

RESULTS FOR ANNOUNCEMENT TO THE MARKET



PLUKKA LIMITED
Appendix 4E
Preliminary Final Report

For the year ended 30 June 2017

Lodged with the ASX under Listing Rule 4.3A

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RESULTS FOR ANNOUNCEMENT TO THE MARKET...APPENDIX 4E ITEM 2 & 9

Reporting Period: Financial year ended 30 June 2017

Previous Reporting Period: Financial year ended 30 June 2016

Summary Table

	Notes	2017 \$AUD	2016 \$AUD	Increase/(Decrease) %
Revenue from continuing operations (Appendix 4E item 2.1)		1,795,294	1,879,951	(5%)
Loss from ordinary activities after tax attributable to members (Appendix 4E item 2.2)		(3,581,163)	(9,321,106)	(62%)
Comprehensive Loss for the year attributable to members (Appendix 4E item 2.3)		(3,704,959)	(9,468,973)	(61%)
Basic Loss per share (Appendix 4E Item 14.1)		(0.02)	(0.10)	(120%)
Diluted Loss per share (Appendix 4E Item 14.1)		(0.02)	(0.10)	(120%)
Net Tangible Assets per share (Appendix 4E Item 9)		0.02	0.04	(50%)

Dividends (Appendix 4E item 2.4 & 2.5)

No dividends have been paid during the year and the Company does not propose to pay any final dividends.

Audit Status (Appendix 4E item 15)

This report is based on accounts which are in the process of being audited. The Audited Annual Report is expected to be released by 30 September 2017.

Commentary on Results (Appendix 4E Item 14) & Significant Features of Operating Performance (Appendix 4E Item 14.3)

Plukka Limited ("Plukka" or the "Company") is an international omni channel fine jewellery retailer of creative fine jewellery offering exclusive and proprietary pieces through its online platform at www.plukka.com, offline events and partnerships and Hong Kong flagship location.

The fine jewellery market was the fastest growing luxury category between 2005 and 2015, but growth has slowed from 11% to just 1.5-2% in 2016, forecast to be just 1-2% for fine jewellery players in 2017¹. In the longer term, jewellery is still expected to increase in relative importance at the expense of clothing, as urban consumers (particularly as more high income households appear in China and India) are able to redirect share-of-wallet from basic needs to discretionary items such as jewellery². Similarly, online and digital consumption has now reached 7% penetration across luxury goods and now constituting one of the largest markets in the world after the USA³.

Revenue from continuing operations (Appendix 4E item 2.6 & 14)

In Australian dollar terms, revenue levels fell 5% during the 2017 financial year. Sales income for the financial year to date was US\$1.35M compared to US\$1.38M for the previous financial year. The Company was able to achieve these revenue levels whilst significantly restructuring the cost base of the business.

Sales for the financial year consisted of online sales of US\$260K and events sales of US\$770K with boutique sales in the UK, Hong Kong and NYC making up the remainder. The online sales performance of the financial year ending June 2017, representing the scalable part of Plukka's business, represents an increase of ~30% over online sales during the prior financial year. Online performance in 2017 steadily improved with improvements to the Plukka website, a simplified and more curated product offering, more attractive pricing through focus on Plukka branded product and continued technical

¹ McKinsey Report, "The State of Fashion", 2017

² McKinsey Report, "The State of Fashion", 2017

³ Altgamma and Bain, "Worldwide Luxury", 2016

improvements in SEO, digital marketing and optimised paid search. These improvements are expected to continue and accelerate with the launch of a newly optimised website in September 2017.

Over the past twelve months, management has improved the Plukka business model by embracing a 'mine to market' strategy that allows Plukka to have more control over its supply chain, improving quality assurance, enabling it to react faster to market trends and significantly cutting costs. In March 2017 Plukka announced the signing of a two-year USD\$1M revolving inventory facility agreement with NYC based jewellery manufacturer, Treliss Worldwide Inc. (**Treliss**). The facility provides Plukka with capability of expanding its revenue base significantly quicker than it would otherwise be capable of by allowing Plukka to take control of its supply chain without incurring significant capex costs, focusing on building exclusive positions in the marketplace, and expanding its distribution to third parties.

