Kresta Holdings Limited
ABN 26 008 675 803

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21st February 2013

ASX ANNOUNCEMENT

Half Year Report - 31 December 2012

In accordance with Listing Rule 4.2A the following documents are attached:

- Appendix 4D
- Half Year Report to the 31st December 2012

Your sincerely

Kenneth McKinnon
Company Secretary

For further information please contact:

Jules Di Bartolomeo
Chief Executive Officer
Kresta Holdings Limited
T: 08 9249 0789

Kenneth McKinnon
Company Secretary
Kresta Holdings Limited
T: 08 9249 0760

About Kresta

Kresta is a leading national window furnishings manufacturer and retailer. The Company has been manufacturing blinds for over 40 years, and is now the largest window coverings manufacturer / retailer in Australia and New Zealand, employing over 800 people. Kresta's brands include: Kresta Blinds, Vista Window Coverings, Decor2Go, Curtain Wonderland and Ace of Shades. For further information, see www.kresta.com.au

Appendix 4D

Half Year Report

1. Name of entity

Kresta Holdings Limited

ABN

26 008 675 803

Financial year ended ("current year")

31 December 2012

Comparative prior year ended ("prior year")

31 December 2011

2. For announcement to the market

					$'000
2.1 Revenue from ordinary activities	down	8.1%	to	53,954 *	
2.2 Profit from ordinary activities after tax attributable to members	down	43.6%	to	1,867 *	
2.3 Net profit for the period attributable to members	down	43.6%	to	1,867	

2.4 Dividends (see section 5)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
2.5 Record date for determining entitlements to the dividend	N/A	

2.6 Brief explanation of any of the figures reported above:

* Refer to the review and results of operating section on page 2 of the half year report

3. NTA backing

	Current year	Prior year
Net tangible asset backing per ordinary security	12.4 cents	12.9 cents

4. Details of entities over which control has been gained or lost during the period

Nil

5. Dividends

Date of dividend is payable	N/A
Record date to determine entitlements to the dividend (i.e. on the basis of security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules – securities are CHESS approved)	N/A

5.1 Amount per security

		Amount per security	Franked amount per security at 30% tax
Interim dividend:	Current year	Nil	Nil
	Prior year	Nil	Nil

6. Dividend plan

Details of the dividend reinvestment plan are as follows:

There is no dividend reinvestment plan in place.

The last date for receipt of election notices for participation in the dividend reinvestment plan	N/A

7. Details of associates and joint venture entities

Nil

8. Foreign entities

For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Financial Accounting Standards).

N/A

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

N/A

Kresta

Kresta Holdings Limited
ACN 008 675 803

Half-Year Financial Report

31 December 2012

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Corporate information

ABN 26 008 675 803

Directors
John Molloy, Non-executive Chairman
Kevin Eley, Non-executive Director
Richard Taylor, Non-executive Director
Peter Abery, Non-executive Director
Robert Farrar, Non-executive Director

Chief Executive Officer
Giuliano (Jules) Di Bartolomeo

Company Secretary
Kenneth McKinnon

Registered Office
380 Victoria Road
Malaga WA 6090
Australia
Phone: +61 8 9249 0777
Website: www.kresta.com.au

Share Register
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Phone: +61 8 9323 2000

Kresta Holdings Limited shares are listed on the Australian Securities Exchange (ASX).
ASX Code: KRS

Bankers
Commonwealth Bank of Australia Limited
Australia and New Zealand Banking Group Limited

Auditors
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

Directors' report

Your directors of Kresta Holdings Limited submit their report for the half-year ended 31 December 2012.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are:

John Molloy (Non-executive Chairman)
Kevin Eley, CA., F Fin (Non-executive Director)
Richard Taylor, B.Econ., ACA., FAICD (Non-executive Director)
Peter Abery, B. Sc. Eng., M. Sc. Eng., MBA., Harvard ISMP., MIET., FAICD. (Non-executive Director)
Robert Farrar, (Non-executive Director)

The directors were in office from the beginning of the half-year until the date of this report, unless otherwise stated.

Principal activities

The principal activities during the year of entities within the consolidated entity were the manufacturing, distribution and retailing of window coverings treatments and components.

There have been no significant changes in the nature of those activities during the year.

