



Fantastic Holdings
Limited

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ANNUAL REPORT 2014



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FANTASTIC HOLDINGS LIMITED
ANNUAL REPORT 2014



Fantastic Holdings
Limited

Annual Report to Shareholders for
the year ended 30 June 2014

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Financial Calendar 2014

- 2014 full year results announced to Australian Stock Exchange 22 August 2014
- Record date for entitlements to the final dividend 1 October 2014
- Final dividend for 2014 financial year to be paid 15 October 2014
- Annual General Meeting 31 October 2014



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FANTASTIC FURNITURE
SINCE 1989



Chairman's and Managing Director's Report

FOR THE YEAR ENDED 30 JUNE 2014

Fantastic Holdings Limited announced a full year statutory net profit after tax of \$5.9M. This result represents a decrease of 56.6% on the previous financial year. Statutory Group EBIT of \$8.8M represents a 51.4% reduction from the prior year. This reduction reflects gross margin decline due to stock clearance and discounting in Fantastic Furniture and Plush as well as the impact of the depreciating Australian Dollar during the year.

The Group had a challenging first half where trading conditions were influenced by depressed consumer confidence due to the pending elections and increased competition in our major markets.

The Group has made good progress in the initiatives introduced at the start of the year in the areas of product ranges, product development, and clearance of non-core stock. This has assisted in the improved second half performance.

Group statutory sales for the year were \$447.8M, an increase of 0.6%, while comparative store sales declined by 1.5% due to lower average transaction value as a result of clearance activity in Fantastic Furniture and Plush. Sales in the second half of \$223.1M improved by 5.3% on pcp with strong performance from Fantastic Furniture and Plush. Second half like for like sales growth was positive 3.8% on pcp. Group EBITDA was \$20.0M for the full year.

Like for like sales growth in Fantastic Furniture was negative 1.6% for the year, however, the second half like for like sales growth was positive 1.4% given the introduction of new product ranges. Total group undelivered customer orders stood at \$31.7M at June 14 compared to \$23.7M as at June 13.

Plush cleared non-core stock, improved margins, updated product range, delivered a second half like-for-like sales performance of 20.7% and a record undelivered customer orders of \$15.4M. Plush's new simplified business model and refreshed range has proven successful and we expect FY15 will be the year the business returns to profitability.

Operating cash flow for the full year was \$11.7M and the Group retained a cash balance of \$21.1M at 30 June 2014 compared to a debt position of \$15.0M. During the year, the Group sold Campbelltown property for \$12.0M, recording a pre-tax profit of \$2M on the sale. Fantastic Holdings opened 3 new stores and closed 3 stores during the year, operating 133 company owned stores nationally.

Fantastic Holdings has declared a final dividend of 3.0 cents per share fully franked, this brings the total dividend for the year to 6.0 cents fully franked.

Our manufacturing factory in Vietnam is now producing steel framed sofas and steel beds. Our China joint venture manufacturing facility has been completed. The opening of this Sofa and Upholstered Bed Factory later this year will further strengthen our supply chain and will mark the beginning for consolidation of products and direct shipments to stores thereby reducing inland freight and warehousing costs in Australia. Additionally our updated business systems and processes will reduce duplication and inefficiency.

On 1st August 2014, Ms Debra Singh, was appointed to the role of Fantastic Furniture CEO. As Group Managing Director and CEO, Mr Stephen Heath will continue to oversee all domestic business units as well as the introduction of operations in China and new growth initiatives for the Group.

This year has established the foundations of the business. We are starting to see these improvements in the last six months reflected in the financial results. We would like to thank our shareholders, staff and customers for their continued support.



Julian Tertini
Chairman



Stephen Heath
Managing Director and Chief Executive Officer

Dated this 3rd day of September 2014

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2014

The Directors present their report together with the financial report of the Group, being Fantastic Holdings Limited (the Company) and its subsidiaries, for the year ended 30 June 2014 and the Independent Auditors' Report thereon. The Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

NON-EXECUTIVE DIRECTORS



Julian Tertini

(66) Non-Executive Director since 12 July 2013 and Chairman since 30 June 2014

Julian Tertini has over 30 years experience in the retail industry and was a founding shareholder and an Executive Director responsible for retail operations and product development of Freedom Furniture. During his time at Freedom Furniture, the operations grew from one store to a national chain. Mr Tertini has served on a number of private company boards in the retail, hospitality and broadcasting industries.



James Millar AM BCom, FCA, FAICD

(61) Independent Non-Executive Director and Chairman since 2 May 2012. Resigned 30 June 2014

Member of Audit, Risk and Compliance Committee. Resigned 30 June 2014

Member of Remuneration Committee. Resigned 30 June 2014

James Millar AM is the former Chief Executive Officer and Oceania Area Managing Partner of Ernst & Young, and was a member of Ernst & Young's Global Board. His career prior to the partnership roles at Ernst & Young was as a corporate reconstruction professional. Mr Millar AM is Non-Executive Director of Mirvac Limited, Jetset Travelworld Limited and Fairfax Media Limited.



Peter Brennan BSc Econ (Hons) FCA

(58) Non-Executive Director since 12 July 2013

Member of Audit, Risk and Compliance Committee

Peter Brennan is a Fellow of the Institute of Chartered Accountants in Ireland and an Associate of the Institute of Chartered Accountants in Australia with 35 years experience in accountancy. He spent 10 years in the banking and finance sector and held a number of senior management positions with St George Bank Limited (1989 – 1995). Mr Brennan has served on a number of public and private boards and is currently Chairman of The Lansdowne Club Limited (Ireland-Australia Business Network).



Geoffrey Squires BEC, MBA, FAICD

(65) Independent Non-Executive Director since 22 August 2006

Chairman of the Audit, Risk and Compliance Committee

Member of Remuneration Committee

Geoffrey Squires has over 40 years experience in the building and construction industry. He spent 24 years with Monier Limited, a supplier of concrete and clay tiles and was the General Manager - Roofing division from 1986 - 1994. Mr Squires currently serves on a number of private company boards in the building and shipping industries.



Margaret Haseltine BA, DipED, FAICD

(54) Independent Non-Executive Director since 26 November 2013

Chairman of Remuneration Committee since 26 November 2013

Member of Audit, Risk and Compliance Committee since 26 November 2013

Margaret Haseltine has over 30 years business experience. A proven Executive, Margaret has delivered significant achievements in prior roles in the areas of change management, governance, organisational culture development and profitability improvement. Ms Haseltine served most recently as CEO of Mars Foods. She serves on the Agrifood Skills Australia, Central Coast Water Corporation, The National Skills and Standards Committee and the NSW Crown Lands Trust.



Denis McCormack FAMI, FAIA, AIFS, MACUI

(65) Independent Non-Executive Director since 29 July 1999. Resigned 25 March 2014

Chairman of Remuneration Committee. Resigned 25 March 2014

Member of Audit, Risk and Compliance Committee. Resigned 25 March 2014

Denis McCormack has over 40 years experience in marketing. A former advertising agency director, he joined St George Building Society in the 1970s and as Chief General Manager of Marketing had key roles in building the St George brand and the conversion to St George Bank. In addition to Fantastic Holdings Limited, he has been a Director of NSW Lotteries Corporation, The Sydney Festival, IOOF Building Society, The Lansdowne Club and Sutherland Credit Union.

EXECUTIVE DIRECTOR



Stephen Heath

(47) Managing Director and Chief Executive Officer since 12 July 2013

Stephen Heath has 20 years of extensive retail experience comprising of iconic Australian retail brands including Harvey Norman, Rebel Sport and Godfreys. As the CEO of Godfreys, Mr Heath oversaw retail, wholesale distribution and manufacturing business units across a number of brands throughout Australia, NZ, the UK and Asia. Prior to this, Mr Heath was CEO of Rebel Sport during its public listing on the ASX. Mr Heath is also a Non-Executive Director of Funtastic Limited (FUN).

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' MEETINGS

The number of Directors' meetings held during the financial year (including meetings of Committees of Directors), and those attended by each Director were:

| Director | Board Meetings | | Audit, Risk and Compliance Committee Meetings | | Remuneration Committee Meetings | |
|--------------------|----------------|----|---|---|---------------------------------|---|
| | A | B | A | B | A | B |
| James Millar AM | 11 | 13 | 2 | 3 | 2 | 3 |
| Denis McCormack | 10 | 10 | 3 | 3 | 2 | 2 |
| Geoffrey Squires | 13 | 13 | 3 | 3 | 3 | 3 |
| Julian Tertini (1) | 11 | 13 | 2 | 3 | 2 | 3 |
| Peter Brennan (1) | 12 | 13 | 3 | 3 | 3 | 3 |
| Margaret Haseltine | 7 | 7 | 2 | 2 | 2 | 2 |
| Stephen Heath | 13 | 13 | - | - | - | - |

A - Number of meetings attended B - Number of meetings held during the time the Director held office during the 2014 financial year

(1) - Mr Tertini is not a member of the Audit, Risk and Compliance Committee as well as the Remuneration Committee. Mr Brennan is not a member of the Remuneration Committee. Both were invited to attend these meetings and their attendance is recorded,

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were the retail, manufacture and importation of household furniture. There were no significant change in the nature of the activities of the consolidated entity during the year.

COMPANY OVERVIEW

OBJECTIVES

The objective of the Group is to bring sustained growth and profitability to its shareholders by careful planning in store placement and prominence, consistently strong marketing, ongoing product innovation, increasing market share, quality service and a high level of staff development and motivation. Underlying this is the core proposition of great value for money and a frugal approach to operating costs.

PERFORMANCE INDICATORS

The Board and management monitor the consolidated entity's overall result against prior year, budget and forecast performance and use key performance indicators in the assessment. These include:

- Profit as a percentage of sales
- Operating costs as a percentage of sales
- Comparable and total store sales growth
- Contribution of existing and new stores
- Sales per square metre
- Strike rate, traffic and average dollar sales
- Gross margin by store and product
- Inventory turnover and availability
- Quality/return rates
- Staff turnover
- Return on capital, assets and equity
- Earnings per share

DYNAMICS OF THE BUSINESS

All retailers are affected by changing economic conditions, particularly regarding consumer sentiment, interest rates, levels of employment and inflation. The key is to be able to prepare for such changes and adapt to them quickly. The consolidated entity believes it has the ability to do this, particularly as a retailer who places price, service and value at the core of its proposition. Also, the mix of locally manufactured and imported products gives the Group a greater flexibility than that of many of its competitors and allows more of a balance at times of large exchange rate fluctuations. A key element of the Group's business strategy is to lease sites at a realistic cost, even if this means slowing the planned store opening schedule.

OPERATING AND FINANCIAL REVIEW

The Group is one of Australia's largest vertically integrated furniture organisations being a retailer, importer and manufacturer of furniture. The Group is listed on the Australian Stock Exchange (FAN) and employs over 1,500 people nationally.

As at 30 June 2014, the Group operated 133 company owned stores and 3 franchise stores across five furniture retail chains:

- Fantastic Furniture – 73 stores (plus 2 franchise stores)
- Plush – 33 stores
- Dare Gallery – 10 stores (plus 1 franchise store)
- Original Mattress Factory – 15 stores
- Le Cornu – 2 stores



The Group also has a significant manufacturing presence in Australia with its sofa and mattress manufacturing businesses having the capacity to produce over 140,000 sofa's as well as over 140,000 mattresses each year.

The Group's Vietnam manufacturing facility is now fully operational and is producing steel beds and steel sofa frames for the Fantastic Furniture brand. The Group's China manufacturing and warehousing facility (the Sofa and Upholstered Bed Factory) has been completed and it is anticipated to produce sofas, upholstered beds and to provide direct shipments of product to stores during financial year 2015.

The Group also invests in property sites to support the growth of its retail business.

FINANCIAL PERFORMANCE – HIGHLIGHTS

| | FY14 | FY13 | Change |
|--|-------|-------|-----------|
| Sales (\$M) | 447.8 | 445.2 | 0.6% |
| Gross Margin (%) | 44.5 | 46.6 | (2.1pts) |
| CODB (\$M) | 194.2 | 191.2 | (1.6%) |
| EBITDA (\$M) | 20.0 | 25.5 | (21.8%) |
| EBITDA Margin (%) | 4.5 | 5.7 | (1.2pts) |
| EPS (cents) | 5.68 | 13.15 | (56.8%) |
| Full Year Dividend per share - fully franked (cents) | 6.00 | 10.50 | (42.9%) |
| Return on Equity (%) | 5.45 | 12.49 | (7.04pts) |

SALES PERFORMANCE

The Group's sales were maintained at \$447.8M, with an increase of 0.6%, while comparable store sales growth was negative 1.5%. The Group experienced difficult trading conditions in the first half of the financial year, largely attributable to higher clearance activity in Fantastic Furniture and Plush. The Group's sales for the second half of financial year 2014 were up 5.3% with comparable store sales growth of positive 3.8% and the Group's undelivered customer orders at 30 June 2014 was \$31.7M up 33.8% from the previous corresponding period.

GROSS MARGIN

The Group's gross margin for financial year 2014 was 44.5%, down 210 basis points from the previous corresponding period. The gross margin for the Group varies by brand and has been affected by stock clearance activity and discounting in Fantastic Furniture and Plush as well as the impact of the depreciating Australian dollar.

COST OF DOING BUSINESS

The Cost of Doing Business (CODB) as a percentage of sales was 43.4% for the year, an increase from the previous corresponding period of 42.9%. The CODB was negatively impacted by significant expense items on assets and redundancy costs of \$1.8M and \$0.6M, respectively.

EARNINGS

EBITDA to equity holders of \$20.0M for FY14 represented a decline of \$5.5M on the previous corresponding period, reflecting the difficult first half performance, the negative impact on gross margin from foreign exchange movements, stock clearance and product discounting. The earnings represented an EBITDA margin of 4.5%. The turnaround performance of the Plush business has assisted in delivering improved EBITDA in the second half of the financial year.

DIVIDENDS

The final dividend of 3.00 cents per share brings the total dividend for the 2014 financial year to 6.00 cents, fully franked.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

SHAREHOLDER RETURNS

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---------------------------------------|------------|------------|------------|------------|------------|
| Basic earnings per share (EPS)(cents) | 5.68 | 13.15 | 20.43 | 18.95 | 18.08 |
| Dividends per share (DPS)(cents) | 6.00 | 10.50 | 13.00 | 11.00 | 10.25 |
| Return on equity (%) | 5.45 | 12.49 | 19.26 | 19.30 | 20.47 |
| Share price at 30 June (\$) | 1.49 | 1.97 | 2.30 | 1.99 | 2.00 |
| Available franking credits (\$) | 34,248,359 | 37,222,224 | 35,140,914 | 28,889,796 | 29,188,174 |

Dividends were 100% franked from 2010 to 2014 and it is expected that any dividends in the near future years will continue to be fully franked.

FINANCIAL POSITION AND CASHFLOWS

The Group maintains a strong and robust balance sheet with cash of \$21.1M and debt of \$15.0M. Interest bearing debt of \$10.3M was repaid during the financial year.

Operating cash for the full year was \$11.7M. During the year, the Group sold its Campbelltown property for \$12.0M.

STORE NETWORK

During the 2014 financial year, the Group opened 3 stores and closed 3 stores. This brings the total number of company owned stores to 133 and 3 franchise stores (Fantastic Furniture - 2 and Dare Gallery - 1). Le Cornu opened the Ashley Store in Store concept at its Adelaide site.