In partnership with Treliss, Plukka has focussed on establishing various new distribution channels, including a wholesale business model that, if successful, would increase the top and bottom-line financials, drive revenues in the retail business and also decrease the business's current dependence on events-based revenue. Confidential discussions are underway with several large jewellery retailers in North America to produce a variety of new products and designs, including Plukka Essentials, anticipated for delivery in the last quarter of this year.

If these distribution deals are secured, the Company expects to see a significant uplift in sales in 2018 and beyond. In the medium term, Plukka continues to take measures to reduce its spending whilst growing the online business and steering away from events based revenue and offline boutiques. Plukka envisages that a successful wholesale business model would constitute a significant portion of revenues, and reinforce the direct-to-consumer offering through the retail boutiques and the e-commerce platform. This strategy is in line with the ongoing negotiations with individual designers, who would feature alongside Plukka's own-brand product in the wholesale contracts. These designers will ensure the Plukka product offering remains both diverse but relevant to the consumer base, and allows Plukka to reach out to different distributors globally with individually tailored packages.

Profit / (loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.6 & 14)

The loss from ordinary activities attributable to members of \$3,581,163 (2016: \$9,321,106) is made up of:

- Gross margin on sales revenue of \$633,680 (2016: \$756,267).
- Other income of \$7,608 (2016: \$1,509,052). The prior year comparative included a one off debt forgiveness of \$1,473,663 owed by TCH to Value Train Investments Limited that was forgiven on completion of the acquisition of TCH by Plukka.
- Marketing and administration fees of \$3,442,402 (2016: \$5,254,240) reflects the operating costs associated with managing the Plukka business and includes all marketing expenses associated with online and offline sales revenue, salaries and wages and Australian listing overheads. The substantial decrease in the current financial year reflects the business restructure changes implemented by management to reduce personnel costs, reduce offline boutique operating costs and improve the nature of marketing expenditure.
- Restructuring expenses of \$nil (2016: \$464,931). The prior year comparative included the opening of the Chater House boutique in Hong Kong, termination of the planned Peninsula Hotel boutique in Kowloon.
- Relisting expenses totalling \$nil (2016: \$2,771,474). The prior year comparative represented the excess of consideration paid by TCH (as the accounting acquirer) over the fair value of the net assets acquired from Plukka (previously Continuation Investments Limited).
- Share based payments expense of \$642,055 (2016: \$2,441,637) represents the value attributable to the issue to, and the conversion of, performance rights and options by employees during the current financial year. The prior year comparative includes \$2,215,800 incurred as part of the issue of Plukka securities on the acquisition of TCH and further share based payments expenses to new employees subsequent to the acquisition.
- Other expenses of \$13,843 (2016: \$631,963). The prior year comparative included foreign exchange losses of \$429,635 incurred as a result of the exposure to Great Britain Pounds, US dollars and Hong Kong dollars on sales earned and costs incurred. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of such transactions.

Net Profit/(Loss) for the period attributable to members (Appendix 4E item 2.6 & 14)

The Company incurred \$123,796 (2016: \$147,867) in foreign currency losses relating to the financial position of the entities established in the USA, UK and Hong Kong. This represents the unrealised gains and losses of the monetary assets and liabilities at the reporting date.

Supplementary Information

Trends in Performance (Appendix 4E Item 14.5)

The luxury goods market for jewellery saw slowing growth down to 1.5-2% in 2016, a trend which has continued in the first half of 2017 and has disproportionately affected the higher end retailers according to luxury reports from both McKinsey and Bain & Company. This was driven by a 2% decline in the global personal luxury goods market in China, 3% decline in the rest of Asia and 3% decline in the Americas. Given that the Chinese consumer has been the unique market growth driver since 2012, the reduction in Chinese spending has led to stagnation and contraction in 2016⁴.