Review and results of operations

The Company appointed Mr Jules Di Bartolomeo as CEO with effect on the 20th August 2012 and since joining Kresta, Mr Di Bartolomeo has focused the management's efforts on building a solid platform to improve the Company's profitability.

Significant progress was made on the Company's turnaround plan and achievements during the half year ending December 2012 included:

- Increasing gross profit margins through corrective action plans for pricing and products;
- Establishing a new management structure;
- Delivering process and technology improvements to reduce operating expenses;
- Improvements in supplier arrangements and relationships;
- Extensive staff training scheme implemented to enhance operational skills and manufacturing efficiencies; and
- Staff engagement improvements through greater levels of internal communication

During the six months to 31 December 2012 the Group's trading results regained positive momentum. This is illustrated in the table below that shows the return of the Company to a profit in this period compared to a loss made in the six months to 30 June 2012.

Trading revenue for the December 2012 half year continues to reflect the tight retail trading environment with revenues down 8.1% on the prior comparable period. However revenue is up against the previous six month period and importantly, operating expenses (excluding inventory movements) were reduced by 13.3% on the previous comparable period. This allowed the Company to return a profit for the half year, despite the difficult retail market.

Directors' report (continued)

Review and results of operations (continued)

	6 months to 31 December 2012 $000	6 months to 30 June 2012 $000	6 months to 31 December 2011 $000
Sale of goods	53,954	52,184	58,712
Finance income	51	121	128
Revenue	54,005	52,305	58,840
Other income (including gains on sale of land & buildings)	1,747	68	3,896
Changes in inventories of finished goods and work in progress	(455)	(1,354)	(2,470)
Raw materials and consumables used	(15,558)	(16,372)	(12,798)
Employee benefits expense	(21,368)	(21,128)	(25,463)
Depreciation and amortisation charge	(946)	(1,101)	(1,099)
Other expenses	(15,055)	(16,258)	(16,427)
Finance costs	(155)	(241)	(285)
Profit / (loss)	2,215	(4,081)	4,194
Less gain on sale of land & buildings [(i)]	(1,525)	-	(3,598)
Profit / (loss) excluding gains on sale of land & buildings	690	(4,081)	596

[(i)] Refer to note 4 of the consolidated financial statements.

The profits from operations before tax at 31 December 2011 and 31 December 2012 were assisted by pre-tax gains of the sale of surplus land and buildings of $3,598,000 and $1,525,000 respectively.

Cash flow from operations for the six months to 31 December 2012 was an inflow of $348,000 and the Group's overall cash flow for the period is shown below. It is noted that whilst the December 2012 half year results included the gain from the sale of land and buildings, the associated cash inflows did not occur until 25 January 2013 when settlement took place.

	6 months to 31 December 2012 $000
Inflow from operating activities	348
Outflow from investing activities	(259)
Net outflow used to repay bank debt	(819)
Net decrease in cash and cash equivalents	(730)

No shares were issued and no options over shares were granted during the six month period to 31st December 2012.

The Company is committed to providing shareholders with a sustainable and consistent acceptable financial return. In light of the current challenging trading conditions the Company has elected not to pay an interim dividend but remains committed to the payment of dividends when underlying earnings permit.

Directors' report (continued)

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($'000)) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor's independence declaration

We have obtained an independence declaration from our auditor, Ernst and Young, which is set out on this page and forms part of this report.

Signed in accordance with a resolution of the directors.

J Molloy
Director
Perth, 21 February 2013

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Kresta Holdings Limited

In relation to our review of the financial report of Kresta Holdings Limited for the half-year ended 31 December 2012, 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

D S Lewsen
Partner
21 February 2013

Consolidated statement of comprehensive income

For the half-year ended 31 December 2012

		Consolidated	
	Note	**2012**	**2011**
		$000	$000
Sale of goods		53,954	58,712
Finance income		51	128
Revenue	*3a*	54,005	58,840
Other income	*3b*	1,747	3,896
Changes in inventories of finished goods and work in progress		(455)	(2,470)
Raw materials and consumables used		(15,558)	(12,798)
Employee benefits expense	*3c*	(21,368)	(25,463)
Depreciation and amortisation charge	*3d*	(946)	(1,099)
Other expenses	*3e*	(15,055)	(16,427)
Finance costs	*3f*	(155)	(285)
Profit from continuing operations before income tax		2,215	4,194
Income tax expense		(348)	(883)
Net profit for the period		1,867	3,311
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net foreign currency translation		(17)	(20)
Effective portion of changes in fair value of cash flow hedges		18	20
Other comprehensive income for the period, net of tax		1	-
Total comprehensive income for the period		1,868	3,311
Total comprehensive income attributable to owners of the Company		1,868	3,311
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share		1.30 cents	2.30 cents
Diluted earnings per share		1.30 cents	2.30 cents