The following store changes occurred during the financial year:

- Fantastic Furniture opened 3 stores being Chullora (NSW), Burleigh Heads (QLD) and Windsor (QLD); and
- Fantastic Furniture closed 3 stores being Bankstown (NSW), Mittagong (NSW) and Knox (VIC).

The Group's network of company owned stores by state as at 30 June 2014 is set out below:

| | NSW/ACT | VIC | QLD | WA | SA | TAS/NT | TOTAL |
|---------------------|-----------|-----------|-----------|----------|----------|----------|------------|
| Fantastic Furniture | 32 | 18 | 11 | 6 | 4 | 2 | 73 |
| Plush | 14 | 12 | 4 | - | 3 | - | 33 |
| OMF | 15 | - | - | - | - | - | 15 |
| Dare Gallery | 2 | 6 | 2 | - | - | - | 10 |
| Le Cornu | - | - | - | - | 1 | 1 | 2 |
| Total Group | 63 | 36 | 17 | 6 | 8 | 3 | 133 |

PROPERTY

As at 30 June 2014, the Group owned three properties; Dandenong (VIC), Newcastle (NSW) and Rockhampton (QLD), with a total book value of \$27.5M. The property segment attributed \$2.2M to the Group's EBIT. The income from the Property segment is primarily from leasing income and gain on sale of Campbelltown property.

TRADING OUTLOOK

Year to date sales for July and August are below prior comparative period. Positive sales results have been recorded in August.

Trading conditions are expected to remain challenging during FY15 as a result of:

- new competition in key markets;
- continued economic uncertainty and expected increases in the unemployment rate; and
- lower exchange rate placing pressure on pricing.

Financial year 2015 will see the start of production of the Group's Sofa and Upholstered Bed Factory in China, further strengthening its supply chain and will mark the beginning for consolidation of products and direct shipping to Fantastic Furniture stores and regional ports thereby reducing inland freight and warehousing costs. This combined with Fantastic Furniture's updated business systems and operational processes will reduce duplication and inefficiency in stores and back office.

Fantastic Furniture's focus will be on executing its redefined Customer Value Proposition to improve quality of product and customer service experience to drive margin improvement and sales.

Plush's new simplified business model and refreshed product range is expected to continue its positive second half performance and return to profitability in FY15.

The Group will continue to focus on employee engagement, training and development of its people and reducing employee turnover.

ROUNDING

The amounts contained in the annual financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Group under ASIC Class Order 98/100. The Group is an entity to which the Class Order applies.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for ensuring that risks are identified on a timely basis and that the objectives of the consolidated entity are aligned with these risks. The Board's risk management process and corporate governance principles are detailed in the Corporate Governance Statement that follows.

Recognising that shareholders, employees, customers, regulatory bodies and the community expect a high standard of performance, accountability and ethical behaviour, the Board of Fantastic Holdings Limited ("the Board") acknowledges its responsibility for and commitment to a strong culture in corporate governance.

This Statement sets out the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange Corporate Governance Council ("Council") recommendations, unless otherwise stated.

A: Board of Directors

1) Role of the Board

In general, the Board, directly or through its Committees, is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of Fantastic Holdings Limited and its subsidiaries (the Group). The Board has responsibility for the control and direction, or stewardship, of all operations of the Group. Without intending to limit this general role of the Board, the Board's specific or principal functions and responsibilities include:

- a. approving the Group's strategic direction, goals and annual business plans;
- b. reviewing progress on strategic issues;
- c. monitoring the Group's operational and financial performance as well as senior management's performance;
- d. setting the various internal controls and reporting framework for the management of the risks inherent in the Group's operations;
- e. ensuring that the Group operates ethically and responsibly and in compliance with internal codes of conduct and legal and regulatory requirements;
- f. approving and monitoring major expenditure, acquisitions, divestments and funding;
- g. setting of discretionary financial and related operating limits for management;
- h. appointment of and reviewing the performance, remuneration and succession planning for the position of Managing Director; and
- i. establishing and determining the powers and functions of the committees of the Board, including the Audit, Risk and Compliance Committee and the Remuneration Committee.

The Board delegates authority to management in relation to various operational functions. These authorities include expenditure, disciplinary action, remuneration changes, recruitment of new staff, termination of staff, release of intellectual property, entering lease commitments, product pricing, introduction of new products and services and commitment to promotional and advertising expenditure programs.

The following rules take precedence over specific delegations:

- i. there has to be a budget for the expenditure;
- ii. items not in the budget that are considered material must have been subsequently approved by the Board;

- iii. an executive can never approve his or her own expenditure item. Items must be approved by the executive deemed to be on the next delegative level above the relevant executive; and
- iv. authorities cannot be sub-delegated without prior authority from the next delegative level up.

2) Composition of the Board

For the year ended 30 June 2014, the Board consisted of six Directors, one of whom is an Executive Director and five of whom are Non-Executive Directors. Of the five Non-Executive Directors, three (including the Chairman) were independent.

A Director is deemed to be "independent" if they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement. Specifically, an independent Director:

- a. is not a substantial shareholder of the Group (as defined by the Corporations Act 2001);
- b. has not been employed as a Director or executive by the Group within the last three years;
- c. has not been a principal of any profession advisor or consultant to the Group within the last three years;
- d. is not a supplier or customer of the Group
- e. has no contractual relationships with the Group
- f. has not served on the Board for a period which could be reasonably perceived to materially interfere with the Director's ability to act in the best interests of the Group; and
- g. is free from any interest and any business or other relationship, which could be reasonably perceived to materially interfere with the Director's ability to act in the best interests of the Group.

The names of the independent Directors of Fantastic Holdings Limited as at 30 June 2014 were James Millar AM (Chairman), Geoffrey Squires and Margaret Haseltine.

The non-independent Directors are Stephen Heath (Managing Director and CEO), Julian Tertini (Non-Executive Director and former Managing Director) and Peter Brennan (Non-Executive Director and former Finance Director and Company Secretary).

The following changes to the Board occurred in the year ended 30 June 2014:

- 26 November 2013, Margaret Haseltine appointed as a Non-Executive Director.
- 25 March 2014, Denis McCormack resigned.
- 30 June 2014, James Millar resigned as Non-Executive Director and Chairman.
- 30 June 2014, Julian Tertini appointed as Chairman.

Recommendation 2.1 of the ASX Corporate Governance Principles and Recommendations provides that a majority of the Board of a listed entity should be independent Directors.

The Company did not comply with the Recommendation 2.1 as it has an equal number of independent and non-independent Directors. The Board considers that shareholder interests are protected for the following reasons:

- i. the Chairman is an independent Director;
- ii. the Chairman is not the Managing Director; and

CORPORATE GOVERNANCE STATEMENT (Continued)

iii. under Rule 6.10 (f) of the Company's Constitution, the Chairman has a casting vote at Board meetings (except where only two directors are competent to vote on the question at issue).

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in this Directors' Report.

As at the date of this report, and as a result of Julian Tertini being appointed as Chairman, the Board did not comply with Recommendation 2.1.

The Board is currently working towards becoming independent. In the interim the Board believes that Julian Tertini is the most appropriate person to lead the Board as Chairman, and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman, and that the Company as a whole benefits from his long standing experience.

3) Board Processes

To assist in the effective discharge of their duties, Directors may, in consultation with the Chairman, seek independent legal advice on their duties and responsibilities at the Group's expense and in due course, make all Board members aware of both instructions to advisors and the advice obtained.

Should the need arise to confidentially discuss particular issues, the independent Directors may meet separately prior to the commencement of monthly Board Meetings. The provisions of section 195 of the Corporations Act 2001 govern the Board's procedures where there are conflicts of interest involving Directors. That section, which has application to listed companies, prohibits a Director who has a material personal interest in a matter being considered by the Board from voting on the matter or being present while the matter is being discussed, unless the Board specifically passes a resolution overriding that prohibition.

4) Performance Evaluation

It is the responsibility of the Chairman to ensure Directors contribute appropriately and he monitors this in an informal manner at each Board and Committee meeting. If there is a matter of improvement to be raised, this will be done either on an individual or group level, as appropriate. The Chairman also reviews the effectiveness of meetings and makes recommendations as to areas of possible improvement for future meetings where appropriate.

The number of Board and Committee meetings attended by each Director is provided in this Directors' Report, as it is important that individual Board members devote the necessary time to the Board. To this end, there is a review of the time required from a Non-Executive Director and whether they are meeting this. A Non-Executive Director should inform the Chairman before accepting any new Board appointments.

The size and composition of the Board are also reviewed to ensure that these are conducive to achieving the best possible performance from Directors with the skills necessary for good stewardship of the Group.

The performance of key executives is monitored via regular monthly management reporting for each of their divisions, attendance on a periodic basis at Board meetings, and review by the Board on the financial performance.

5) Board Committees

The Board has established a number of Board Committees with

written mandates and operating procedures to assist in the execution of responsibilities. These are:

(i) Audit, Risk and Compliance Committee

An Audit, Risk and Compliance Committee was established by the Board in November 1999.

The Audit, Risk and Compliance Committee consists of two Non-Executive independent Directors and one Non-Executive non independent Director. The names and qualifications of the members of the Audit, Risk and Compliance Committee and their attendance at meetings of the Committee are included in this Directors' Report. The internal and external auditors, the Managing Director, and Chief Financial Officer attend meetings by invitation. The Committee members are all required to be financially literate. At least one must have specific experience in financial or accounting matters and at least one must have an understanding of the Fantastic Group's industry, namely the retail furniture industry. Mr Geoffrey Squires chairs the Audit, Risk and Compliance Committee.

The Board requires that the Managing Director and the Chief Financial Officer sign a statement declaring that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards. This statement has been received at the time of signing the Half-Year and Annual Financial Reports.

The Audit, Risk and Compliance Committee's functions include:

- a. reviewing the Group's financial statements and other financial information distributed externally, and overseeing the financial reporting process;
- b. reviewing reports prepared by the internal and external auditors including meeting with them both, with and without management being present, and ensuring that any major deficiencies identified are actioned;
- c. monitoring accounting and internal controls and recommending enhancements;
- d. monitoring compliance with the Corporations Act 2001, Australian Stock Exchange Listing Rules (including continuous disclosure of financial aspects) and other legislation and any matters outstanding with taxation and other regulatory authorities;
- e. reviewing risks and the effectiveness and adequacy of the Group's insurance and risk management programs;
- f. reviewing related party and significant transactions which are not a normal part of the Group's business, and considering the adequacy of disclosure of those transactions in the financial statements;
- g. reviewing the effectiveness and adequacy of external audit arrangements and making any recommendations to the Board where appropriate regarding replacement of the auditor, changes to their terms of appointment and rotation of the engagement partner;
- h. assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit or review; and
- i. providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT (Continued)

The Company's external auditors were appointed in 1999, and the audit engagement partner is rotated every five years.

(ii) Remuneration Committee:

A Remuneration Committee was established by the Board in November 1999.

The Remuneration Committee reviews and makes recommendations to the Board on the structure and quantum of Director and senior executive remuneration and overall staff remuneration and incentive policies. When making recommendations, the Remuneration Committee aims to design policies that motivate executives to pursue appropriate growth strategies while marrying performance with remuneration. Remuneration for senior executives typically comprises a package of fixed and performance based components.

The Committee may, from time to time, seek advice from external experts, so as to ensure that the Committee remains informed of market trends and practices.

Aspects considered by the Committee include the following:

- a. the basis of the calculation for senior executives' and Directors' remuneration annually (including valuation protocols adopted when valuing non-cash benefits) to ensure that they are reasonable;
- b. monitoring current industry practice and the generally accepted market range for remuneration, and publications of professional recruitment organisations;
- c. assessing different methods for remunerating senior executives and Directors;
- d. reviewing and monitoring existing or proposed share/option and other incentive schemes;
- e. considering superannuation payments;
- f. considering retirement and termination payments;
- g. monitoring fringe benefits;
- h. reviewing professional indemnity and liability insurance policies;
- i. reviewing disclosure of senior executive remuneration in the financial statements; and
- j. making recommendations to the Board as appropriate.

The names and qualifications of the members of the Remuneration Committee and their attendance at meetings of the Remuneration Committee are included in this Directors' Report.

The Group's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The amount of remuneration, both monetary and non-monetary, for certain executives and all Directors for the year are provided in this Directors' Report. Where remuneration is of a non-cash nature, such benefit is quantified as closely as possible to a cash equivalent basis.

In addition to normal salary and superannuation, senior executive benefits typically include bonuses paid in cash or shares based on the achievement of specific goals related to the performance of business units within the Fantastic Group. Issues of shares under the Group's share plans are subject to shareholder approval or subsequent shareholder ratification.

When an employment contract is deemed to have triggered a continuous disclosure obligation, the Group will provide to the

market a summary of the main elements and terms of the relevant agreement including termination entitlements. No individual is able to become directly involved or participate in the decision involving their own remuneration.

Non-Executive Directors are remunerated by way of directors' fees and superannuation. They do not participate in schemes designed for the remuneration of executives and do not receive retirement benefits (other than statutory superannuation), bonus payments or incentive shares.

Recommendation 2.4 of the ASX Corporate Governance Principles and Recommendations states "the Board should establish a Nomination Committee as a Nomination Committee is an efficient mechanism for examination of the selection and appointment practices of the Company".

In view of its size, the Board has not established a Nomination Committee and believes it is in a position to perform the functions typically carried out by a Nomination Committee.

B: Risk Management Overview

The Board of Fantastic Holdings Limited believes that risk management is a critical component of best business practice, offering a proactive way to prepare for undesirable events which can have a detrimental effect on the business and also providing a way to take advantage of opportunities in a planned manner.

The business units in the Group operate in a culture that accepts intelligent risk taking as a key component of business success and growth. It is understood that a certain level of risk is both required and desirable for a business that has considerable growth potential, but that risk must be understood well in terms of its probability, impact and optimal mitigation and/or contingency strategy. The Group risk management systems are designed to manage and reduce (not eliminate) the risk of failure to achieve business objectives and provide reasonable (as opposed to absolute) assurance against material misstatement or loss.

1) Risk Management and Internal Controls and Accountabilities

The Board of Fantastic Holdings Limited has overall responsibility for risk management and internal control, including material business risks and financial reporting risks. The Audit, Risk and Compliance Committee provides strategic guidance and overview for all the risk management systems in the Group, and ensures compliance with all legal obligations. It is also responsible for reviewing the effectiveness of the risk management process and making recommendations in this regard.

The Executive Management team of the Group has responsibility for implementing and maintaining the risk management and internal control systems. A standardised process has been adopted for establishing the risks and responsibilities assigned to each level of management and the controls which are required to be operated and monitored. The Board requires management to report on the effectiveness of the management of material business risks on a regular basis.

Every six months, detailed internal control questionnaires are signed off by General Managers. This sign-off process supports the declaration provided to the Board by the Managing Director and Chief Financial Officer that the risk management and internal control systems are operating effectively in all material respects in relation to financial reporting risks. This declaration has been received at the time of signing the Half-Year and Annual Financial Reports.

The Internal Audit function is utilised to monitor the internal control systems and to report on its operational effectiveness. The Internal

CORPORATE GOVERNANCE STATEMENT (Continued)

Audit function is independent of daily business operations and has a Group-wide mandate. It operates a risk-based methodology, ensuring that the Group's key risks receive appropriate and regular examination. Its responsibilities include reviewing and reporting on the effectiveness of risk management systems and internal control to the Executive team, the Audit, Risk and Compliance Committee and ultimately to the Board.

The external auditors provide an independent perspective on key aspects of the control systems and report to the Audit, Risk and Compliance Committee.