The Company continues to focus on online revenue growth, specifically in the North American market (the Americas represent approximately 33% of the global luxury personal goods market according to Bain & Company) which is becoming an increasingly important channel globally. Offline, Plukka has managed to maintain revenue in Hong Kong and the rest of Asia, but has not been able to penetrate the UK market through the Burlington Arcade boutique. Plukka intends to close the Burlington Arcade boutique in London in September 2017 to focus further on the online channel and global wholesale market.

Despite the significant improvements in the Plukka business model in the past twelve months, 2017/2018 revenue growth forecasts remain modest. In August 2017, the Company announced its intention to consider a divestment of a majority interest in the operating business. Plukka intends, with its partner Treliss, to pursue the B2B opportunities with significant North American outlets and in Asia and the United Kingdom. The Company continues to take measures to reduce its spending, including by reducing personnel, whilst growing the online business and steering away from events based revenue and offline boutiques.

Other Factors that affected results in the period or which are likely to affect results in the future (Appendix 4E item 14.6)

No other factors to report.

Other Significant Information (Appendix 4E Item 12)

During the financial year Plukka issued 20,963,531 ordinary shares to Treliss as consideration for agreeing to provide Plukka with a two year US\$1M revolving inventory financing facility.

⁴ Altgamma and Bain, WorldWide Luxury Markets Monitor (October 2016)

PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME...APPENDIX 4E ITEM 3

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 \$	Consolidated 2016\$
Revenue		
Sales income	1,795,294	1,879,951
Cost of goods sold	(1,161,614)	(1,123,684)
Gross margin	633,680	756,267
Other income	7,608	1,509,052
Expenses		
Marketing and administration expenses	(3,442,402)	(5,254,240)
Provisions for write offs of doubtful receivables and inventory	(37,540)	(182,744)
Restructure expenses	-	(464,931)
Relisting expenses	-	(2,771,474)
Share based payments expense	(642,055)	(2,441,637)
Borrowing fees	(86,611)	-
Finance costs	-	(21,768)
Other	(13,843)	(449,219)
Total expenses	(4,222,451)	(11,586,013)
Loss before income tax expense	(3,581,163)	(9,320,694)
Income tax expense	-	(412)
Loss for the year	(3,581,163)	(9,321,106)
Other comprehensive loss for the year net of tax		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(123,796)	(147,867)
Total comprehensive loss for the year	(3,704,959)	(9,468,973)
Loss attributable to owners of the Company	(3,704,959)	(9,468,973)
Basic and diluted loss per share from continuing operations	(0.02)	(0.10)

PRELIMINARY STATEMENT OF FINANCIAL POSITION...APPENDIX 4E ITEM 4

AS AT 30 JUNE 2017

	Consolidated 2017 \$	Consolidated 2016\$
CURRENT ASSETS		
Cash and cash equivalents	1,983,040	4,952,570
Trade and other receivables	259,631	218,789
Inventory	248,722	346,232
Other current assets	204,135	532,563
Total current assets	2,695,528	6,050,154
NON-CURRENT ASSETS		
Plant and equipment	293,835	453,754
Total non-current assets	293,835	453,754
Total assets	2,989,363	6,503,908
CURRENT LIABILITIES		
Trade and other payables	288,350	826,603
Total current liabilities	288,350	826,603
Total liabilities	288,350	826,603
Net assets	2,701,013	5,677,305
EQUITY		
Issued capital	20,955,954	20,501,646
Reserves	1,769,596	1,495,237
Foreign currency translation reserve	(420,838)	(297,042)
Accumulated losses	(19,603,699)	(16,022,536)
Total equity	2,701,013	5,677,305

