Kresta Holdings Limited
ABN 26 008 675 803

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MALAGA WA 6090

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17th February 2012

ASX ANNOUNCEMENT

Half Year Report - 31 December 2011

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

- Appendix 4D
- Half Year Report to the 31st December 2011

Your sincerely

Kenneth McKinnon
Company Secretary

For further information please contact:

John Molloy
Chairman
Kresta Holdings Limited
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Professional
Public Relations
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About Kresta

Kresta is a leading national window furnishings manufacturer and retailer. The Company has been manufacturing blinds for over 38 years, and is now the largest window coverings manufacturer / retailer in Australia and New Zealand, employing over 1000 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 2011

Comparative prior year ended ("prior year")

31 December 2010

2. For announcement to the market

					$'000
2.1 Revenue from ordinary activities	down	3.3%	to		58,712 *
2.2 Profit from ordinary activities after tax attributable to members	up	111.0%	to		3,311 *
2.3 Net profit for the period attributable to members	up	111.0%	to		3,311

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	12.9 cents	13.1 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	0.5 cents	0.5 cents

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 2011

Contents

Corporate information

ABN 26 008 675 803

Directors
John Molloy, Non-executive Chairman
Trent Bartlett
Richard Taylor
Kevin Eley

Company Secretaries
Kenneth McKinnon
David Le

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Share Register
Computershare Investor Services Pty Ltd
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Perth WA 6000
Phone: +61 8 9323 2000

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

Bankers
Australia and New Zealand Banking Group Limited
Commonwealth Bank of Australia 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 2011.

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)
Trent Bartlett, Grad Dip Bus., Grad Cert E-Commerce, FAICD (Non-executive Director)
Richard Taylor, B.Ecom., ACA., MAICD (Non-executive Director)
Kevin Eley, CA., F Fin (Non-executive Director)
Jonathan Huston, BA., MBus. (Non-executive Director) – resigned 23 November 2011

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

Review and results of operations

The Company recorded a profit from operations before income tax of $4,194,000 for the six months to 31 December 2011. This is an improvement of $1,878,000 on results for the previous corresponding period. Net profit after tax for the December 2011 half year was $3,311,000 up from $1,569,000 in the previous corresponding period. The increase in profit was reflected in the earnings per share of 2.3 cents for the December 2011 half year, up from 1.09 cents per share recorded in the December 2010 half year.

	2011 $000	**2010** $000
Sales revenue	58,712	60,715
Underlying EBIT	1,314	2,742
Significant items:		
Profit on sale of building	3,598	-
Stock provision write back	244	616
Restructuring	(805)	(874)
EBIT	4,351	2,484
Finance income	128	206
Finance costs	(285)	(374)
Income tax expense	(883)	(747)
Net profit for the period	3,311	1,569

The Company's overall sales revenue fell by 3.3% to $58,712,000 for the six months to December 2011 from the $60,715,000 recorded in the corresponding period in the previous year however gross profit margins were maintained.

The underlying EBIT for the December 2011 half year was $1,314,000 (2010: $2,742,000). There were a number of significant and notable items recorded during the December 2011 half year. These were (pre-tax): expenses relating to the restructuring of operations $805,000 (2010: $874,000), the recovery on realisation of stock, previously provided for, valued at $244,000 (2010: $616,000) and a gain on the sale of a building at Malaga in Western Australia of $3,598,000 (2010: Nil).

Directors' report (continued)

Review and results of operations (continued)

The Company's balance sheet remains strong with net cash on hand of $1,605,000 after repaying bank debt of $2,005,000 and significant real estate holdings with market values materially above the balance sheet amounts. The Company finished the first six months of the 2012 financial year with $8,471,000 in cash on hand and $6,866,000 in interest bearing debt.

The first six months of the 2012 financial year have been a period of restructuring and cost reduction. On the 9th August 2011 the Company announced the closure of the manufacturing facilities at Jandakot in Western Australia and rationalization of some manufacturing activities at its factories in Malaga, Western Australia. As a result some of the Company's manufacturing activities have been relocated to its Queensland factory whilst other production has been outsourced to manufacturers located in Western Australia and Asia.