Each business unit has 3 year rolling business plans which underpin long term growth and return for shareholders. All objectives are derived from these business plans which are then cascaded to managers and all staff by way of personal objectives. It is understood that delivering the required standards in risk management requires that all employees have a good understanding of the Group's strategy and the policies, procedures, values and expected performance. The utilisation of a balanced scorecard reporting system for each business unit also allows each business to focus on KPIs for a number of critical measures.

2) Risk Management Model and System

The approach to managing risk is based on the ISO 31000:2009 standard, which in simplified, high level form is:

- a. Establish Context: this involves defining internal or external elements, defining the risk management process, and defining values and principles relating to risk, such as risk tolerance;
- b. Risk Identification: confirming what are possible risk events;
- c. Risk Analysis: determining the probability and impact of the risk events;
- d. Risk Evaluation: prioritising the risks and preparing them for treatment;
- e. Risk Treatment: these include accepting, transferring, mitigating and avoiding, but for significant risks could demand a contingency plan;
- f. Monitoring, Reviewing and Recording: this is the administrative process of risk management, involving the management of all information both required for and produced from the risk management process; and
- g. Communicating and Consulting: this refers to an overall approach which seeks to ensure a co-operative, formation driven view that engages all stakeholders on an ongoing basis.

In support of the risk management model, a risk management report has been developed that records anticipated risks, responses and risk events. The report is reviewed and updated through regular discussions with senior management and the Audit, Risk and Compliance Committee. In addition to mitigating risks, the risk management process allows business improvement opportunities to be recognised and implemented.

3) Reporting

On a quarterly basis, the Audit, Risk and Compliance Committee receive a report from management outlining:

- a. the key risk events that have taken place in the preceding quarter and how they were handled, allowing for an evaluation of risk management performance;
- b. the up-to-date report of all known potential risks facing the business and a model detailing mitigation strategies and contingencies for them; and

- c. future directions in risk management.

Financial reporting risks included in the Financial Report are interest rate, credit, liquidity and foreign exchange risk.

C: Ethical Standards

The Group's core activities centre on the retail, manufacture and import of furniture. To this end, the Group is committed to maintaining the highest ethical standards in delivering quality products and services to its customers.

1) Code of Conduct

The Board has adopted a Code of Conduct which sets out the expectations placed on Directors, executive officers and employees in their business dealings. The Code of Conduct requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of customers and others and observance of the law. It is designed to let everyone know the values that should guide him or her in their daily business activities. The Group's reputation for honesty, integrity, excellence and fairness is one of its most important assets and the highest standards should govern all actions. Decisions made within the Group should honour the spirit and the letter of applicable laws. The Group prevents its Directors, executive officers and employees from taking advantage of Group property, information or using their position for personal gain or to compete with the Group. They should deal fairly and honestly with customers, each other, business suppliers and competitors.

All Directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour or behaviour outside the spirit of the Code of Conduct in the workplace.

All concerns or reports regarding any impropriety or breaches of the Code of Conduct are dealt with confidentially. The Code of Conduct is regularly reviewed by the Board to ensure its continued relevance to contemporary conditions.

2) Trading in Company Securities by Directors and Employees

The Board aims to ensure that shareholders are informed of all major dealings in the shares of Fantastic Holdings Limited. Directors, executive officers and employees of the Group are subject to insider trading restrictions under the Corporations Act 2001 relating to dealing in Fantastic Holdings Limited's shares.

The following policy supplements those restrictions:

- a. Directors, executive officers and employees should not deal in (i.e. buy, sell or encumber) the shares of Fantastic Holdings Limited (or any related company) when they have or may be perceived as having relevant unpublished price sensitive information. Also, they are only permitted to deal in such shares in accordance with these guidelines.
- b. Directors, executive officers and employees should notify the Company Secretary before buying or selling Fantastic Holdings Limited shares.
- c. Directors, executive officers and employees cannot deal in the shares of Fantastic Holdings Limited during a Blackout Period or any period when the Board otherwise has reason to believe that the proposed dealing in the Company's shares is in breach of this policy. The Company reserves the right to preclude the dealing in shares of the Company at any time.

The Blackout period is 30 days prior to half year and year end up until one day after the release of the respective results.

It is recognised that it is the responsibility of each Director, executive

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT (Continued)

officer, and employee to ensure that they comply with the spirit and letter of any insider trading laws. Notification to the Company Secretary under these guidelines in no way implies approval or validation of any transaction. Directors and executive officers should not purchase shares in Fantastic Holdings Limited with the intention of undertaking short term trading.

Directors, secretaries and key management personnel who own 5% or more of the issued capital of the Company are prohibited from entering into arrangements in relation to 5% or more of the Company's issued capital in relation to (i) limiting their exposure to losses that would result from share price decreases and (ii) transactions such as margin loans or similar funding arrangements. They are required to sign an annual declaration of compliance in this regard.

This policy, as it applies to Directors, executive officers and employees also applies to dealings in Fantastic Holdings Limited shares of which they are aware, by their spouse and dependent children, by any company in which they or their spouse holds a controlling interest and by any trust under which the trustee must act at the direction of their spouse, and by any company in which a Director, executive officer or employee, or their spouse is an officer (i.e. a Director, secretary, executive officer or employee) unless appropriate arrangements are in place within that company to ensure that they take no part in the company's decision to deal in the shares of Fantastic Holdings Limited or any related entity. For the purposes of this policy a "spouse" shall include a "de facto spouse."

It is inappropriate for a Director, executive officer and employee to procure others to trade Fantastic Holdings Limited shares when they are precluded from trading.

The Group reserves the right to preclude trading of shares outside the trading window notably if there are developments of potential commercial significance which have yet to be disclosed to the market. Notwithstanding this, the Group may permit one off transactions by employees if they are unaware and uninvolved with any such developments and for which there are compelling circumstances. The Group may restrict dealings in shares of Fantastic Holdings Limited by certain employees during any period if, in its opinion, information is available to those employees, which, if published, could affect the price of the shares.

Directors disclose to the Board and the market details of any transactions which have the direct or indirect impact of altering the effective exposure of the disclosed security holding in Fantastic Holdings Limited. Directors should also disclose in particular the purchase of any put option or similar security that has the effect of reducing the Director's disclosed security holding in Fantastic Holdings Limited.

D: Communication with Shareholders and Continuous Disclosure

The Board aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs, notably but not solely financial and operational information needed by a normal investor to make an informed assessment of the Group's activities and trading results. The Company Secretary is responsible for the timely preparation of announcements.

Announcements (other than standard regulatory announcements which the Company Secretary is authorised to make) are checked for completeness, correctness and clarity by the Board and are approved prior to release. It is the responsibility of the Board and

the Company Secretary to ensure that the Group complies with its continuous disclosure obligations and deciding what information will be disclosed. Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

Information is communicated to shareholders as follows:

- a. The Notice of Annual General Meeting is distributed to all shareholders, while the Half-Yearly Financial Report and Annual Financial Report are distributed to all shareholders that have requested a hard copy. The Notice of Annual General Meeting and Half-Yearly and Annual Financial Reports can be found on the Fantastic Holdings Limited's website.
- b. Announcements (which include media releases) are made to the Australian Stock Exchange in respect of half-yearly and annual results and on other occasions under the continuous disclosure requirements when the Fantastic Group becomes aware of information which might materially affect the price of its shares.

These announcements are placed on the Fantastic Holdings Limited website after they have been released to the Australian Stock Exchange. Where information or presentation material has been prepared for external promotional and communication purposes, especially for analysts, institutional and media markets, such material will be released to the Australian Stock Exchange and will be included on the Fantastic Holdings Limited's website.

The Board encourages full participation of shareholders at the Annual General Meeting. Important issues are presented to shareholders as single resolutions. The shareholders are requested to vote on the Remuneration Report. This vote is advisory only and is not binding on the Directors.

The Fantastic Group's external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. The Chairman of the meeting is to allow a reasonable opportunity for shareholders to ask questions of the auditor regarding the audit and Auditor's Report.

OTHER INFORMATION

Further information relating to the Group's corporate governance practices and policies has been made publicly available on the Fantastic Holdings Limited website at www.fantasticholdings.com.au, under "Company Information".

CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

AFTER BALANCE DATE EVENTS

In August 2014, Ms Debra Singh, was appointed to the role of Fantastic Furniture CEO. Other than the above events there are no events subsequent to year end until the date of this report.

LIKELY DEVELOPMENTS

Information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

CORPORATE GOVERNANCE STATEMENT (Continued)

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any significant Environmental Regulation under laws of the Commonwealth or State. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year and in accordance with the Company's constitution, the Company has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company (other than conduct involving a wilful breach of duty in relation to the Company).

These insurance policies do not contain details of the amount of premium paid in respect of individual Directors and Officers of the Company. The total amount of premium is not included as part of remuneration as detailed in this Directors' Report.

The insurance policies prohibit disclosure of the nature of the liabilities and the amounts of premium payable. Under this circumstance, the Corporations Act 2001 does not require disclosure of this information.

DIVERSITY POLICY

1. Policy Statement

The Group is committed to developing guidelines and practices that support diversity and are in line with our 3P's (Purpose, Principles and Practices). The Group recognises that promoting a diverse workforce will enrich its workplace and broaden its perspective. Diversity fosters an environment of mutual learning as well as of respect, dignity, openness to other cultures and an appreciation of differences and alternate perspectives. The Group strives to provide an environment that makes it a great place to work.

2. Principles

The Group recognises the following:

- All individuals have the right to work in a climate characterised by mutual respect and integrity that enables them to reach their full potential
- The rights and abilities of people with disabilities in the workplace

3. Gender Diversity

The Group aims to provide an environment where women feel comfortable, safe, valued and supported. The Group strives to;

- Encourage women to consider the Group as an employer and a career choice
- Support the recruitment of women through positive recruitment actions
 - Support and develop women who are establishing their careers
 - Encourage women to pursue careers in non-traditional occupations
- Provide opportunities for women to move into senior roles and develop a pipeline of women for leadership positions in the years to come
- Provide workplace practices that support the retention and engagement of women throughout their career within the Group

The Group is very proud that its culture and inclusive policies have created a workplace in which females represent 56% of the workforce as at June 2014. At present there is one female Board member. As at June 2014, 25% of our senior executives are females and 53% of our frontline management positions are held by females.

The Group has a set target of 33% of senior executive positions, and one Board position, to be held by females within a five year period commencing 1 July 2012.

To date, the Group has adopted a number of initiatives to promote diversity. These include:

- Implementation of Flexible Working Practices
- Paternity Leave and Return to Work Information Booklets
- Cadetship Program
- Appointment of females into senior non-traditional roles - e.g. Sales and Distribution Manager, Logistics Manager, Manufacturing Manager, Product Buyer.

The Group will continue to implement initiatives that will improve the proportion of women employed by the Company in leadership positions including:

- Personal Development Program
- Further development of flexible work practices
- Short listing of candidates for senior management positions
- Store management development and induction programs
- Developing Leader programs
- Employee pay review to ensure that no gender based pay disparity exists.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were:

| Type | Cents per Share | Total Amount \$ | Date of Payment | Tax Rate for Franking Credit |
|--|-----------------|--------------------|-----------------|---------------------------------|
| In respect of the previous financial year: | | | | |
| Final dividend 100% franked | 3.00 | 3,092,052 | 15 Oct 2013 | 30% |
| In respect of the current financial year: | | | | |
| Interim dividend 100% franked | 3.00 | 3,092,052 | 14 Apr 2014 | 30% |
| | 6.00 | 6,184,104 | | |

A final dividend of 3.0 cents per share, totalling \$3,092,052 will be paid on 15 October 2014 and will be fully franked at 30%. This dividend was declared at a meeting of Directors on 22 August 2014 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2014, but will be recognised in a subsequent financial report.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares issued by the companies within the consolidated entity and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

| Director | Ordinary shares held in Fantastic Holdings Limited |
|--------------------|---|
| Julian Tertini (1) | 41,776,211 |
| Peter Brennan (1) | 10,698,016 |
| James Millar AM | - |
| Geoffrey Squires | 171,405 |
| Denis McCormack | 80,968 |
| Stephen Heath | - |
| Margaret Haseltine | - |
| Total | 52,726,600 |

(1) Effective 12 July 2013, Mr Julian Tertini and Mr Peter Brennan have moved from Executive Directors to Non-Executive Directors of the Group. The shares held are reflective of voting power.

SHARE OPTIONS

During or since the end of the financial year, there were no share options granted to Directors or Officers of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

During the year, Accru Felters, the Company's auditor, has performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of these non-audit services during the year by the auditor is compatible with and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to audit independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company, or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is included in this Directors' Report. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are disclosed in the financial report.



REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. It details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The information has been audited as required by section 308(3C) of the Corporations Act. The remuneration report is presented under the following sections:

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| Section 1: | Message to Shareholders |
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SECTION 1: MESSAGE TO SHAREHOLDERS

We are pleased to present the Fantastic Holdings Limited remuneration report for the year ended 30 June, 2014.

It has been a challenging environment for Fantastic Holdings Limited, and the retail sector more broadly. As a result, the Board and management team have been focused on the process of rebuilding across the business model. The purpose of the rebuilding is to create enduring shareholder value over the long term.

The Board has recognised that it will require the dedication, commitment and hard work of our people, under the guidance of a talented senior management team, to strengthen the foundation of the business and grow it. Our approach to remuneration, therefore, has a key part to play in the broader strategy.

The first phase of the rebuilding has been the recruitment of senior managers who have the necessary skills to deliver on our strategy. The year started with the appointment of Stephen Heath as Managing Director and CEO of the Group. Stephen's appointment supplemented the appointment of George Saoud as CFO earlier in 2013. In addition, Debra Singh has been appointed as CEO of Fantastic Furniture with effect from 1st August 2014.

Stephen, George and Debra are key management personnel pivotal to our success in the long term. It is imperative that they are retained and motivated to achieve growth.

As we embark on rebuilding, the Board has focused on ensuring its remuneration approach is appropriate for both the current situation, and the future. The Board recognised that focussing purely on financial measures would not in itself support the Group's transformation. Among other things, improving the customer offer, employee engagement and reducing the cost of doing business have been identified as key to our strategy. Notwithstanding that the financial hurdles set at the start of the year were not met during the year ended 30 June, 2014, the Board has used its discretion to award STI payments to certain key executives in recognition of the effective work that has been undertaken over the last 12 months to lay the foundations of growth for the future.

Fantastic Holdings Limited also welcomes Margaret Haseltine, who joined the Board in November 2013, and was appointed Chairman of the Remuneration Committee.

Since Margaret joined the Board, we have increased focus on remuneration matters and undertaken the following:

- Commenced a review of the remuneration framework and structure, including contractual terms of all key management personnel;
- Revised the structure and content of our Remuneration report to improve the clarity of what we are doing and to avoid confusion; and
- Redesigned the Remuneration Committee to drive KMP accountability and alignment with KPI's from top to bottom.

We invite you to read the remuneration report and thank you for taking the time to review what is an important aspect of our long term strategy. The Board welcomes any feedback on the organisation's approach to remuneration, and clarity of our reporting.

SECTION 2: KEY CHANGES IN THE CURRENT YEAR

A summary of the key changes to remuneration-related matters for the 2014 financial year is set out below:

Executives Directors and Senior Executives

- On 12 July 2013, Stephen Heath became Managing Director and Chief Executive Officer of the Group.
- On 1 August 2014, Debra Singh became CEO of Fantastic Furniture.

