals basis using the effective interest rate 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 asset. Interest on cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

All revenue is stated net of any amounts of Goods and Services Tax.

Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 March 2006

Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred and are recognised at original values. Interest is accrued from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and due when the group becomes obliged to make future payments in respect to the purchase of these goods and services.

Issued Capital

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

Basic earnings per share is calculated as net profitable attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares on issue during the financial year adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for;

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

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares on issue during the financial year adjusted for any bonus element.

Other Taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

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

Interest-bearing liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

KATANA CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 March 2006

31/3/06

No

NOTE 3. EARNINGS PER SHARE

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share

11,802,198

Potential ordinary shares on issue are not considered to be dilutive.

NOTE 4. EVENTS AFTER BALANCE SHEET DATE

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.

NOTE 5. ISSUED CAPITAL

Movement in shares on issue	Number	\$
Balance at beginning of period	-	-
Shares issued at \$0.75 in November 2005	200,000	150,000
Initial public offering at \$1.00 December 2005	21,200,000	21,200,000
Less capital raising expenses net of tax	-	(462,290)
Balance at end of the period	<u>21,400,000</u>	<u>20,887,710</u>
Movement in options on issue	Number	\$
Balance at beginning of period	-	-
Options issued in November 2005	200,000	-
Options issued as part of Initial public offering December 2005	21,200,000	-
Balance at end of the period	<u>21,400,000</u>	<u>-</u>

NOTE 6. SEGMENT INFORMATION

The company operates in one industry, namely the investment funds management, in one geographical segment, namely Australia.

NOTE 7. CONTINGENT ASSETS & LIABILITIES

There are no contingent liabilities or contingent assets as at 31 March 2006 and in the interval between 31 March 2006 and the date of this report.

Independent review report to members of Katana Capital Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Katana Capital Limited (the company), for the period ended 31 March 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

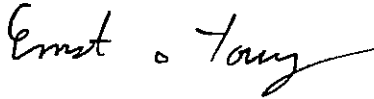
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Katana Capital Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Katana Capital Limited at 31 March 2006 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



C B Pavlovich
Partner
9 June 2006