Manufacturing still continues at the Company's Malaga factories. In addition the production facilities have been redesigned and new equipment installed to boost output whilst reducing operating costs. The Company anticipates material cost savings over the next 12 months to result from the above changes to the production facilities.

The 2012 financial year has seen a number of changes to staff members holding key positions within the Company. Appointments include Andrew Tacey as CEO who was appointed in May 2011, Ken McKinnon as the Company Secretary and Chief Financial Officer, Don Gunther as the National Sales Manager, and Sean Shwe who has been promoted from within the Company to be the Operations Manager. The Company's management has also been streamlined with a number of roles being combined or eliminated through more efficient structures being implemented. Mr Jonathan Huston retired as a director during the reporting period.

In September 2011 Curtain Wonderland opened a new store in the Springvale Home Maker Centre, Victoria. The store is centrally located between Ikea and Harvey Norman outlets and enjoys a high level of pedestrian traffic. Trading results of the Springvale store have exceeded expectations. The Springvale store is Curtain Wonderland's first in Victoria and the Company is looking forward to further expansion as trading conditions improve.

The Company closed 10 retail outlets across Australia during the reporting period as part of the restructuring of the Kresta, Vista and Decor2Go divisions. The remaining Kresta and Vista stores are being progressively refurbished with contemporary decor. The Kresta store in Penrith NSW has been relocated to a high pedestrian traffic centre and is the first shop to be fitted out with the Company's new store image. Whilst the number of retail stores has been reduced during the reporting period, the number of sales representatives has been maintained to preserve the Company's presence in the market place.

The economic outlook for the remainder of the 2012 financial year is uncertain and retail sales are anticipated to remain difficult. The Company is anticipating the second half result for 2012 financial year to reflect the generally subdued trend. Accordingly the Company has decided not to declare an interim dividend.

The non-IFRS financial information above / contained in the Directors' report has not been reviewed or audited by the Company's auditors.

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.

Directors' report (continued)

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, 17 February 2012

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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 2011, 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

Darren Lewsen
Partner
17 February 2012

Consolidated statement of comprehensive income

For the half-year ended 31 December 2011

	Note	Consolidated 2011 $000	2010 $000
Continuing operations			
Sale of goods		58,712	60,715
Finance income		128	206
Revenue	*3a*	58,840	60,921
Other income	*3b*	3,896	440
Changes in inventories of finished goods and work in progress		(2,470)	(3,397)
Raw materials and consumables used		(12,798)	(11,723)
Employee benefits expense	*3c*	(25,463)	(25,958)
Depreciation and amortisation charge	*3d*	(1,099)	(1,045)
Other expenses	*3e*	(16,427)	(16,548)
Finance costs	*3f*	(285)	(374)
Profit from continuing operations before income tax		4,194	2,316
Income tax expense		(883)	(747)
Net profit for the period		3,311	1,569
Other comprehensive income			
Net foreign currency translation		(20)	(50)
Effective portion of changes in fair value of cash flow hedges		20	-
Other comprehensive income for the period, net of tax		-	(50)
Total comprehensive income for the period		3,311	1,519
Total comprehensive income attributable to owners of the Company		3,311	1,519
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share		2.30 cents	1.09 cents
Diluted earnings per share		2.30 cents	1.09 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 2011