Non-Executive Directors

- On 12 July 2013, Julian Tertini and Peter Brennan moved from Executive Directors to Non-Executive Directors of the Group.
- The Board determined that no increase would be made to Non-Executive Directors' fees for the 2014 financial year.
- Margaret Haseltine, Non-Executive Director, was appointed to the Board to replace Denis Mc Cormack during the year.
- The Remuneration Committee Chairman changed during the year, with Margaret Haseltine taking over the role of committee Chairman, replacing Denis McCormack.
- On 30 June 2014, Julian Tertini a Non-Executive Director became Chairman succeeding James Millar, who has stepped down as Chairman and Non-Executive Director on that date.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT (Continued)

SECTION 3: OVERVIEW

The Directors of the Group hereby present this Remuneration Report for FY14. The Group's remuneration structure is an important factor in attracting, retaining and incentivising capable personnel to drive performance in line with the Group's short and long term strategic objectives. Key performance indicators adopted in determining remuneration for KMP include agreed financial and non-financial targets.

This report sets out the remuneration information and structure used to compensate KMP being personnel who have authority and responsibility for planning, directing and controlling the activities of the Group. These are the Non-Executive Directors, Executive Directors and senior executives of the Group identified in this report.

SECTION 4: WHO THIS REPORT COVERS

i) Non-Executive Directors

| | |
|----------------|--|
| Mr J Millar | Chairman and Non-Executive Director (Resigned 30 June 2014) |
| Mr D McCormack | Non-Executive Director (Resigned 25 March 2014) |
| Mr G Squires | Non-Executive Director |
| Mr J Tertini | Chairman and Non-Executive Director (Appointed 30 June 2014) |
| Mr P Brennan | Non-Executive Director |
| Ms M Haseltine | Non-Executive Director (Appointed 26 November 2013) |

ii) Executives

| | |
|-------------|--|
| Mr S Heath | Group Managing Director and Chief Executive Officer (Appointed 12 July 2013) |
| Mr G Saoud | Chief Financial Officer and Company Secretary |
| Ms D Singh | Chief Operating Officer - Non-Fantastic Furniture Brands (CEO of Fantastic Furniture from 1 August 2014) |
| Mr J Newman | Chief Operating Officer - Fantastic Furniture - Manufacturing and Supply Chain |

SECTION 5: REMUNERATION GOVERNANCE POLICY

5.1 Remuneration Policy

The Group's remuneration policy ensures that remuneration packages properly reflect each KMP's duties and responsibilities.

The amount of remuneration, both monetary and non-monetary, is provided in the remuneration tables in this Report. Where remuneration is of a non-cash nature, such benefit is quantified as closely as possible to a cash equivalent basis. In addition to fixed salary and superannuation, senior executive remuneration typically includes a significant "at risk" component paid in cash or shares based on the achievement of specific goals related to the performance of the business units within the Group.

Issues of shares under the Group's share plan are subject to shareholder approval or subsequent shareholder ratification.

The Group's executive remuneration policy ensures:

- Remuneration is market competitive and attracts, retains and motivates high calibre executives;
- An appropriate "at risk" component is applied to drive executive performance objectives;
- Short term incentives are linked to both financial and non financial performance measures;
- Long term incentives align the interests of executives with creation of value for shareholders;
- The Group supports a culture of employee share ownership.

5.2 Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on the structure and quantum of KMP remuneration, together with overall staff remuneration and incentive policies across the Group.

The Remuneration Committee may, from time to time, also seek advice from external consultants, so as to ensure that the Remuneration Committee remains informed of current laws, market trends and best practices.

Membership of the Remuneration Committee consists of independent Non-Executive Directors who during the year were Mr D McCormack (Resigned 25 March 2014), Ms M Haseltine (Chairman), Mr J Millar AM, (until 30 June 2014) and Mr G Squires.

In fulfilling its role, the Remuneration Committee oversees management on behalf of the Board and shareholders by:

- Ensuring that the processes for determining KMP remuneration (including valuation protocols adopted for non-cash benefits) are fair and reasonable;
- Monitoring current industry practice and generally accepted market ranges for remuneration of comparative roles;

REMUNERATION REPORT (Continued)

- Assessing different methods of remunerating Directors and KMP to demonstrate a clear relationship between performance and remuneration;
- Ensuring that an appropriate balance between “fixed” and “at risk” remuneration reflects the short and long term performance objectives of the Group; and
- Implementing effective remuneration policies that focus on short and long term business objectives as well as the creation of value for shareholders.

A key focus of the Group’s remuneration strategy centres upon delivering sustainable returns to shareholders. This is reflected in the Earnings Per Share Growth (EPS) and Return on Equity (ROE) hurdles that apply to LTIs. It is also recognised that the long term sustainable growth of the Group’s retail entities rely heavily upon the non-financial key result areas of customer satisfaction and employee engagement. For this reason, these non-financial measures have been specifically evaluated and included in all Group and retail business unit STI remuneration measures.

SECTION 6: EXECUTIVE REMUNERATION

6.1 Our Remuneration Structure

The structure of the key executives’ remuneration comprises both fixed and variable components that are weighted appropriately between the two.

The variable components are at risk by being linked to the achievement of specified company and individual performance levels.

Below is a summary of the key components of Target Annual Remuneration (TAR).

Target Annual Remuneration (TAR)

| Fixed Pay | At Risk Pay | |
|--|--|--|
| | Fixed Annual Remuneration (FAR) | Short Term Incentive Plan (STI) |
| “Market Competitive” | “Performance Linked” | “Shareholder Aligned” |
| Base salary, superannuation and other benefits | Annual cash payment | Performance rights that vest at the end of 3 years |
| Based on individual’s responsibilities, performance, qualifications and experience | Based on individual’s performance against financial and non-financial objectives. KPI’s set at outset of the year. | Based on company performance over the 3 year vesting period. Awards vest if specified EPS and ROE targets are met. |
| Reviewed annually - positioned at market median for comparable companies | Subject to the Board’s discretion, STI is not paid if specified objectives are not met | No LTI vests if the EPS or ROE targets are not met |
| 40-55% of TAR | 15-30% of TAR | 20-40% of TAR |

6.2 Fixed Annual Remuneration

FAR is determined by reference to appropriate benchmark information, taking into account an individual’s responsibilities, performance, qualifications and experience. Benchmark information includes the Australian Institute of Management salary reference guide, and peer group research into ASX listed company reports with similar market capitalisation and revenues. FAR reviews are conducted annually for all executives by the Remuneration Committee. There are no guaranteed remuneration increases. Any increases are determined based on individual’s performance, economic indicators and market data.

Executives may also elect to have a combination of benefits provided out of their FAR including additional superannuation (up to 15%) and the provision of a motor vehicle benefit.

6.3 Variable Remuneration

Variable remuneration is performance linked and includes both STI and LTI components. It is designed to reward KMP for meeting or exceeding agreed short term and long term company objectives respectively. The STI is payable in cash. The LTI is designed to focus executives on an agreed three year plan and is payable in shares.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT (Continued)

STI

The key features of the STI are outlined in the following table:

| | | |
|--|---|----------------------------------|
| What are the objectives of the STI? | <ul style="list-style-type: none"> - Motivate executive performance with year on year improvement - Deliver STI payments for achieving annual performance targets - Focus executives on the short term group and divisional objectives | |
| Who is eligible to participate in STI? | KMP and other selected management | |
| What is the range of STI payment? | STI is calculated as % of FAR | |
| | Minimum STI | 0% - if KPIs not met |
| | Maximum STI opportunity | CEO 52% of FAR CFO 50% of FAR |
| Is there an STI gateway? | Unless the Board determines that exceptional circumstances warrant otherwise, Group or Divisional profit for the current year must have exceeded that of the prior year before any STI can be paid. | |
| What is the weighting of KPIs? | 70% - financial measures 30% - non-financial measures | |
| What are the financial objectives? | <p>Group or Divisional performance, dependent on the individual's role and responsibilities Individual specific financial KPIs are set by the Board at the beginning of each year Financial KPIs include:</p> <ul style="list-style-type: none"> - Group or Divisional profit - EBIT % on sales | |
| | | |
| | Financial Target | STI Opportunity |
| | Below Threshold | Nil |
| | Threshold | 50% |
| | Target | 100% |
| | Stretch | 120% |
| What are the non-financial objectives? | <p>Individual non-financial KPIs are set by the Board at the outset of each year A KPI is deemed to have been achieved if the individual exceeds performance for the prior year Non-financial KPIs include:</p> <ul style="list-style-type: none"> - Customer satisfaction – measured by internal customer surveys and the ACNeilson report - Employee engagement – measured against an internal survey conducted by AON Hewitt. - Service levels – measured based on continuous improvement in “delivery in full on time” | |

REMUNERATION REPORT (Continued)

SECTION 6: EXECUTIVE REMUNERATION (CONTINUED)

| | |
|---|---|
| Is there any STI deferral or clawback provision? | <p>The Board continues to review the remuneration structure and whether a deferral of a proportion of the STI is warranted</p> <p>There is no STI deferral or clawback provision currently as the nature of the business does not warrant such an approach in the context of the remuneration framework</p> |
| How is STI determined? | <p>The Remuneration Committee reviews performance against KPIs, and recommends STI amounts for the Board's approval</p> <p>The Board retains discretion to make an STI payment, even if KPI's are not met, for outstanding performance or delivering on a project aligned to the company's strategy</p> |
| LTI The key features of the LTI are set out in the following table: | |
| What are the objectives of the LTI? | <p>Provide executive pay outcomes that are linked to long term shareholder value creation</p> <p>Focus executives on achieving our 3 year financial and strategic growth plans</p> |
| Who is eligible to participate in LTI? | The Group Managing Director and CFO and the CEO of Fantastic Furniture |
| What type of instrument is the LTI? | Performance rights, being a right to receive a share for no consideration in three years if the performance hurdles are met |
| What is the LTI grant structure? | <p>The current structure of the LTI comprises the grant of a right to receive a specified number of ordinary shares for no consideration after a three year period if specified performance hurdles are met</p> <p>The performance rights only vest at the end of the three year period ie 30 June 2016</p> |
| How is the LTI satisfied? | The Company has established an Employee Share Trust to acquire shares for the purpose of delivering those shares to participants at the time of vesting if the performance hurdles have been met |
| Do the participants receive dividends on the unvested LTI? | <p>Any dividends paid on the shares held by the Trustee of the Employee Share trust can be distributed at the discretion of the Trustee</p> <p>At present, it is not the company's intention to request the Trustee to distribute dividends on unvested shares to LTI participants.</p> |
| What are the performance hurdles and relative weighting? | <p>Tranche 1: 70% of the performance rights are subject to an EPS growth target</p> <p>Tranche 2: 30% of the Performance Rights are subject to an ROE target</p> <p>The new performance hurdles are deemed more appropriately aligned to our 3 year financial and strategic growth plan</p> |
| What is the EPS growth target? | <p>An EPS compound annual growth rate (CAGR) greater than 10% annually over the vesting period of 3 years. If this target is achieved, 70% of the LTI vests</p> <p>No awards will vest if this target not achieved</p> <p>EPS growth represents the annualised rate of net profit per share growth, compared to the prior financial year</p> <p>This target was chosen as it shows the rate at which the group has grown profitability per unit of equity, and aligns to the business strategy of profit growth</p> |
| What is the ROE target? | <p>ROE represents the amount of net income returned as a % of shareholder equity</p> <p>This target was chosen to ensure the executives are focused on growth in a sustainable and profitable way.</p> <p>If the ROE target as set by the Board at the time of grant is met, 30% of LTI vests. The ROE target for the current LTI grant is 20%</p> <p>No amount will vest if the target is not achieved</p> |

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT (Continued)

What awards vested in the year ended 30 June, 2014? No LTI awards vested in the year ended 30 June, 2014

What awards were granted in the year ended 30 June, 2014?

The Board approved the grant of awards to the Managing Director, the CFO and the CEO of Fantastic Furniture at the beginning of FY 14.

The LTI awards were granted to the Managing Director, CFO and CEO (Fantastic Furniture) to ensure they were focused on FHL's 3 year strategy by linking their variable pay outcomes to shareholder interests over this period

| | Managing Director | CFO | CEO (FF) |
|---|---|-----------|-----------|
| How many Performance Rights were granted? | 900,000 | 225,000 | 225,000 |
| What was the value of the Performance Rights granted? | \$1,800,000 | \$450,000 | \$450,000 |
| How was the value determined? | Face value of the underlying shares at the date of grant | | |
| What was the basis for the number of Performance Rights | The number of Performance Rights granted was calculated by reference to the face value of FHL shares on the date of grant | | |

Overview of variable remuneration compared to FHL financial performance

The Group monitors current financial performance and result and executive remuneration against historical benchmark outcomes to ensure the effectiveness of its remuneration program

Table 1 – FHL Group 5 Year Performance

| Five Year Performance | 2010 | 2011 | 2012 | 2013 | 2014 | CAGR |
|--|-------|-------|-------|-------|-------|----------|
| Sales (\$M) | 419.1 | 436.7 | 445.8 | 445.2 | 447.8 | 1.33% |
| EBT (\$M) | 25.1 | 27.2 | 30.1 | 17.6 | 8.4 | (19.66%) |
| CODB (\$M) | 170.1 | 183.1 | 187.0 | 191.2 | 194.2 | (2.69%) |
| CODB / Sales (%) | 40.6 | 41.9 | 41.9 | 42.9 | 43.4 | (1.35%) |
| EPS (cents per share) | 18.08 | 18.95 | 20.43 | 13.15 | 5.68 | (20.67%) |
| Share price at the end of reporting period (\$) | 2.00 | 1.99 | 2.30 | 1.97 | 1.49 | (5.72%) |
| Market Capitalisation (\$M) | 205.3 | 204.5 | 236.3 | 202.4 | 153.6 | (5.64%) |
| Dividends per share paid during the financial year (cents) | 10.25 | 11.00 | 13.00 | 10.50 | 6.00 | (10.16%) |
| Return on Equity (%) | 20.47 | 19.30 | 19.26 | 12.49 | 5.45 | (23.25%) |

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REMUNERATION REPORT (Continued)

SECTION 7: NON-EXECUTIVE DIRECTORS

7.1 Remuneration

Non-Executive Directors are remunerated by way of directors' fees and superannuation. An additional \$10,000 is paid to the Non-Executive Director for being chairman of a committee. They do not participate in incentive schemes or receive retirement benefits (other than statutory superannuation).

Directors are appointed for an unspecified term but are subject to election by shareholders at the first AGM after their initial appointment by the Board and re-election every 3 years. The Corporate Governance Statement contains details of the process for appointing and re-electing Non-Executive Directors and the years in which the Non-Executive Directors are next due for re-election by shareholders.

Total remuneration for all Non-Executive Directors is not to exceed \$500,000 per annum as approved at the 2011 AGM and is set in reference to fees paid to other Non-Executive Directors in companies of a similar size based on market capitalisation and revenue.

The fees and superannuation benefits provided to Non-Executive Directors during the year and during the prior year are set out in this report. Directors receive a base fee and no additional fee is paid for membership of Board Committees.