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

Consolidated statement of financial position

As at 31 December 2012

	Note	Consolidated 31 December $000	30 June $000
ASSETS			
Current assets			
Cash and cash equivalents	*12*	2,701	3,455
Trade and other receivables		4,392	2,931
Inventories	*6*	9,590	9,303
Prepayments		1,184	848
Derivative financial assets	*7*	2	-
Non-current assets held for sale		1,212	1,933
Income tax receivable		646	676
Total current assets		19,727	19,146
Non-current assets			
Trade and other receivables		26	26
Property, plant and equipment	*4*	13,145	13,788
Deferred tax assets		2,793	2,984
Intangible assets and goodwill	*5*	3,778	3,826
Total non-current assets		19,742	20,624
TOTAL ASSETS		39,469	39,770
LIABILITIES			
Current liabilities			
Trade and other payables		6,957	8,128
Interest-bearing loans and borrowings		5,118	5,549
Provisions		3,880	4,152
Derivative financial liabilities	*7*	63	102
Government grants	*8*	98	-
Total current liabilities		16,116	17,931
Non-current liabilities			
Interest-bearing loans and borrowings		613	1,001
Provisions		1,143	1,109
Total non-current liabilities		1,756	2,110
TOTAL LIABILITIES		17,872	20,041
NET ASSETS		21,597	19,729
EQUITY			
Contributed equity	*10*	11,961	11,961
Reserves		(438)	(439)
Retained earnings		10,074	8,207
TOTAL EQUITY		21,597	19,729

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

Consolidated statement of cash flows

For the half-year ended 31 December 2012

	Note	Consolidated 2012 $000	2011 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		60,687	64,862
Payments to suppliers and employees (inclusive of GST)		(60,208)	(62,684)
Government grant received	*8*	98	-
Interest received	*3a*	51	128
Interest paid	*3f*	(155)	(285)
Income tax (paid) / refund		(125)	353
Net cash flows from operating activities		348	2,374
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		27	4,900
Purchase of intangibles		-	(776)
Purchase of property, plant and equipment	*4*	(286)	(1,006)
Net cash flows (used in) / from investing activities		(259)	3,118
Cash flows from financing activities			
Repayment of borrowings		(1,284)	(1,949)
Proceeds from borrowings		506	-
Payment of finance lease liabilities		(41)	(56)
Net cash flows used in financing activities		(819)	(2,005)
Net (decrease) / increase in cash and cash equivalents		(730)	3,487
Net foreign exchange differences		(24)	(18)
Cash and cash equivalents at beginning of period		3,455	5,002
Cash and cash equivalents at end of period	*12*	2,701	8,471

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2012

	Ordinary shares	Foreign currency translation reserve	Employee equity benefits reserve	Hedging reserve	Retained earnings	Total
	$000	$000	$000	$000	$000	$000
At 1 July 2012	11,961	(468)	48	(19)	8,207	19,729
Profit for the period	-	-	-	-	1,867	1,867
Other comprehensive income	-	(17)	-	18	-	1
Total comprehensive income for the period	-	(17)	-	18	1,867	1,868
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	-	-
At 31 December 2012	11,961	(485)	48	(1)	10,074	21,597
At 1 July 2011	11,961	(424)	48	(14)	7,416	18,987
Profit for the period	-	-	-	-	3,311	3,311
Other comprehensive income	-	(20)	-	20	-	-
Total comprehensive income for the period	-	(20)	-	20	3,311	3,311
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	-	-
At 31 December 2011	11,961	(444)	48	6	10,727	22,298

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

Notes to the consolidated financial statements

For the half-year ended 31 December 2012

1. Corporate information

This general purpose condensed consolidated financial report for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 21 February 2013.

Kresta Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. Basis of preparation and accounting policies

(a) Basis of preparation

This general purpose condensed consolidated financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim condensed consolidated financial report does not include all notes of the type normally included 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 interim condensed consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by Kresta Holdings Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

The interim condensed consolidated financial report has also been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The interim condensed consolidated financial statements are presented in Australian Dollars and all values are rounded to the nearest $'000 except where otherwise indicated.