	Note	Consolidated 31 December $000	30 June $000
ASSETS			
Current assets			
Cash and cash equivalents	12	8,471	5,002
Trade and other receivables		3,248	3,045
Inventories		9,939	10,408
Prepayments		1,218	917
Income tax receivable		-	700
Derivative financial instruments		8	-
Total current assets		22,884	20,072
Non-current assets			
Trade and other receivables		33	47
Property, plant and equipment		16,268	17,818
Deferred tax assets		1,904	2,258
Intangible assets and goodwill		3,647	2,736
Total non-current assets		21,852	22,859
TOTAL ASSETS		44,736	42,931
LIABILITIES			
Current liabilities			
Trade and other payables		9,587	8,621
Interest-bearing loans and borrowings		4,271	8,848
Income tax payable		184	-
Provisions		4,713	5,149
Derivative financial instruments		86	49
Government grants		-	73
Total current liabilities		18,841	22,740
Non-current liabilities			
Interest-bearing loans and borrowings		2,595	23
Provisions		1,002	1,122
Government grants		-	59
Total non-current liabilities		3,597	1,204
TOTAL LIABILITIES		22,438	23,944
NET ASSETS		22,298	18,987
EQUITY			
Contributed equity	10	11,961	11,961
Reserves		(390)	(390)
Retained earnings		10,727	7,416
TOTAL EQUITY		22,298	18,987

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 2011

	Note	Consolidated 2011 $000	Consolidated 2010 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		64,862	66,932
Payments to suppliers and employees (inclusive of GST)		(62,684)	(60,889)
Receipt of government grants		-	311
Interest received		128	206
Interest paid		(285)	(374)
Income tax refund / (paid)		353	(866)
Net cash flows from operating activities		2,374	5,320
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,900	57
Purchase of intangibles		(776)	(70)
Purchase of property, plant and equipment		(1,006)	(1,626)
Net cash flows from / (used in) investing activities		3,118	(1,639)
Cash flows from financing activities			
Equity dividends paid		-	(2,162)
Repayment of borrowings		(1,949)	(1,110)
Proceeds from borrowings		-	526
Payment of finance lease liabilities		(56)	(92)
Net cash flows used in financing activities		(2,005)	(2,838)
Net increase in cash and cash equivalents		3,487	843
Net foreign exchange differences		(18)	(46)
Cash and cash equivalents at beginning of period		5,002	7,861
Cash and cash equivalents at end of period	*12*	8,471	8,658

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 2011

	Ordinary shares	Foreign currency translation reserve	Employee equity benefits reserve	Hedging reserve	Retained earnings	Total
	$000	$000	$000	$000	$000	$000
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
At 1 July 2010	11,961	(345)	48	-	11,080	22,744
Profit for the period	-	-	-	-	1,569	1,569
Other comprehensive income	-	(50)	-	-	-	(50)
Total comprehensive income for the period	-	(50)	-	-	1,569	1,519
Transactions with owners in their capacity as owners:						
Dividends paid	-	-	-	-	(2,162)	(2,162)
At 31 December 2010	11,961	(395)	48	-	10,487	22,101

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 2011

1. Corporate information

This general purpose condensed consolidated financial report for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 17 February 2012.

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 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year 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 half-year consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Kresta Holdings Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The 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 consolidated financial statements are presented in Australian Dollars and all values are rounded to the nearest $'000 except where otherwise indicated.

(b) Changes in accounting policy

Since 1 July 2011, the Group has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2011. 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 a consolidated interim 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 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 2011.

(d) Comparative information

Prior year figures and phrases have been re-arranged wherever necessary to conform to the current period presentation.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

3. Revenue, income and expenses

		Consolidated	
		2011	**2010**
		$000	$000
(a)	**Revenue**		
	Sale of goods	58,712	60,715
	Finance income	128	206
		58,840	60,921
(b)	**Other income**		
	Government grants	132	311
	Net gain from disposal of property, plant & equipment	3,560	4
	Other	204	125
		3,896	440
(c)	**Employee benefits expense**		
	Wages and salaries	16,562	17,049
	Superannuation expense	1,293	1,342
	Subcontractors	6,026	6,196
	Other employee benefits expense	1,582	1,371
		25,463	25,958
(d)	**Depreciation and amortisation charge**		
	Depreciation	1,055	1,017
	Amortisation of IT software	44	28
		1,099	1,045
(e)	**Other expenses**		
	Advertising	5,248	5,335
	Property rent	4,099	3,896
	Property outgoings	2,137	1,834
	Communication expenses	1,169	1,260
	Banking and transaction expenses	564	567
	Impairment loss – receivables	31	10
	Net unrealised loss from derivatives	48	163
	Foreign exchange losses	75	73
	Freight	1,437	1,256
	Other expenses	1,619	2,154
		16,427	16,548