7.2 Non-Executive Directors' Shareholdings - Table 2

| Current non-executive directors- ordinary shares | Balance at the start of the year | Changes during the year | Balance at the end of the year |
|--|----------------------------------|-------------------------|--------------------------------|
| Denis McCormack (2) | 80,968 | - | 80,968 |
| Geoffrey Squires | 171,405 | - | 171,405 |
| James Millar AM | - | - | - |
| Julian Tertini (1) | 41,776,211 | - | 41,776,211 |
| Peter Brennan (1) | 10,698,016 | - | 10,698,016 |
| Margaret Haseltine (3) | - | - | - |
| TOTAL | 52,726,600 | - | 52,726,600 |

(1) Effective 12 July 2013, Mr Julian Tertini and Mr Peter Brennan have moved from Executive Directors to Non-Executive Directors of the Group. The shares held are reflective of voting power.

(2) Mr Denis McCormack resigned on 25 March 2014.

(3) Ms Margaret Haseltine was appointed 26 November 2013.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT (Continued)

SECTION 8: REMUNERATION TABLES -Table 3

| | Year | Short-term | | Post-employment | Share Based Payments (6) | | Total | Percentage Performance related |
|---|------|--------------------|-------------------|-------------------|--------------------------|--------------------|------------------|--------------------------------|
| | | Salary and fees \$ | STI cash bonus \$ | Superannuation \$ | Value of Options \$ | Value of rights \$ | \$ | |
| Executive Directors | | | | | | | | |
| Stephen Heath | 2014 | 626,750 | - | 25,000 | - | - | 651,750 | 0% |
| Managing Director / Chief Executive Officer | 2013 | 232,188 | - | 19,876 | - | - | 252,064 | 0% |
| Non-Executive Directors | | | | | | | | |
| James Millar AM (1) Chairman | 2014 | 120,000 | - | 11,100 | - | - | 131,100 | 0% |
| | 2013 | 120,000 | - | 10,800 | - | - | 130,800 | 0% |
| Julian Tertini (2) | 2014 | 70,000 | - | 5,550 | - | - | 75,550 | 0% |
| | 2013 | 288,000 | - | 5,400 | - | - | 293,400 | 0% |
| Denis McCormack (3) | 2014 | 52,500 | - | 4,856 | - | - | 57,356 | 0% |
| | 2013 | 70,000 | - | 6,300 | - | - | 76,300 | 0% |
| Geoffrey Squires | 2014 | 70,000 | - | 6,475 | - | - | 76,475 | 0% |
| | 2013 | 70,000 | - | 6,300 | - | - | 76,300 | 0% |
| Peter Brennan (4) | 2014 | 82,000 | - | 5,550 | - | - | 87,550 | 0% |
| | 2013 | 282,000 | - | 5,400 | - | - | 287,400 | 0% |
| Margaret Haseltine (5) | 2014 | 40,000 | - | 3,700 | - | - | 43,700 | 0% |
| Total | 2014 | 1,061,250 | - | 62,231 | - | - | 1,123,481 | 0% |
| | 2013 | 1,062,188 | - | 54,076 | - | - | 1,116,264 | 0% |

Notes:

- (1) Mr James Millar resigned as Chairman and Non-Executive Director effective 30th June 2014.
- (2) Effective 12 July 2013, Mr Julian Tertini had moved from Executive Director to Non-Executive Director of the Group. Bytenew Pty Limited, a company associated with Mr Tertini, received the sum of \$10,000 by way of fees for executive service rendered. In addition, Mr Tertini received \$60,000 as director fees. Mr Tertini was appointed as Chairman on 30 June 2014.
- (3) Mr Denis McCormack resigned as Non-Executive Director effective 25 March 2014.
- (4) Effective 12 July 2013, Mr Peter Brennan had moved from an Executive Director role to a Non-Executive Director of the Group. Nonad Financial Services Pty Limited, a company associated with Mr Brennan, received the sum of \$22,000 by way of fees for executive services rendered. In addition, Mr Brennan received \$60,000 as director fees.
- (5) Ms Margaret Haseltine was appointed as Non-Executive Director effective 26 November 2013.
- (6) None of the Directors received rights / awards over Fantastic Holdings Limited shares during the year, so there are no relevant share based payment amounts for disclosure.

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REMUNERATION REPORT (Continued)

REMUNERATION TABLES - Table 3 (Continued)

| | Year | Short-term | | Post-employment | Share Based Payments | | Total | Percentage Performance related |
|---|-------------|--------------------|-------------------|-------------------|----------------------|--------------------|------------------|--------------------------------|
| | | Salary and fees \$ | STI cash bonus \$ | Superannuation \$ | Value of Options \$ | Value of rights \$ | \$ | |
| Key Management Personnel - Year Ended 30 June 2014 | | | | | | | | |
| George Saoud Chief Financial Officer / Company Secretary | 2014 | 375,000 | - | 25,312 | - | - | 400,312 | 0% |
| Debra Singh (1) Chief Operating Officer - Non - Fantastic Furniture Brands | 2014 | 324,000 | - | - | - | - | 324,000 | 0% |
| Jason Newman (2) Chief Operating Officer - Manufacturing and Supply Chain | 2014 | 360,000 | 20,000 | - | - | 40,000 | 420,000 | 14% |
| TOTAL | | 1,059,000 | 20,000 | 25,312 | - | 40,000 | 1,144,312 | 5% |
| Key Management Personnel - Year Ended 30 June 2013 | | | | | | | | |
| Robert De Nicola (3) - Chief Executive Officer - Plush | 2013 | 247,629 | - | 37,031 | - | - | 284,660 | 0% |
| George Saoud - Chief Financial Officer / Company Secretary | 2013 | 295,962 | 187,500 | 15,317 | - | - | 498,779 | 38% |
| TOTAL | 2013 | 543,591 | 187,500 | 52,348 | - | - | 783,439 | |

Notes:

- (1) Ms Debra Singh is the Chief Operating Officer of Plush, Dare Gallery, OMF and Le Cornu. Ms Singh was not entitled to any STI payment in 2014 as part of her part-time Contract. As of 1 August 2014, Ms Singh became the CEO of Fantastic Furniture on a full time basis.
- (2) Mr Jason Newman is the Chief Operating Officer of the Manufacturing and Supply Chain for Fantastic Furniture responsible for manufacturing, logistics and products delivery. Resteasy Bedding Pty Ltd, a company associated with Mr Newman, received the sum of \$360,000 by way of fees for professional services rendered. STI bonus payment of \$60,000 relates to achievement of budget for supply chain and manufacturing.
- (3) On 3 July 2013, Mr Robert De Nicola resigned as the CEO of Plush. Total gross statutory payments upon resignation after year end were \$291,971.

SECTION 9: SERVICE AGREEMENTS

The Managing Director conducts an annual review of the performance of the Group's senior executives and reports on their performances to the Remuneration Committee. The performance and reward of senior executives were reviewed in this manner during the year.

The period of notice required to be given by the Group and associated contractual arrangements with the KMP's are detailed below.

Directors' Report (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

REMUNERATION REPORT (Continued)

Table 4 – KMP Remuneration – FY14

| Key Management Personnel | Period of notice | Contract Length | Fixed Annual Remuneration (exc super) | STI / LTI / Restrictive Covenant |
|--------------------------|------------------|-----------------|---------------------------------------|--|
| Mr S Heath | 6 months | Ongoing | \$626,750 | <p>STI Mr Heath will be entitled to a maximum potential short-term incentive of \$300,000 per annum (equivalent to 48% of base salary) subject to financial and non-financial performance of the Group. Mr Heath's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Mr Heath will be granted Performance Rights, with a value at the date of grant equivalent to \$1,800,000 (or \$600,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles met. The Fantastic Holdings Limited Employee Share Trust acquired 900,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Restrictive Covenant Mr Heath will be restrained for up to twelve months after termination of his employment from being engaged in competition with the Company.</p> |
| Mr G Saoud | 3 months | Ongoing | \$375,000 | <p>STI Mr Saoud will be entitled to a maximum potential short-term incentive of \$187,500 per annum (equivalent to 50% of base salary) subject to financial and non-financial performance of the Group. Mr Saoud's performance will be assessed against performance targets and priorities set by the Board.</p> <p>LTI Mr Saoud will be granted Performance Rights, with a value at the date of grant equivalent to \$450,000 (or \$150,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles met. The Fantastic Holdings Limited Employee Share Trust acquired 225,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Restrictive Covenant Mr Saoud will be restrained for up to six months after termination of his employment from being engaged in competition with the Company.</p> |
| Ms D Singh | 3 months | Contract terms | \$300,000 | <p>STI Ms Singh is not entitled to an STI payment as part of her part-time contract in FY14.</p> <p>LTI Ms Singh will be granted Performance Rights, with a value at the date of grant equivalent to \$450,000 (or \$150,000 per year for 3 years) determined by reference to the face value of the shares at the time of grant. The LTI will vest after 3 years if EPS (70% weighting) and ROE (30% weighting) performance hurdles met. The Fantastic Holdings Limited Employee Share Trust acquired 225,000 shares for the purpose of delivering on the LTI at the time of vesting if the performance hurdles are met.</p> <p>Financial Year 2015 As at the 1st of August 2014, Ms Singh became the CEO of Fantastic Furniture on a full time basis. Ms Singh will be entitled to a base salary of \$465,000 plus superannuation. In addition, Ms Singh will be entitled to an STI equivalent to 50% of total package value. No change to occur on her LTI.</p> <p>Restrictive Covenant Ms Singh will be restrained for up to six months after termination of her employment from being engaged in competition with the Company.</p> |
| Mr J Newman | 3 months | Ongoing | \$360,000 | <p>STI Mr Newman will be entitled to a maximum potential short-term incentive of \$100,000 from financial year 2015 (equivalent to 32% of base salary) subject to financial performance of the manufacturing, logistics, product delivery as well as overall performance of the Fantastic Furniture business.</p> <p>Restrictive Covenant Mr Newman will be restrained for up to twelve months after termination of his employment from being engaged in competition with the Company.</p> |

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REMUNERATION REPORT (Continued)

SECTION 10: OTHER INFORMATION

Insider Trading

The Group's insider trading policy prohibits Directors, key management personnel and employees of the Group from dealing in the Company's shares in accordance with the insider trading restrictions under the Corporations Act 2001. Strict compliance with the insider trading is a condition of employment. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

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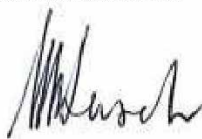
**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FANTASTIC HOLDINGS LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Felsers
Chartered Accountants



Michael Kersch
*Partner
Sydney*

Dated: 3 September 2014

Level 6, 1 Chifley Square
Sydney, New South Wales 2000
Australia

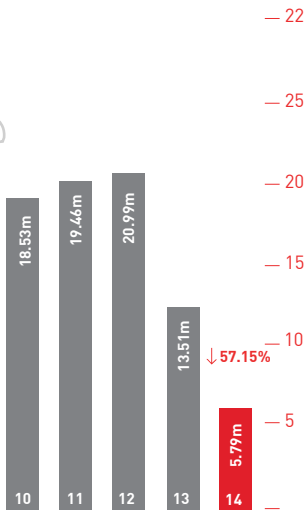
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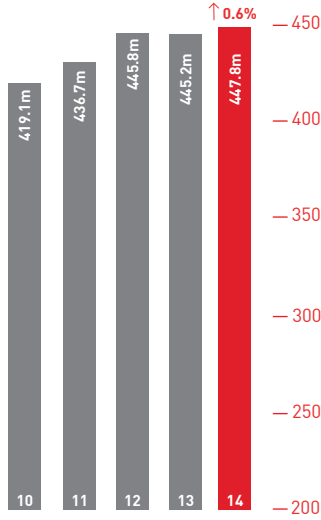
Financial Highlights

FOR THE YEAR ENDED 30 JUNE 2014



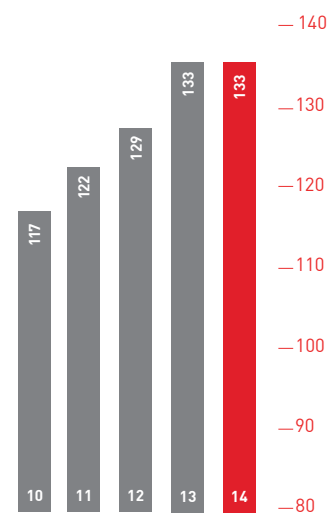
Net Profit After Tax

Net profit after tax for the group of \$5.79 million in 2014.



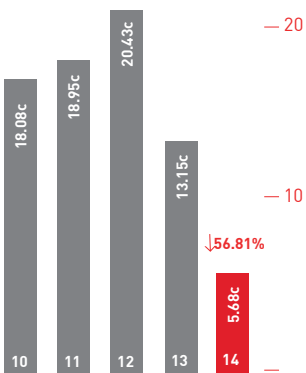
Revenue

Sales revenue of \$447.8 million in 2014.



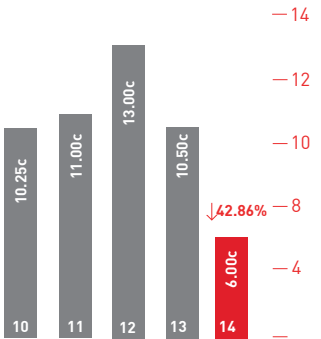
Store Numbers

There are 133 company owned stores in 2014.



Earnings Per Share (EPS)

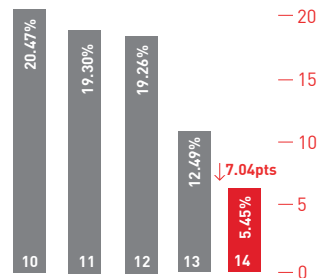
EPS of 5.68 cents in 2014.



Dividends Per Share (DPS)

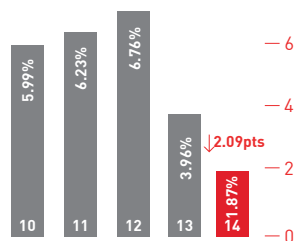
DPS of 6 cents in 2014.

The dividends are all franked to 100%.



Return On Equity (ROE)

ROE of 5.45% in 2014.



