

Appendix 4E

Preliminary Final Report

1. Name of entity

Kresta Holdings Limited

ABN

26 008 675 803

Financial year ended ("current year")

31 December 2018

Comparative prior year ended ("prior year")

31 December 2017

2. Results for announcement to the market

					\$'000
2.1	Revenue from ordinary activities	Down	14.84%	to	64,491
2.2	Profit from ordinary activities after tax attributable to members	Down	121.56%	to	(22,247)
2.3	Net profit for the period attributable to members	Down	121.56%	to	(22,247)
2.4	Dividends (see section 7)	Amount per security		Franked amount per security	
	Final dividend	Nil		Nil	
	Interim dividend	Nil		Nil	
2.5	Record date for determining entitlements to the dividends	N/A			
2.6	Payment date of the dividends	N/A			
2.7	Brief explanation of any of the figures reported above: The Group recorded revenue of \$64,491,000 which was a decrease of \$11,240,000 or 14.8% from the corresponding year ended 31 December 2017. Factors contributing to this reduction in revenue include the closure of under-performing 2 Kresta and 2 Vista showrooms across Australia and weaker than expected sales revenue in Curtain Wonderland, especially in Ready Made and Made to Measure business amid subdued trading conditions. The company recorded a pre-tax loss of \$22,201,000 (December 2017 loss \$5,311,000). During the year the Company made significant progress with its cost reduction initiatives however continued to experience production inefficiencies while the business was being restructured. Net loss after tax was a loss of \$22,247,000 compared with a prior year loss of \$10,041,000.				

3. Consolidated statement of comprehensive income

	Note	December 2018 \$000	December 2017 \$000
Sale of goods		64,491	75,731
Revenue		64,491	75,731
Other income	3a	132	604
Changes in inventories of finished goods and work in progress		(2,110)	(3,913)
Raw materials and consumables used		(23,306)	(16,402)
Employee benefits expense	3b	(29,113)	(33,860)
Depreciation and amortisation charge	3c	(1,901)	(1,931)
Other expenses	3d	(29,847)	(25,021)
Results from operating activities		(21,654)	(4,792)
Finance income		13	32
Finance costs		(560)	(551)
Net finance expense	3e	(547)	(519)
Loss before income tax		(22,201)	(5,311)
Income tax benefit		(46)	(4,730)
Loss for the period		(22,247)	(10,041)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net foreign currency translation		(12)	(28)
Other comprehensive loss for the period, net of tax		(12)	(28)
Total comprehensive loss for the period		(22,259)	(10,069)
Total comprehensive loss attributable to owners of the Company		(22,259)	(10,069)
Loss per share for profit attributable to the ordinary equity holders of the parent:			
Basic loss per share	14.1	(14.81 cents)	(6.68 cents)
Diluted loss per share	14.1	(14.81 cents)	(6.68 cents)

3. Other income and expenses

	December 2018 \$000	December 2017 \$000
(a) Other income		
Government grants	-	3
Foreign exchange gains	-	357
Net unrealised gain on related party loan	-	97
Other	132	147
	<u>132</u>	<u>604</u>
(b) Employee benefits expense		
Wages and salaries	17,909	21,412
Superannuation expense	1,569	1,891
Subcontractors	7,962	8,730
Other employee benefits expense	1,673	1,827
	<u>29,113</u>	<u>33,860</u>
(c) Depreciation and amortisation charge		
Depreciation	1,599	1,891
Amortisation of IT software	302	40
	<u>1,901</u>	<u>1,931</u>
(d) Other expenses		
Advertising	5,107	7,271
Property rent	11,465	8,234
Property outgoings	3,554	3,633
Communication expenses	1,291	1,466
Banking and transaction expenses	334	473
Impairment loss – receivables	614	3
Impairment loss – goodwill	-	856
Net loss from disposal of property, plant & equipment	3,391	66
Net unrealised loss on related party loan	508	-
Foreign exchange losses	124	-
Freight	854	1,438
Other expenses	2,605	1,581
	<u>29,847</u>	<u>25,021</u>
(e) Net finance (expense) / income		
Finance income	13	32
Finance charges payable under finance leases and hire purchase contracts	(17)	(12)
Other borrowing costs	(543)	(539)
Finance costs	(560)	(551)
Net finance (expense) / income	<u>(547)</u>	<u>(519)</u>

4. Consolidated statement of financial position

	Note	December 2018 \$000	December 2017 \$000
ASSETS			
Current assets			
Cash and cash equivalents	5.2	3,240	2,646
Trade and other receivables		1,060	2,776
Inventories		5,386	10,851
Prepayments		1,101	1,230
Total current assets		10,787	17,503
Non-current assets			
Trade and other receivables		-	15
Property, plant and equipment		7,686	11,635
Deferred tax assets		5	-
Intangible assets and goodwill		302	1,668
Total non-current assets		7,993	13,318
TOTAL ASSETS		18,780	30,821
LIABILITIES			
Current liabilities			
Trade and other payables		15,784	8,785
Interest-bearing loans and borrowings		1,027	10,930
Provisions		5,368	2,407
Income tax payable		50	-
Total current liabilities		22,229	22,122
Non-current liabilities			
Interest-bearing loans and borrowings		10,371	301
Provisions		1,044	1,003
Total non-current liabilities		11,415	1,304
TOTAL LIABILITIES		33,644	23,426
NET ASSETS		(14,864)	7,395
EQUITY			
Issued capital		12,892	12,892
Reserves		(95)	(83)
Retained earnings		(27,661)	(5,414)
TOTAL EQUITY		(14,864)	7,395