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

3. Revenue, income and expenses (continued)

	Consolidated 2011 $000	Consolidated 2010 $000
(f) Finance costs		
Finance charges payable under finance leases and hire purchase contracts	12	26
Other borrowing costs	273	348
	285	374

4. Property, plant and equipment

During the six months ended 31 December 2011, the Group acquired property, plant and equipment with a cost of $1,006,000 (2010: $1,626,000).

Assets with a net book value of $1,340,000 were disposed of by the Group during the six months ended 31 December 2011 (2010: $53,000) resulting in a net gain on disposal of $3,560,000 (2010: $4,000).

This amount was largely made up of the gain on disposal of 387 Victoria Road Malaga, which settled on 9 December 2011. 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 2011, the Group acquired intangibles with a cost of $776,000 (2010: $70,000). Of the $776,000 spent, $747,000 related to the new ERP.

6. Inventories

During the year ended 30 June 2011, the Group wrote down inventory to net realisable value totalling $854,000. During the six months ended 31 December 2011, the Group wrote back $244,000 (2010: $616,000) of amounts previously written down. 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 2011, the Group held seven 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 2012 to March 2012 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.

Interest rate swap contracts

As at 31 December 2011, 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%.

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

7. Other financial assets and financial liabilities (continued)

Interest rate swap contracts (continued)

These contracts are fair valued by comparing the contracted fixed rate to the variable rates at 31 December 2011. All movements in fair value are recognised in the profit and loss in the period they occur. The net fair value loss on the interest rate swap for the six months to 31 December 2011 was $48,000 for the Group (2010: $163,000).

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 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

	31 December 2010			
	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 liabilities				
Derivative instruments				
Foreign exchange contracts	-	113	-	113
Interest rate swaps	-	9	-	9
	-	122	-	122

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

7. Other financial assets and financial liabilities (continued)

Fair values (continued)

During the six month period ended 31 December 2011, 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

During the six month period ended 31 December 2011, as the useful life of the underlying assets of the government grant were fully utilised, accordingly the remaining grants were released to the statement of comprehensive income.

9. Dividends paid and proposed

	Consolidated	
	2011	**2010**
	$000	$000
(a) Dividend paid during the half-year		
Final franked dividend for the year ended 30 June 2011:		
Nil (2010: 1.5 cents)	-	2,162
(b) Dividends proposed and not yet recognised as a liability		
Interim franked dividend for the half-year ended 31 December 2011:		
Nil (2010: 0.5 cents)	-	721

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 2011	144,158,518	11,961
At 31 December 2011	144,158,518	11,961

11. Segment information

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

Notes to the consolidated financial statements (continued)

For the half-year ended 31 December 2011

12. Notes to the cash flows statement

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

	Consolidated	
	2011	**2010**
	$000	$000
Cash at bank and on hand	8,471	8,658

13. Commitments

Capital commitments

The Company has started to implement a new ERP called "Epicor". This is expected to be completed in 2012 at an estimated cost of $1,600,000. As at 31 December 2011, the Company has spent $951,000 (2010: Nil).

14. Events occurring after the balance sheet date

There are no significant events after the balance sheet date.

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 the consolidated entity are in accordance with the Corporations Act 2001, including:

- (i) Giving a true and fair view of the financial position as at 31 December 2011 and its performance for the half-year ended on that date of the consolidated entity; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 and other mandatory professional reporting requirements; and

(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, 17 February 2012

Independent review report

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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 2011, 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 2011 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.

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 2011 and of its performance for the half-year ended on that date; and

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b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

Ernst & Young

Ernst & Young

Darren Lewsen
Partner
Perth
17 February 2012