Profit Before Tax/Revenue

Profit before tax for the group as a percentage of revenue of 1.87% in 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | Consolidated Entity | |
|---|----------|----------------------------|----------------------------|
| | | 30 June 2014 \$' 000 | 30 June 2013 \$' 000 |
| Sales revenue from continuing operations | (2a) | 447,772 | 445,190 |
| Cost of sales | | (248,589) | (237,722) |
| Gross Profit | | 199,183 | 207,468 |
| Other income | (2a) | 3,702 | 1,775 |
| Employment expenses | (2b) | (76,614) | (76,603) |
| Property expenses | | (57,719) | (54,478) |
| Marketing expenses | | (33,299) | (31,761) |
| Sales related expenses | | (5,581) | (6,558) |
| Depreciation and amortisation | (2b) | (6,853) | (5,291) |
| Other expenses | | (14,145) | (16,486) |
| Results from Continuing Operations | | 8,674 | 18,066 |
| Financial income | | 120 | 634 |
| Financial expense | | (434) | (1,088) |
| Net Financing Expense | (3) | (314) | (454) |
| Profit Before Tax from Continuing Operations | | 8,360 | 17,612 |
| Income tax expense | (4a) | (2,572) | (4,104) |
| Profit After Tax from Continuing Operations | | 5,788 | 13,508 |
| Attributable to: | | | |
| Equity holders of the Parent | (20)(ii) | 5,859 | 13,508 |
| Non-controlling interest | (21) | (71) | - |
| Other Comprehensive Income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation of foreign operations | | (457) | 35 |
| Income tax effect | | 127 | - |
| Total Comprehensive Income for the year, net of tax | | 5,458 | 13,543 |
| Attributable to: | | | |
| Equity Holders of the Parent | | 5,529 | 13,543 |
| Non-controlling interest | | (71) | - |
| Earnings Per Share for Profit Attributable to the Equity Holders of the Company: | | | |
| Basic earnings per share (cents per share) | (7) | 5.68 | 13.15 |
| Diluted earnings per share (cents per share) | (7) | 5.68 | 13.15 |

The Consolidated Statement of Profit of Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements

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Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

| | Notes | Consolidated Entity | |
|---|-----------|---------------------------|---------------------------|
| | | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| Current Assets | | | |
| Cash and cash equivalents | (8a) | 21,127 | 18,993 |
| Trade and other receivables | (9) | 9,304 | 6,829 |
| Inventories | (10) | 81,278 | 74,503 |
| Total Current Assets | | 111,709 | 100,325 |
| Non-Current Assets | | | |
| Investments | (11) | 24,423 | 30,099 |
| Property, plant and equipment | (12) | 30,275 | 36,813 |
| Intangible assets | (13) | 8,069 | 9,416 |
| Deferred tax assets | (4b) | 7,564 | 7,754 |
| Other | (14) | 49 | 54 |
| Total Non-Current Assets | | 70,380 | 84,136 |
| TOTAL ASSETS | | 182,089 | 184,461 |
| Current Liabilities | | | |
| Trade and other payables | (15) | 35,726 | 26,978 |
| Interest bearing loans and borrowings | (16) | - | 3,400 |
| Current tax payable | (17) | - | 2,601 |
| Employee benefits | (18) | 13,499 | 14,446 |
| Provisions | (19) | 1,454 | 2,222 |
| Total Current Liabilities | | 50,679 | 49,647 |
| Non-Current Liabilities | | | |
| Interest bearing loans and borrowings | (16) | 15,000 | 21,924 |
| Employee benefits | (18) | 1,581 | 1,440 |
| Provisions | (19) | 2,518 | 2,314 |
| Deferred tax liabilities | (4c) | 1,742 | 991 |
| Total Non-Current Liabilities | | 20,841 | 26,669 |
| TOTAL LIABILITIES | | 71,520 | 76,316 |
| NET ASSETS | | 110,569 | 108,145 |
| EQUITY | | | |
| Share capital | (20) (i) | 23,270 | 23,270 |
| Reserve | (20)(iii) | (295) | 35 |
| Retained earnings | (20) (ii) | 84,515 | 84,840 |
| Equity attributable to equity holders of the parent | | 107,490 | 108,145 |
| Non-controlling interest | (21) | 3,079 | - |
| TOTAL EQUITY | | 110,569 | 108,145 |

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

| | Attributable to the equity holders of the Parent | | | Total \$000 | Non-controlling interest | Total equity |
|--|--|-------------------------------|--|----------------|-----------------------------|----------------|
| | Share capital \$000 | Retained earnings \$000 | Foreign currency translation reserve \$000 | | \$000 | \$000 |
| As at 1 July 2013 | 23,270 | 84,840 | 35 | 108,145 | - | 108,145 |
| Profit after tax for the year | - | 5,859 | - | 5,859 | (71) | 5,788 |
| Other comprehensive income, net of tax | - | - | (330) | (330) | - | (330) |
| Total comprehensive income | - | 5,859 | (330) | 5,529 | (71) | 5,458 |
| Dividends | - | (6,184) | - | (6,184) | - | (6,184) |
| Acquisition of non-controlling interest | - | - | - | - | 3,150 | 3,150 |
| As at 30 June 2014 | 23,270 | 84,515 | (295) | 107,490 | 3,079 | 110,569 |

| | Attributable to the equity holders of the Parent | | | Total \$000 | Non-controlling interest | Total equity |
|---|--|-------------------------------|--|----------------|-----------------------------|----------------|
| | Share capital \$000 | Retained earnings \$000 | Foreign currency translation reserve \$000 | | \$000 | \$000 |
| As at 1 July 2012 | 23,270 | 85,716 | - | 108,986 | - | 108,986 |
| Profit after tax for the year | - | 13,508 | - | 13,508 | - | 13,508 |
| Other comprehensive income, net of tax | - | - | 35 | 35 | - | 35 |
| Total comprehensive income | - | 13,508 | 35 | 13,543 | - | 13,543 |
| Dividends | - | (14,384) | - | (14,384) | - | (14,384) |
| As at 30 June 2013 | 23,270 | 84,840 | 35 | 108,145 | - | 108,145 |

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

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Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

| | Notes | Consolidated Entity | |
|---|-------|---------------------|-----------------|
| | | 30 June | 30 June |
| | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| Cash Flows from Operating Activities: | | | |
| Cash receipts from customers | | 504,683 | 494,817 |
| Cash payments to suppliers and employees | | (484,978) | (460,978) |
| Interest received | | 120 | 634 |
| Interest paid | | (434) | (1,088) |
| Income tax paid | | (7,667) | (8,305) |
| Net Cash Provided by Operating Activities | (8b) | 11,724 | 25,080 |
| Cash Flows from Investing Activities: | | | |
| Payments for acquisitions of property, plant and equipment | | (7,490) | (4,906) |
| Proceeds from sale of property, plant and equipment and investment property | | 12,056 | 4,059 |
| Payment for investments | | (487) | (10,796) |
| Payment for intangibles | | (310) | (1,378) |
| Net Cash provided/(used in) Investing Activities | | 3,769 | (13,021) |
| Cash Flows from Financing Activities: | | | |
| Proceeds from external borrowings | | - | 7,440 |
| Repayment of external borrowings | | (10,324) | (1,992) |
| Proceeds from issuance of shares to non controlling interest | | 3,150 | - |
| Dividends paid | | (6,184) | (14,384) |
| Net Cash Used in Financing Activities | | (13,358) | (8,936) |
| Net Increase in Cash Held | | 2,135 | 3,123 |
| Net Foreign Exchange Differences | | (1) | 14 |
| Cash at the Beginning of the Financial Year | | 18,993 | 15,856 |
| Cash at the End of the Financial Year | (8a) | 21,127 | 18,993 |

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements

Notes to Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

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Reporting Entity

The consolidated financial report for the financial year ended 30 June 2014 comprises Fantastic Holdings Limited (the Company) and its subsidiaries, together referred to as the Group.

1. Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, and the Corporations Act 2001. The financial report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was approved by the Board of Directors on 3 September 2014.

Basis of Measurement

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

Use of Estimates and Judgements

The preparation of financial statements in conformity with AASBs 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.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In particular, refer to the following notes for estimates and associated judgements in the financial report:

Note 5 - Segment Information

Note 13 - Intangible Assets

Note 18 - Employee Benefits

Note 19 - Provisions

Note 22 - Financial Instruments

Note 30 - Contingencies

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Basis of Consolidation

i) Business Combinations

The Group has adopted revised AASB 3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 will be accounted for by applying the acquisition method.

ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated

financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements and include interest-free loans made to the subsidiaries with no fixed repayment date.

iii) Transactions Eliminated on Consolidation

Inter-entity balances and any unrealised income and expenses arising from inter-entity transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

(c) Financial Instruments

i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, and loans and borrowings.

Trade and other receivables are stated at their amortised cost less impairment losses. Cash and cash equivalents comprise cash balances, short term bills and deposits at call. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Trade and other payables are stated at their cost and are non-interest bearing. Due to their short term nature, they are not discounted. Loans and borrowings are stated at their cost and are interest bearing. The fair value of interest bearing loans and borrowings is based on the present value of expected future principal and interest cash flows discounted at the market rate of interest at reporting date.

ii) Derivative Financial Instruments

The Group utilises forward exchange contracts. These forward exchange contracts are undesignated hedges and hence do not meet the criteria for hedge accounting.

iii) Share Capital

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

1. Significant Accounting Policies (continued)

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Property, Plant and Equipment

i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of that asset. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within other expenses in the Consolidated Statement of Comprehensive Income.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs.

ii) Reclassification to Investment Property

Property that is being constructed or developed for future use as investment property is being classified as investment property and measured at cost.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and measured at cost.

(iii) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognised in the Group's Statement of Financial Position.

(iv) Subsequent Costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Consolidated Statement of Comprehensive Income as an expense is incurred.

(v) Depreciation

Depreciation is charged to the Consolidated Statement of Comprehensive Income over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

| | |
|--------------------------|------------|
| • buildings | 40 years |
| • plant and equipment | 3-12 years |
| • fixtures and fittings | 5-12 years |
| • leasehold improvements | 10 years |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(vi) Fair Value

The fair value of property, plant and equipment and investment property is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

e) Intangible Assets

(i) Goodwill

Business Combinations

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Fair value is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Negative goodwill arising on an acquisition is recognised directly in profit or loss.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Cash-generating units represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment or brand.

(ii) Software

Unless software is integral to the functionality of the related hardware, it is capitalised as an intangible asset. Otherwise it is capitalised as property, plant and equipment. Where an enhancement is considered to be so extensive that it constitutes a replacement of the existing software, the enhancement should be capitalised. Any amortisation relating to the replaced software must be written back against its initial cost and the remaining unamortised amount must be written-off (expensed) in the year that the software is replaced.

All software is amortised using the straight line method over a useful life of 5 years.

(iii) Other

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1. Significant Accounting Policies (continued)

(g) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine if it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the Consolidated Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Consolidated Statement of Comprehensive Income.

(ii) Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Management has determined that the cash-generating unit is at retail brand and not retail store level, as cash inflows are not dependent on single stores. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee Benefits

i) Short-term Benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services

provided to reporting date. These liabilities are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Long-term Benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to the Commonwealth Government bonds at the Statement of Financial Position date which have maturity dates approximating the terms of the Group's obligations.

iii) Share-based Payment Transactions

The fair value of share based payments is determined using the Black-Scholes valuation methodology. Measurement inputs include share price on measurement date and issue date, expected volatility, expected vesting period, expected dividends, and the risk free interest rate.

This fair value is recognised as an employee expense over the vesting period of the shares. The amount recognised as an expense is adjusted to reflect the actual shares that eventually vest or lapse.

At each reporting date, the Group reviews the estimate of the number of shares expected to vest in the future and recognises any adjustment over the remaining vesting period.

iv) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

(i) Provisions

i) Lease Incentives

Lease incentives received under operating leases (for example, a rent free period or contribution to certain costs) are recognised as a liability and are brought to account as reductions in rent expense over the term of the lease on a straight line basis.

ii) Fixed Rental Increases

Payments under operating leases are expensed on a straight line basis over the term of the lease. Fixed rate increases to lease rental payments excluding contingent or index based rental increases such as CPI, turnover rental and other similar increases, are recognised on a straight line basis over the lease term. A liability is raised on the initial recognition of the increase and is then amortised over the term of the lease on a straight line basis as a reduction in rent expense.

iii) Make Good

An estimate of the costs to dismantle, remove and restore the site on which property plant and equipment is located is included in the measurement of its initial cost and a corresponding provision included as a liability.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

1. Significant Accounting Policies (continued)

(j) Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(k) Revenue Recognition

Revenues are recognised at the fair value of the consideration received net of returns, discounts and the amount of goods and services tax (GST) payable to the Australian Taxation Office. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of Goods

Sales are recognised as revenue only when the sale becomes unconditional and ownership of a product has passed to the customer, after delivery. Sales revenue includes retail sales by Company owned stores and sales by the Group's import and manufacturing divisions to franchise stores and excludes retail sales by franchise stores.

(l) Expenses

i) Operating Lease Payments

Payments made under operating leases are recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease.

ii) Finance Lease Payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Financial Income and Expense

Financial income and expense comprise interest payable on borrowings, interest receivable on funds invested and dividend income. Borrowing costs are expensed as incurred and included in net financing costs, except where they are capitalised in relation to the acquisition of a qualifying asset.

Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues. Dividend income is recognised in the Consolidated Statement of Comprehensive Income on the date the entity's right to receive payments is established.

m) Income Tax

i) Income Tax Expense

Income tax expense comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences

relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

ii) Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Fantastic Holdings Limited.

Current tax expense and deferred tax assets or liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable to other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

iii) Nature of Tax Funding and Sharing Arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding and sharing arrangement which:

(i) sets out the funding obligations of members within the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/asset assumed by the head entity and deferred tax asset arising from any tax-loss assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/payable equal in amount to the tax liability/asset assumed. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities; and

(ii) provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

No amounts have been recognised in the financial statements in respect of this agreement, as payments of any amounts under the tax sharing agreement are considered remote.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not

1. Significant Accounting Policies (continued)

recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO, is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flow arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view for resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Comprehensive Income is restated as if the operation had been discontinued from the start of the comparative period.

(p) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment Reporting

Under AASB 8, segments are presented based on the way information is reported internally to the chief operating decision maker (CODM). The term CODM refers to a function rather than a specific title. For the purpose of applying AASB 8, the CODM is the highest level of management at which decisions are made about how resources will be allocated so that other levels of management can execute those operating decisions.

The chief operating decision makers of the Group have been identified as the Managing Director and the Chief Financial Officer. They review the financial and operating performance of the business based on the segments identified and will table any issues in regard to each of these segments at the monthly Board meeting.

The adoption of AASB 8 has resulted in two reportable segments, but has no impact on the reported results or financial position of the Group.

(r) Changes in Disclosures, Standards and Interpretations

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant for its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Company.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

- > AASB 10 *Consolidated Financial Statements*
- > AASB 11 *Joint Arrangements*, AASB 128 *Investments in Associates and*

Joint Ventures

- > AASB 12 *Disclosure of Interests in Other Entities*
- > AASB 13 *Fair Value Measurement*
- > AASB 19 *Employee Benefits (Revised 2011)*

The adoption of the Standards or Interpretations is described below:

AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and IIG-112 *Consolidation - Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

The amendments for the Group are not expected to have any impact on the financial statements.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made in management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. Adoption of this revised standard did not have any material impact on the financial statements.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

AASB 119 Employee Benefits

The amendment to AASB 119 removes the accounting policy choice for recognition of the defined benefit plans liability, and requires that actuarial gains and losses are recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. This does not impact the classification within the balance sheet, only the measurement of the liability. The group does not have a defined benefit plan scheme and as such is not expected to have any impact on the Group's financial statements.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

1. Significant Accounting Policies (continued)

(s) Parent Entity Financial Information

The financial information for the parent entity Fantastic Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

i) Investments in Subsidiaries, Associates and Joint Venture Entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Fantastic Holdings Limited.

ii) Tax consolidation legislation

Fantastic Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Fantastic Holdings Limited, and the controlled entities in the tax-consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Fantastic Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(t) Comparatives

Where required, comparatives have been amended to align with current year disclosures.