5. Consolidated statement of cash flows

	Note	December 2018 \$000	December 2017 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		73,076	82,078
Payments to suppliers and employees (inclusive of GST)		(72,073)	(84,930)
Receipt of government grants		-	3
Interest received		13	32
Interest paid		(67)	(1,170)
Income tax paid		-	(101)
Net cash flows utilised in operating activities	15.1	949	(4,088)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		198	249
Purchase of property, plant and equipment		(214)	(518)
Purchase of intangibles		-	(10)
Refund of deposit		-	-
Net cash flows used in investing activities		(16)	(279)
Cash flows from financing activities			
Proceeds from borrowings		536	1,306
Repayment of borrowings		(867)	(3,276)
Net cash flows from financing activities		(331)	(1,970)
Net increase in cash and cash equivalents		602	(6,337)
Net foreign exchange differences		(8)	(26)
Cash and cash equivalents at beginning of period		2,646	9,009
Cash and cash equivalents at end of period	5.2	3,240	2,646

5.1 Reconciliation of net profit after tax to net cash flows from operations

	December 2018 \$000	December 2017 \$000
Net profit / (loss)	(22,246)	(10,041)
<i>Adjustments for:</i>		
Depreciation	1,599	1,891
Amortisation	302	40
Impairment of goodwill	-	856
Net loss on disposal of property, plant and equipment	3,438	66
Net unrealised (gain) / loss	498	(116)
Share-based payment expense	-	-
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in trade and other receivables	1,728	(1,079)
(Increase) / decrease in inventories	5,465	1,622
Increase in deferred tax assets	(5)	4,730
Decrease in prepayments	129	(24)
Increase / (decrease) in trade and other payables	6,999	(834)
Increase in tax receivables/payable	50	(101)
Decrease in provisions	2,992	(1,098)
Net cash from operating activities	949	(4,088)

5.2 Reconciliation of cash

	December 2018 \$000	December 2017 \$000
Cash at bank and on hand	3,240	2,646

5.3 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

Nil

5.4 Financing facilities available

Total third-party facilities at 31 December 2018 is \$0.35m, consisting of insurance finance \$0.05m and software finance \$0.30m.

5.5 Financing facilities used

Total third-party facilities at 31 December 2018 is \$0.35m, consisting of insurance finance \$0.05m and software finance \$0.30m.

6. Consolidated statement of changes in equity

	Ordinary shares	Employee reserved shares	Employee equity benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2018	12,892	-	495	(578)	(5,414)	7,395
Loss for the period	-	-	-	-	(22,247)	(22,247)
Other comprehensive loss	-	-	-	(12)	-	(12)
Total comprehensive loss for the period	-	-	-	(12)	(22,247)	(22,257)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
At 31 December 2018	12,892	-	495	(590)	(27,661)	(14,864)
At 1 January 2017	12,892	-	495	(550)	4,627	17,464
Loss for the period	-	-	-	-	(10,041)	(10,041)
Other comprehensive loss	-	-	-	(28)	-	(28)
Total comprehensive loss for the period	-	-	-	(28)	(10,041)	(10,069)
Transfers	-	-	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
At 31 December 2017	12,892	-	495	(578)	(5,414)	7,395

7. Dividends

Date 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
If it is a final dividend, has it been declared	N/A

7.1 Amount per security

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

7.2 Total dividend per security (interim plus final)

	Current year	Prior year
Ordinary securities	Nil	Nil

7.3 Preliminary final report – final dividend on all securities

	Current year	Prior year
Ordinary securities	Nil	Nil
Total	Nil	Nil

Any other disclosures in relation to dividends

Nil

8. 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

9. NTA backing

	31 December 2018 Current year	31 December 2017 Prior year
Net tangible asset backing per ordinary security	(10.1 cents)	3.8 cents

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

Nil

11. Details of associates and joint venture entities

Nil

12. Other significant information

Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

There is no other significant information required by an investor to make an informed assessment of the entity's financial performance and financial position.

13. Foreign entities

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

N/A

14. Commentary on results

A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results.

Refer to section 2.7 above for additional comments regarding the results for the year.

On a cash flow basis, the Company recorded a net cash inflow from operations of \$949,000. This in part reflects the operating performance of the business. There was \$214,000 of capital expenditure during the year which was majority spent on replacement equipment such as iPad to support new front end software.

Cash at the end of the period was \$3,240,000 (up from \$2,646,000 at December 2017).

14.1 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with AASB 133: <i>Earnings Per Share</i> are as follows:	31 December Current year	31 December Prior year
	\$'000	\$'000
Basic earnings / (loss):	(22,247)	(10,041)
Diluted earnings / (loss):	(22,247)	(10,041)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic EPS:	150,258,518	150,258,518
Weighted average number of ordinary shares used in the calculation of diluted EPS:	150,258,518	150,258,518
Basic earnings / (loss) per security:	(14.81 cents)	(6.68 cents)
Diluted earnings / (loss) per security:	(14.81 cents)	(6.68 cents)

14.2 Returns to shareholders

Including distributions and buy backs.

N/A

14.3 Significant features of operating performance

Refer above.

14.4 Segment report

The consolidated entity operates predominantly in Australia and substantially in one business segment being the manufacturing and sale of window coverings.

14.5 Trends

Refer above.

14.6 Other factors

Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Nil

15. Status of audit or review

This report is based on accounts to which one of the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have not yet been audited or reviewed. |

16. Dispute or qualification – accounts not yet audited or subject to review

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

N/A

17. Dispute or qualification – accounts audited or subject to review

If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

N/A