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS...APPENDIX 4E
 ITEM 5

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017 \$	Consolidated 2016\$
Cash flows from operating activities		
Receipts from customers	1,719,000	1,879,951
Payments to suppliers and employees	(4,538,675)	(6,032,812)
Interest received	724	868
Interest and other finance costs	-	(21,768)
Income taxes paid	-	(412)
Net cash used in operating activities	(2,818,951)	(4,174,173)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4,008	13,000
Purchase of property, plant and equipment	(3,987)	(475,434)
Acquisition of subsidiary net of cash acquired	-	412,328
Net cash provided by / (used in) investing activities	21	(50,106)
Cash flows from financing activities		
Proceeds from issue of shares	-	10,000,000
Share issue transaction costs	-	(740,350)
Net cash provided by financing activities	-	9,259,650
Net (decrease) / increase in cash and cash equivalents	(2,818,930)	5,035,371
Cash at the beginning of the financial year	4,952,570	494,701
Effects of exchange rate changes on cash and cash equivalents	(150,600)	(577,502)
Cash at the end of the financial year	1,983,040	4,952,570

PRELIMINARY STATEMENT OF CHANGES IN EQUITY...APPENDIX 4E ITEM 6

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated 2017					Consolidated 2016				
	Issued capital \$	Options & Rights Valuation Reserve \$	Foreign Currency Translation \$	Accumulated losses \$	Total \$	Issued capital \$	Options & Rights Valuation Reserve \$	Foreign Currency Translation \$	Accumulated losses \$	Total \$
Balance at the beginning of the year	20,501,646	1,495,237	(297,042)	(16,022,536)	5,677,305	5,391,420	6,340,655	(149,175)	(6,701,430)	(1,459,185)
Loss after income tax expense for the year	-	-	-	(3,581,163)	(3,581,163)	-	-	-	(9,321,106)	(9,321,106)
Other comprehensive loss for the year	-	-	(123,796)	-	(123,796)	-	-	(147,867)	-	(147,867)
Total comprehensive loss of the year	-	-	(123,796)	(3,581,163)	(3,704,959)	-	-	(147,867)	(9,321,106)	(9,468,973)
Issue of shares	-	-	-	-	-	16,312,176	-	-	-	16,312,176
Share issue costs	-	-	-	-	-	(740,350)	-	-	-	(740,350)
Conversion of performance rights	367,697	-	-	-	367,697	-	-	-	-	-
Share based payments	86,611	274,359	-	-	360,970	(461,600)	1,495,237	-	-	1,033,637
					-	15,110,226	1,495,237	-	-	-
Balance at the end of the year	20,955,954	1,769,596	(420,838)	(19,603,699)	2,701,013	20,501,646	1,495,237	(297,042)	(16,022,536)	5,677,305

SUPPLEMENTARY INFORMATION...APPENDIX 4E ITEM 10-12 & 14

1. Statement of Significant Accounting Policies

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by Plukka during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The Preliminary Financial Statements of Plukka Limited and its controlled entities, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2. Material factors affecting the consolidated entity for the current period

The Company continued its fine jewellery retailing operations during the financial year.

3. Segment Information (Appendix 4E Item 14.4)

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the Chief Operating Decision Maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

Following the adoption of AASB 8, the identification of the Company's reportable segments has not changed. During the period, the Company's considers that it has only operated in one segment, being operating a multi-brand, omni-channel fine jewellery retail business.

The Company is domiciled in Australia. Revenue from external customers is generated globally. Assets are located in Hong Kong, United Kingdom and the USA.

4. Controlled Entities Acquired (Appendix 4E Item 10)

Name of entity	None
Date control gained	Not Applicable
Control of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	Not applicable

5. Associates and joint venture entities (Appendix 4E Item 11)

There are no associates or joint venture entities.

On behalf of the Board:



Andrew Worland

Director

Date: 31 August 2017