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| Consolidated Entity | |
|---------------------|---------|
| 30 June | 30 June |
| 2014 | 2013 |
| \$'000 | \$'000 |

2(a). Revenue and Other Income

| | | |
|---------------------------|----------------|----------------|
| Sale of goods | 447,772 | 445,190 |
| Franchise fees | 680 | 750 |
| Property income | 2,157 | 461 |
| Other | 865 | 564 |
| Total Other Income | 3,702 | 1,775 |
| Total | 451,474 | 446,965 |

2(b). Expenses from Continuing Operations

Profit before tax includes the following:

| | | |
|----------------------------------|---------------|---------------|
| Employment expenses: | | |
| - wages, salaries and bonuses | 79,100 | 80,095 |
| - superannuation | 7,100 | 6,649 |
| - other associated wage on-costs | 6,175 | 6,317 |
| - increase in annual leave | 5,183 | 4,689 |
| - increase in long service leave | 750 | 723 |
| Total | 98,308 | 98,473 |

Employment expenses included in Consolidated Statement of Profit or Loss as:

| | | |
|---------------------|---------------|---------------|
| Employment expenses | 76,614 | 76,603 |
| Cost of sales | 21,694 | 21,870 |
| Total | 98,308 | 98,473 |

Depreciation and amortisation included in Consolidated Statement of

| | | |
|------------------------|---------------|--------------|
| Profit or Loss as: | | |
| Cost of doing business | 6,853 | 5,291 |
| Other Income | 1,110 | 327 |
| Cost of sales | 3,237 | 1,840 |
| Total | 11,200 | 7,458 |

| | | |
|--|---------|--------|
| Impairment loss on trade receivables | 110 | 45 |
| Inventory write downs | 2,280 | 2,462 |
| Net (gain) / loss on disposal of property, plant and equipment | (1,410) | 35 |
| Operating lease rental - minimum lease payments | 52,032 | 50,129 |

Significant items before tax included in expenses are:

| | | |
|--------------------------------|--------------|----------|
| Depreciation on fit-out assets | 3,822 | - |
| Redundancy costs | 767 | - |
| Total Significant Items | 4,589 | - |

3. Financial Income and Expense

| | | |
|------------------------------|--------------|--------------|
| Interest income | 120 | 634 |
| Interest expense (a) | (434) | (1,088) |
| Net Financing Expense | (314) | (454) |

(a) Interest of \$Nil (2013: \$368,342) has been capitalised by the Group in relation to land and buildings under construction that are qualifying assets.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| 4. Taxation | | |
| (a) Income Tax Expense | | |
| Current Tax Expense | | |
| ~Current year | 2,454 | 7,882 |
| ~Adjustment for prior years | 176 | (1,191) |
| | 2,630 | 6,691 |
| Deferred Tax Expense | | |
| ~Origination and reversal of temporary differences | (58) | (2,587) |
| | 2,572 | 4,104 |
| Numerical Reconciliation of Income tax Expense to Prima Facie Tax Payable | | |
| Profit before tax | 8,360 | 17,612 |
| Income tax at 30% (2013: 30%) | 2,508 | 5,284 |
| Increase in income tax expense due to: | | |
| ~non-deductible expenses | 38 | 48 |
| Decrease in income tax expense due to: | | |
| ~tax incentives | (150) | (37) |
| | 2,396 | 5,295 |
| Under provided in prior years | 176 | (1,191) |
| Income Tax Expense | 2,572 | 4,104 |
| (b) Deferred Tax Assets | | |
| Attributable to the following: | | |
| Property, plant and equipment | 1,232 | 736 |
| Employee benefits | 4,248 | 4,766 |
| Provisions | 2,014 | 1,360 |
| Trade and other payables | - | 806 |
| Other | 70 | 86 |
| | 7,564 | 7,754 |
| (c) Deferred Tax Liabilities | | |
| Attributable to the following: | | |
| Property, plant and equipment | 615 | - |
| Provisions on lease incentives | 171 | - |
| Receivables and prepayments | 10 | 245 |
| Other | 946 | 746 |
| | 1,742 | 991 |

The benefit of the deferred tax assets will only be obtained if:

- the Group derives future assessable income of a nature and amount sufficient to enable the benefit to be realised;
- the Group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

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5. Segment Information

The chief operating decision makers of the Group have been identified as the Managing Director and the Chief Financial Officer. They review the financial and operating performance of the business based on the segments identified below and will table any issues in regard to each of these segments at the monthly Board meeting.

Operating Segments

For internal reporting purposes, the Group is divided into two operating segments. These segments are as follows:

Retail

The retail segment comprises businesses that retail locally manufactured and imported household furniture under the Fantastic Furniture, Plush, Original Mattress Factory, Le Cornu and Dare Gallery brands in Australia. These businesses have been aggregated as one operating segment and reportable operating segment as a furniture retail operation. The retail segment also includes the manufacturing operation as it manufactures lounges and mattresses for the Fantastic Furniture business.

Property

The property business purchases and develops sites for use by the Group and leases surplus requirements to external tenants. The property business is a reportable operating segment.

Segment information has been prepared in conformity with the Group's segment accounting policy.

The following is an analysis of the Group's revenue and results by reportable operating segment:

Year Ended 30 June 2014

| | Retail | Property | Reportable Segments | Eliminations | Total |
|--|----------------|--------------|---------------------|--------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenues | | | | | |
| Revenues from external customers | 447,772 | - | 447,772 | - | 447,772 |
| Other revenue | 1,546 | 2,156 | 3,702 | - | 3,702 |
| Inter-segment revenue | - | 745 | 745 | (745) | - |
| Total segment revenue | 449,318 | 2,901 | 452,219 | (745) | 451,474 |
| Total revenue | | | | | 451,474 |
| Result | | | | | |
| Segment Result | 6,518 | 2,901 | 9,419 | (745) | 8,674 |
| Profit before tax and finance cost | | | | | 8,674 |
| Net finance costs | | | | | (314) |
| Income tax expense | | | | | (2,572) |
| Net profit for the year for the Group | | | | | 5,788 |
| Assets and liability | | | | | |
| Segment assets | 153,505 | 28,584 | 182,089 | - | 182,089 |
| Total assets | | | | | 182,089 |
| Segment liabilities | 71,257 | 22,336 | 93,593 | (22,073) | 71,520 |
| Total liabilities | | | | | 71,520 |
| Other segment information | | | | | |
| Capital expenditure | 7,725 | 562 | 8,287 | - | 8,287 |
| Depreciation and amortisation | 10,090 | 1,110 | 11,200 | - | 11,200 |
| Other non-cash expense | 2,948 | 21 | 2,969 | - | 2,969 |

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

5. Segment Information (continued)

Year Ended 30 June 2013

| | Retail | Property | Reportable Segments | Eliminations | Total |
|--|----------------|--------------|------------------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenues | | | | | |
| Revenues from external customers | 445,190 | - | 445,190 | - | 445,190 |
| Other revenue | 1,297 | 478 | 1,775 | - | 1,775 |
| Inter-segment revenue | - | 1,457 | 1,457 | (1,457) | - |
| Total segment revenue | 446,487 | 1,935 | 448,422 | (1,457) | 446,965 |
| Total revenue | | | | | 446,965 |
| Result | | | | | |
| Segment Result | 17,588 | 1,935 | 19,523 | (1,457) | 18,066 |
| Profit before tax and finance cost | | | | | 18,066 |
| Net finance costs | | | | | (454) |
| Income tax expense | | | | | (4,104) |
| Net profit for the year for the Group | | | | | 13,508 |
| Assets and liability | | | | | |
| Segment assets | 145,562 | 38,899 | 184,461 | - | 184,461 |
| Total assets | | | | | 184,461 |
| Segment liabilities | 68,887 | 34,802 | 103,689 | (27,373) | 76,316 |
| Total liabilities | | | | | 76,316 |
| Other segment information | | | | | |
| Capital expenditure | 2,097 | 13,605 | 15,702 | - | 15,702 |
| Depreciation and amortisation | 7,131 | 327 | 7,458 | - | 7,458 |
| Other non-cash expense | 926 | - | 926 | - | 926 |

Intersegment transactions

Any transfers between segments are determined on an arm's length basis and are eliminated on consolidation. The key inter-segmental revenue item is internal rent charged by the Property segment to the Retail segment of \$744,648 (2013: \$1,456,884).

Products

The Group engages in the retail, manufacture and import of one group of product, household furniture.

Geographical areas

The Group engages in the retail, manufacture and import of household furniture in Australia. Currently, there is an existing manufacturing facility in Vietnam. The Group also has an Asian manufacturing operation domiciled in Hong Kong and the People's Republic of China (PRC). The factory in PRC has completed the set up phase. There is no material effect on the profit of the Group from the Asian manufacturing.

The Asian manufacturing operations are identified as non-reportable segments as:

- (a) its revenue from sales to external customers and from sales to other segments is less than 10% of the total segment revenues of all segments; or
- (b) its segments result, whether profit or loss is less than 10% of the combined result of all segments that earned a profit or loss; or
- (c) its assets are less than 10% of the total segment assets of all segments.

Major Customer

Fantastic Holdings Limited and its controlled entities do not rely on any major customer.

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6. Dividends

(a) Dividends Paid or Declared by the Company

| Type | Cents per Share | Total Amount \$ | Date of Payment | Tax Rate for Franking Credit |
|--|-----------------|-------------------|-----------------|------------------------------|
| 2014 | | | | |
| In respect of the previous financial year: | | | | |
| Final dividend 100% franked | 3.00 | 3,092,052 | 15 Oct 2013 | 30% |
| In respect of the current financial year: | | | | |
| Interim dividend 100% franked | 3.00 | 3,092,052 | 14 Apr 2014 | 30% |
| | | 6,184,104 | | |
| 2013 | | | | |
| In respect of the previous financial year: | | | | |
| Final dividend 100% franked | 6.50 | 6,678,070 | 12 Oct 2012 | 30% |
| In respect of the current financial year: | | | | |
| Interim dividend 100% franked | 7.50 | 7,705,467 | 4 Apr 2013 | 30% |
| | | 14,383,537 | | |

A final dividend of 3.0 cents per share, totalling \$3,092,052 (2013: \$3,092,052) will be paid on 15 October 2014 and will be fully franked at 30%. This dividend was declared at a meeting of Directors on 22 August 2014 and as such the financial effect has not been brought into account in the financial statements for the year ended 30 June 2014, but will be recognised in a subsequent financial report.

| | Company | |
|---|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| (b) Dividend Franking Account | | |
| Balance of franking account at year end adjusted for franking credits which will arise from the refund or payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the dividend on 15 October 2014. | | |
| 30% Franking Credits | 34,248 | 37,222 |

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has assumed the benefit of the franking credits.

| | Consolidated Entity | |
|---|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| 7. Earnings Per Share | | |
| The following reflects the net profit and share data used in the calculations of basic and diluted earnings per share: | | |
| Net profit attributable to ordinary shareholders used in calculating basic and diluted earnings per share* | 5,859 | 13,508 |
| | 2014 No | 2013 No |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of earnings per share | 103,061,190 | 102,739,538 |
| Basic earnings per share (cents per share) | 5.68 | 13.15 |
| Diluted earnings per share (cents per share) | 5.68 | 13.15 |

* The weighted average number of shares takes into account the weighted average effect of shares issued during the year.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

8(a). Cash and Cash Equivalents

| | Consolidated Entity | |
|--------------------------|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| Cash at bank and on hand | 21,127 | 18,993 |
| | 21,127 | 18,993 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed at Note 22.

8(b). Notes to the Statement of Cash Flows

Reconciliation of Profit After Tax to Net Cash Provided by Operating Activities

| | | |
|--|---------------|---------------|
| Profit after tax | 5,788 | 13,508 |
| Add non-cash items: | | |
| Depreciation | 9,423 | 6,205 |
| Amortisation | 1,777 | 1,253 |
| (Gain) / Loss on disposal of property, plant and equipment | (1,410) | 31 |
| Charges to provisions and employee benefits | (1,128) | 2,202 |
| Net Cash Provided by Operating Activities Before Change in Assets and Liabilities | 14,450 | 23,199 |
| Change in Assets and Liabilities | | |
| Decrease in trade and other receivables | 549 | 2,374 |
| (Increase) in inventories | (5,860) | (293) |
| Decrease in other assets | 506 | 510 |
| Decrease / (Increase) in deferred tax assets | 190 | (1,352) |
| Increase / (decrease) in deferred tax liabilities | 751 | (1,236) |
| Increase in trade and other payables | 7,174 | 3,491 |
| (Decrease) in income tax payable | (6,036) | (1,613) |
| Net Cash Provided by Operating Activities | 11,724 | 25,080 |

9. Trade and Other Receivables

Current

| | | |
|--|--------------|--------------|
| Trade receivables | | |
| -external | 2,041 | 2,432 |
| -related parties - franchises | 429 | 235 |
| | 2,470 | 2,667 |
| Provision for impairment loss | (107) | (70) |
| | 2,363 | 2,597 |
| Other receivables and prepayments | 6,941 | 4,232 |
| Total trade and other receivables | 9,304 | 6,829 |

9. Trade and Other Receivables (continued)

| | Consolidated Entity | |
|----------------------------|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| Current: | | |
| 0 - 30 days | 1,970 | 2,493 |
| Past due but not impaired: | | |
| 31 - 60 days | 263 | 65 |
| 61 - 90 days | 116 | 35 |
| 91+ days | 14 | 4 |
| Past due but impaired: | | |
| 61 - 90 days | 26 | 48 |
| 91+ days | 81 | 22 |
| TOTAL | 2,470 | 2,667 |

(a) Provision for Impairment Loss

Trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$110,464 (2013: \$45,366) has been recognised by the consolidated entity in the current year. Debts which are considered recoverable have not been impaired by the consolidated entity. No individual amount within the impairment allowance is material.

Movements in the provision for impairment loss were as follows:

| | | |
|------------------------------|------------|-----------|
| At 1 July | 70 | 146 |
| Charge for the year | 110 | 45 |
| Amounts written off | (73) | (121) |
| Balance as at 30 June | 107 | 70 |

10. Inventories

| | | |
|--|---------------|---------------|
| Raw materials and consumables | 3,751 | 2,684 |
| Work in progress | 181 | 32 |
| Finished goods | 77,346 | 71,787 |
| | 81,278 | 74,503 |
| Carrying amount of inventories subject to retention of title clauses | 6,612 | 5,191 |

11. Investments

Property

| | | |
|--------------------------------------|---------------|---------------|
| Opening balance as at 1 July | 30,099 | 19,418 |
| Additions | 487 | 10,796 |
| Disposal | (5,147) | - |
| Depreciation | (1,016) | (115) |
| Closing Balance as at 30 June | 24,423 | 30,099 |

Each investment property is valued at cost. The investment properties have been depreciated using the straight line method, using effective lives of 40 years. Taking into account the valuations performed by independent valuers Herron Todd White in 2013, the investment properties have a fair value of \$24,030,000 (2013: \$24,030,000 excluding Campbelltown property sold in 2014). Subsequent to the valuations, additions of \$486,788 were incurred. Rent received from investment properties was \$2,746,968 (2013: \$1,599,436) for the year ended 30 June 2014. Operating expenses recognised in the Consolidated Statement of Profit or Loss in relation to investment properties amount to \$1,791,826 (2013: \$756,018) for the year ended 30 June 2014.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| 12. Property, Plant and Equipment | | |
| Cost | | |
| Land and Buildings | | |
| Balance at beginning of year | 8,167 | 11,986 |
| Disposals / transfers | (4,889) | (3,819) |
| Balance at End of Year | 3,278 | 8,167 |
| Plant and Equipment | | |
| Balance at beginning of year | 22,397 | 23,170 |
| Acquisitions | 1,443 | 1,443 |
| Disposals / transfers | (508) | (2,216) |
| Balance at End of Year | 23,332 | 22,397 |
| Fixtures and Fittings | | |
| Balance at beginning of year | 24,459 | 21,700 |
| Acquisitions | 1,115 | 2,603 |
| Disposals / transfers | 324 | 156 |
| Balance at End of Year | 25,898 | 24,459 |
| Leasehold Improvements | | |
| Balance at beginning of year | 10,969 | 11,337 |
| Acquisitions | 11 | 967 |
| Disposals | (656) | (1,335) |
| Balance at End of Year | 10,324 | 10,969 |
| Capital Works in Progress | | |
| Balance at beginning of year | 264 | 1,867 |
| Acquisitions | 4,981 | - |
| Transfers | (1,974) | (1,603) |
| Balance at End of Year | 3,271 | 264 |
| Total | | |
| Balance at beginning of year | 66,256 | 70,060 |
| Acquisitions | 7,550 | 5,013 |
| Disposals / transfers | (7,703) | (8,817) |
| Balance at End of Year | 66,103 | 66,256 |