(b) New accounting standards and interpretations

Since 1 July 2012, the Group has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2012. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments that are not mandatorily effective.

(c) Significant accounting judgments and estimates

The preparation of an interim condensed consolidated financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial report, the significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2012.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2012

3. Revenue, income and expenses

		Consolidated	
		2012	**2011**
		$000	$000
(a)	**Revenue**		
	Sale of goods	53,954	58,712
	Finance income	51	128
		54,005	58,840
(b)	**Other income**		
	Government grants	-	132
	Net gain from disposal of property, plant & equipment	1,530	3,560
	Net unrealised gain from derivatives	23	-
	Other	194	204
		1,747	3,896
(c)	**Employee benefits expense**		
	Wages and salaries	13,358	16,562
	Superannuation expense	1,112	1,293
	Subcontractors	5,558	6,026
	Other employee benefits expense	1,340	1,582
		21,368	25,463
(d)	**Depreciation and amortisation charge**		
	Depreciation	897	1,055
	Amortisation of IT software	49	44
		946	1,099
(e)	**Other expenses**		
	Advertising	4,994	5,248
	Property rent	4,088	4,099
	Property outgoings	1,890	2,137
	Communication expenses	1,091	1,169
	Banking and transaction expenses	509	564
	Impairment loss – receivables	2	31
	Net unrealised loss from derivatives	-	48
	Foreign exchange losses	40	75
	Freight	1,067	1,437
	Other expenses	1,374	1,619
		15,055	16,427

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2012

3. Revenue, income and expenses (continued)

	Consolidated	
	2012	**2011**
	$000	$000
(f) Finance costs		
Finance charges payable under finance leases and hire purchase contracts	10	12
Other borrowing costs	145	273
	155	285

4. Property, plant and equipment

During the six months ended 31 December 2012, the Group acquired property, plant and equipment with a cost of $286,000 (2011: $1,006,000). Assets with a net book value of $764,000 were disposed of by the Group during the six months ended 31 December 2012 (2011: $1,340,000) resulting in a net gain on disposal of $1,530,000 (2011: $3,560,000).

This amount was largely made up of the gain on disposal of 36 and 38 Mulgul Road Malaga. The net book value of these land and buildings was $742,000, with the sale resulting in a gain of $1,525,000. The net sale proceeds, excluding GST and miscellaneous costs, were $2,267,000. The 2011 net gain on disposal of $3,560,000 was largely made up of the gain on disposal of 387 Victoria Road Malaga. The net book value of this land and building was $1,113,000, with the sale resulting in a gain of $3,598,000.

5. Intangibles

During the six months ended 31 December 2012, the Group did not acquire any intangibles (2011: $776,000). Of the $776,000 spent in 2011, $747,000 related to the new ERP computer software system.

6. Inventories

During the year ended 30 June 2012, the Group wrote down inventory by $203,000 (2011: $854,000) to net realisable value. During the six months ended 31 December 2012, the Group wrote back $333,000 (2011: $244,000) of the previously provided amount due to the realisation of the inventory and revision of the provision. This write back is included in ‘raw materials and consumables used’ in the consolidated statement of comprehensive income.

7. Other financial assets and financial liabilities

Cash flow hedges

At 31 December 2012, the Group held four foreign currency forward contracts designated as hedges of expected future purchases from overseas suppliers for which the Group has forecasted transactions. The foreign currency forward contracts are being used to hedge the foreign currency risk of highly probable forecasted transactions.

The cash flow hedges of the expected future purchases in January 2013 to April 2013 were considered to be highly effective as they are matched against forecast inventory purchases. Any unrealised gain or loss on the contracts attributable to the hedged risk is taken directly to equity.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2012

7. Other financial assets and financial liabilities (continued)

Interest rate swap contracts

As at 31 December 2012, the Group entered into interest rate swap contracts which are economic hedges but do not satisfy the requirements of hedge accounting. In order to protect against rising interest rates the Group has entered into interest swap contracts under which it has fixed interest rates ranging from 5.55% to 5.71%.

These contracts are fair valued at 31 December 2012. All movements in fair value are recognised in the profit and loss in the period they occur. The net fair value gain on the interest rate swap for the six months to 31 December 2012 was $23,000 for the Group (2011: loss $48,000).

Fair values

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

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair values of financial instruments and the methods used to estimate their fair values are as follows:

	31 December 2012			
	Quoted market price (Level 1)	**Valuation technique – market observable inputs (Level 2)**	**Valuation technique – non market observable inputs (Level 3)**	**Total**
	$000	$000	$000	$000
Financial assets				
Derivative instruments				
Foreign exchange contracts	-	2	-	2
	-	2	-	2
Financial liabilities				
Foreign exchange contracts	-	3	-	3
Interest rate swaps	-	60	-	60
	-	63	-	63

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2012

7. Other financial assets and financial liabilities (continued)

Fair values (continued)

	31 December 2011			
	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
	$000	$000	$000	$000
Financial assets				
Derivative instruments				
Foreign exchange contracts	-	8	-	8
	-	8	-	8
Financial liabilities				
Foreign exchange contracts	-	2	-	2
Interest rate swaps	-	84	-	84
	-	86	-	86

During the six month period ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

8. Government grants

In the six month period ended 31 December 2012, the Group received government grants totalling $98,000 in relation to the Lean Manufacturing training program which will be implemented at our Malaga factory over the coming 12 months.

9. Dividends paid and proposed

No dividends have been paid and proposed for the half-year ended 31 December 2012 (2011: nil).

10. Contributed equity

	Consolidated	
	31 December	30 June
	$000	$000
Ordinary shares		
Issued and fully paid	11,961	11,961

Movement in ordinary shares on issue

	No. shares	$000
At 1 July 2012	144,158,518	11,961
At 31 December 2012	144,158,518	11,961

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2012

11. Segment information

The Group operates predominantly in Australia in one business segment being the manufacture and sale of window coverings.

12. Notes to the cash flow statement

For the purpose of the half-year cash flows, cash and cash equivalent are comprised of the following:

	Consolidated	
	2012	**2011**
	$000	$000
Cash at bank and on hand	2,701	8,471

13. Commitments

Capital commitments

The Company is implementing a new ERP computer software system called “Epicor”. As at 31 December 2012, the Company has spent $951,000 (2011: $951,000).

14. Events occurring after the balance sheet date

As disclosed at 30 June 2012, the Group had three buildings that were held for sale. The sale of two of these buildings were settled on 25 January 2013 and the third on 1 February 2013 with proceeds (including GST) totalling $4,268,000 and $2,530,000 respectively. Of the total proceeds, $4,200,000 was used to repay debt.

The Company recognised a profit of $1,525,000 at 31 December 2012 for the buildings that were settled on 25 January 2013. Profit of $2,611,000 for the third building that was settled on 1 February 2013 will be recognised in the second half of the financial year ended 30 June 2013.

The Company issued on 11 February 2013 3,000,000 ordinary fully paid shares to the CEO Mr Giuliano (Jules) Di Bartolomeo under the Company’s Long Term Incentive Scheme which was approved by shareholders at the 2011 Annual General Meeting.

The shares were issued at 14.9 cents each, reflecting the volume weighted average market price of the shares for the 5 days prior to the offer of the shares being made to Mr Di Bartolomeo. Under the terms of the Company’s Long Term Share Incentive Scheme, the Company has lent Mr Di Bartolomeo $447,000, on a non-recourse basis. The shares will be held in voluntary escrow with 1,500,000 shares being released in 20 August 2014 and the remaining 1,500,000 shares being released on 20 August 2015. Details of the Company’s Long Term Incentive Scheme are available on the Company’s website.

Directors' declaration

In accordance with a resolution of the directors of Kresta Holdings Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Kresta Holdings Limited for the half-year ended 31 December 2012 are in accordance with the Corporations Act 2001, including:

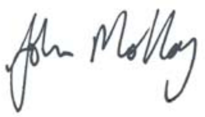
  (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

  (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001

(b) There are reasonable grounds to believe that Kresta Holdings Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



J Molloy
Director

Perth, 21 February 2013

Independent review report

ERNST & YOUNG

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To the members of Kresta Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kresta Holdings Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls as the directors determine are 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its 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 Kresta Holdings Limited and the entities it controlled during the half-year, 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*. 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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Independent review report (continued)

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kresta Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its 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*.

Ernst & Young

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D S Lewsen
Partner
Perth
21 February 2013