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Consolidated Entity

| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
|--|---------------------------|---------------------------|
|--|---------------------------|---------------------------|

12. Property, Plant and Equipment (continued)**Depreciation and Impairment Losses****Land and Buildings**

| | | |
|-------------------------------|------------|------------|
| Balance at beginning of year | 351 | 488 |
| Depreciation | 70 | 188 |
| Disposals /transfers | (186) | (325) |
| Balance at End of Year | 235 | 351 |

Plant and Equipment

| | | |
|-------------------------------|---------------|---------------|
| Balance at beginning of year | 12,038 | 11,423 |
| Depreciation | 4,126 | 2,705 |
| Disposals /transfers | (820) | (2,090) |
| Balance at End of Year | 15,344 | 12,038 |

Fixtures and Fittings

| | | |
|-------------------------------|---------------|---------------|
| Balance at beginning of year | 11,147 | 9,928 |
| Depreciation | 3,222 | 2,071 |
| Disposals /transfers | (589) | (852) |
| Balance at End of Year | 13,780 | 11,147 |

Leasehold Improvements

| | | |
|-------------------------------|--------------|--------------|
| Balance at beginning of year | 5,907 | 5,796 |
| Depreciation | 989 | 1,126 |
| Disposals | (427) | (1,015) |
| Balance at End of Year | 6,469 | 5,907 |

Total

| | | |
|-------------------------------|---------------|---------------|
| Balance at beginning of year | 29,443 | 27,635 |
| Depreciation | 8,407 | 6,090 |
| Disposals /transfers | (2,022) | (4,282) |
| Balance at End of Year | 35,828 | 29,443 |

Carrying Amounts**Land and Buildings**

| | | |
|-----------------------|--------------|--------------|
| At beginning of year | 7,816 | 11,498 |
| At End of Year | 3,043 | 7,816 |

Plant and Equipment

| | | |
|-----------------------|--------------|---------------|
| At beginning of year | 10,359 | 11,747 |
| At End of Year | 7,988 | 10,359 |

Fixtures and Fittings

| | | |
|-----------------------|---------------|---------------|
| At beginning of year | 13,312 | 11,772 |
| At End of Year | 12,118 | 13,312 |

Leasehold Improvements

| | | |
|-----------------------|--------------|--------------|
| At beginning of year | 5,062 | 5,541 |
| At End of Year | 3,855 | 5,062 |

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| 12. Property, Plant and Equipment (continued) | | |
| Capital Works in Progress | | |
| At beginning of year | 264 | 1,868 |
| At End of Year | 3,271 | 264 |
| Total | | |
| At beginning of year | 36,813 | 42,426 |
| At End of Year | 30,275 | 36,813 |

Security

At 30 June 2014, land and buildings with a carrying amount of \$3,042,764 (2013: \$7,750,191) are subject to a first registered mortgage to secure bank loans.

13. Intangible Assets

| | Consolidated Entity | | |
|---|---------------------|--------------------|-----------------|
| | Goodwill \$'000 | Software \$'000 | Total \$'000 |
| Cost | | | |
| Balance at 1 July 2013 | 5,737 | 8,900 | 14,637 |
| Acquisitions | - | 310 | 310 |
| Transfers | - | 118 | 118 |
| Balance at 30 June 2014 | 5,737 | 9,328 | 15,065 |
| Balance at 1 July 2012 | 5,737 | 7,953 | 13,690 |
| Acquisitions | - | 1,378 | 1,378 |
| Disposals | - | (431) | (431) |
| Balance at 30 June 2013 | 5,737 | 8,900 | 14,637 |
| Amortisation and Impairment Losses | | | |
| Balance at 1 July 2013 | 1,661 | 3,560 | 5,221 |
| Amortisation | - | 1,777 | 1,777 |
| Disposal | - | (2) | (2) |
| Balance at 30 June 2014 | 1,661 | 5,335 | 6,996 |
| Balance at 1 July 2012 | 1,661 | 2,674 | 4,335 |
| Amortisation | - | 1,252 | 1,252 |
| Disposal | - | (366) | (366) |
| Balance at 30 June 2013 | 1,661 | 3,560 | 5,221 |
| Carrying Amount | | | |
| At 1 July 2013 | 4,076 | 5,340 | 9,416 |
| At 30 June 2014 | 4,076 | 3,993 | 8,069 |
| At 1 July 2012 | 4,076 | 5,279 | 9,355 |
| At 30 June 2013 | 4,076 | 5,340 | 9,416 |

13. Intangible Assets (continued)

The recoverable amount of each cash-generating unit is determined based on value in use calculations which use cash flow projections from financial budgets approved by management covering a 5 year period, using a discount rate of 12% (2013: 12%). The cash flows beyond the budget period have been extrapolated using a 2.5% long term growth rate (2013: 2.5%) consistent with estimated inflation rates over the period. Discount rates are pre-tax and are adjusted to incorporate risks associated with each cash-generating unit.

| | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| 14. Other | | |
| Non-current | | |
| Security deposits | 49 | 54 |
| 15. Trade and Other Payables | | |
| Current | | |
| Trade creditors (a) | 9,385 | 8,584 |
| Sundry creditors and accruals | 26,341 | 18,394 |
| | 35,726 | 26,978 |
| (a) Foreign Currency Liabilities | | |
| Current - United States dollars | 2,363 | 3,028 |
| The Group's exposure to currency and liquidity risk is disclosed at Note 22. | | |
| 16. Interest Bearing Loans and Borrowings | | |
| Current | | |
| Bank loans ~secured (a) | - | 3,400 |
| | - | 3,400 |
| Non-current | | |
| Bank loans - secured (a) | 15,000 | 21,924 |
| | 15,000 | 21,924 |

(a) Each company within the consolidated group has entered into cross guarantee arrangements. The ANZ Bank loans are secured by a first registered mortgage over freehold property of the consolidated entity and is under a 3 year funding arrangement. The loan from Commonwealth Bank for White Label Investments Pty Ltd and its subsidiaries has been fully repaid as at 30 June 2014. The weighted average cost of borrowings is 4.2% (2013: 5.4%)

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

16. Interest Bearing Loans and Borrowings (continued)

| Financing Arrangements | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| The Group has access to the following lines of credit: | | |
| Total Facilities Available: | | |
| Bank overdraft | 15,000 | 15,000 |
| Trade finance | 1,200 | 1,200 |
| Indemnity guarantee | 2,800 | 1,200 |
| Bank loans & commercial bills | - | 3,400 |
| Asset finance | 410 | 410 |
| Cash advance facility | 5,538 | 12,650 |
| | 24,948 | 33,860 |
| Facilities Utilised at Balance Date: | | |
| Bank overdraft | 15,000 | 15,000 |
| Trade finance | 608 | - |
| Indemnity guarantee | 429 | - |
| Bank loans & commercial bills | - | 3,400 |
| Asset finance | - | - |
| Cash advance facility | - | 6,924 |
| | 16,037 | 25,324 |
| Facilities Not Utilised at Balance Date: | | |
| Bank overdraft | - | - |
| Trade finance | 592 | 1,200 |
| Indemnity guarantee | 2,371 | 1,200 |
| Bank loans & commercial bills | - | - |
| Asset finance | 410 | 410 |
| Cash advance facility | 5,538 | 5,726 |
| | 8,911 | 8,536 |

17. Current Tax Receivable / Payable

The current tax receivable for the Group is \$3,561,589 (2013: payable of \$2,600,538) representing the amount of income tax receivable in respect of current financial year. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group assumes the current tax receivable or liability initially recognised by the members in the tax-consolidated group.

18. Employee Benefits

| | Consolidated Entity | |
|---|---------------------|---------------|
| | 30 June | 30 June |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| (a) Employee Benefits | | |
| Aggregate liability for employee benefits, including on-costs | | |
| Current | | |
| Salary and wages accrued | 4,900 | 6,020 |
| Annual leave liability | 6,260 | 6,331 |
| Long service leave liability | 2,339 | 2,095 |
| | 13,499 | 14,446 |
| Non-current | | |
| Long service leave liability | 1,581 | 1,440 |
| | 15,080 | 15,886 |
| (b) Superannuation Plan | | |
| Superannuation contributions amounted to: | 7,456 | 6,496 |

(c) Share Based Payments

The Company has a performance hurdle employee share plans in place:

The Fantastic Holdings Limited Performance Hurdles Executive Share Trust (FHLPHST)

The FHLPHST was established to recognise the contribution of key executives to the growth of the Company in accordance with its long term incentive remuneration strategies. The Trustee will acquire Fantastic Holdings Limited shares on behalf of participants at their market price, and if long term incentive performance criteria are met after three years, the shares will vest to the participant.

328,860 (2013: nil) new shares were issued during the financial year 2014.

19. Provisions

| | Self Insurance \$'000 | Lease Incentive \$'000 | Lease Increases \$'000 | Make Good \$'000 | Total \$'000 |
|---------------------------------|-----------------------------|---------------------------|---------------------------|---------------------|-----------------|
| Consolidated | | | | | |
| Balance at 1 July 2013 | - | 3,603 | 407 | 526 | 4,536 |
| Provisions made during the year | - | 1,288 | 135 | - | 1,423 |
| Provisions used during the year | - | (1,630) | (56) | (301) | (1,987) |
| Balance at 30 June 2014 | - | 3,261 | 486 | 225 | 3,972 |
| Current | - | 1,203 | 26 | 225 | 1,454 |
| Non-current | - | 2,058 | 460 | - | 2,518 |
| | - | 3,261 | 486 | 225 | 3,972 |
| Consolidated | | | | | |
| Balance at 1 July 2012 | 150 | 3,956 | 266 | 100 | 4,472 |
| Provisions made during the year | - | 1,754 | 154 | 450 | 2,358 |
| Provisions used during the year | (150) | (2,107) | (13) | (24) | (2,294) |
| Balance at 30 June 2013 | - | 3,603 | 407 | 526 | 4,536 |
| Current | - | 1,641 | 55 | 526 | 2,222 |
| Non-current | - | 1,962 | 352 | - | 2,314 |
| | - | 3,603 | 407 | 526 | 4,536 |

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

19. Provisions (continued)

Provision for Lease Incentive

A provision of \$3,261,419 (2013: \$3,602,790) has been recognised for the lease incentives received under operating leases, such as a rent free period or contribution to certain costs. The provision is amortised on a straight line basis over the term of the lease.

Provision for Lease Increases

A provision of \$485,843 (2013: \$407,448) has been recognised to record fixed rate increases to lease rental payments, excluding contingent or index based rental increases such as CPI and turnover rental. The provision is amortised on a straight line basis over the term of the lease.

Provision for Make Good

A provision of \$225,000 (2013: \$525,742) has been recognised for the estimated costs of dismantling and removing items and restoring the site on which property, plant and equipment is located to its original condition.

20. Equity

| | Consolidated Entity | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| (i) Share Capital | | |
| 103,068,398 (2013: 102,739,538) ordinary shares, fully paid (a) | 23,270 | 23,270 |
| Ordinary shares at beginning of the financial year | 23,270 | 23,270 |
| Shares issued during the year (a) | - | - |
| Ordinary Shares at the End of the Financial Year | 23,270 | 23,270 |

(a) During the year ended 30 June 2014, 328,860 (2013: nil) new shares were issued to Fantastic Holdings Limited Performance Hurdles Executive Share Trust for key executives.

The holders of ordinary shares are entitled to receive dividends as declared and have voting rights that allow one vote for each fully paid share held. All shares rank equally with regard to the Company's residual assets.

(ii) Retained Earnings

| | | |
|---|---------------|---------------|
| Retained earnings at the beginning of the financial year | 84,840 | 85,716 |
| Profit after tax attributable to equity holders of the Parent | 5,859 | 13,508 |
| Dividends paid | (6,184) | (14,384) |
| Retained Earnings at the End of the Financial Year | 84,515 | 84,840 |

(iii) Foreign Currency Translation Reserve

| | | |
|---|--------------|-----------|
| Exchange differences on translation of foreign operations | (422) | 35 |
| Income tax effect | 127 | - |
| Total Foreign Currency Translation Reserve | (295) | 35 |

21. Non- Controlling Interest

| | | |
|-------------------|--------------|----------|
| Interest in: | | |
| Share capital | 3,150 | - |
| Retained earnings | (71) | - |
| | 3,079 | - |

Non-controlling interest relates to 40% of interest in the Hong Kong parent entity for the investment in China operations.

22. Financial Instruments

The Group has exposure to the following risks from the use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Foreign exchange risk

This Note presents information about the Group's exposure to each of the above risks, the process of measuring and managing each risk and the capital management policy.

The financial risk management policies of the Group are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Audit, Risk and Compliance Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for and fund the operations of the Group. There are various other financial instruments such as trade debtors and trade creditors, which arise directly from operations.

(a) Interest Rate Risk

The Group's exposure to interest rate risk is the risk that a financial instrument's fair value will fluctuate as a result of changes in market interest rates. The effective weighted average interest on financial assets and financial liabilities is as follows:

| | Notes | Floating Interest Rate \$'000 | Fixed Interest Rate 1 Year or Less \$'000 | Fixed Interest Rate 1-5 Years \$'000 | Non-Interest Bearing \$'000 | Total \$'000 |
|---|-------|-------------------------------|---|--------------------------------------|-----------------------------|-----------------|
| Consolidated 2014 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | (8) | 21,127 | - | - | - | 21,127 |
| Trade and other receivables | (9) | | | | 9,304 | 9,304 |
| | | 21,127 | - | - | 9,304 | 30,431 |
| Financial Liabilities | | | | | | |
| Trade and other payables | (15) | - | - | - | 35,726 | 35,726 |
| Interest bearing loans and borrowings | (16) | 15,000 | - | - | - | 15,000 |
| | | 15,000 | - | - | 35,726 | 50,726 |
| Weighted average interest rate | | 1.7% | | | | |
| Net Financial Assets/(Liabilities) | | 6,127 | | | (26,422) | (20,295) |
| Consolidated 2013 | | | | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | (8) | 18,993 | - | - | - | 18,993 |
| Trade and other receivables | (9) | - | - | - | 6,829 | 6,829 |
| | | 18,993 | - | - | 6,829 | 25,822 |
| Financial Liabilities | | | | | | |
| Trade and other payables | (15) | - | - | - | 26,978 | 26,978 |
| Interest bearing loans and borrowings | (16) | 25,324 | - | - | - | 25,324 |
| | | 25,324 | - | - | 26,978 | 52,302 |
| Weighted average interest rate | | 4.4% | - | - | | |
| Net Financial Assets/(Liabilities) | | (6,331) | | | (20,149) | (26,480) |

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

22. Financial Instruments (continued)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts as disclosed in the Consolidated Statement of Financial Position and in the Notes to the Financial Statements. As the Group earns the majority of its revenue from the retail of household furniture, credit risk is minimal.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to its reputation. Financial liabilities are payable as follows:

| | Consolidated Entity | |
|----------------------|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |
| Less than six months | 35,726 | 30,378 |
| Six to twelve months | - | - |
| One to two years | - | - |
| Two to five years | 15,000 | 21,924 |
| | 50,726 | 52,302 |

The facilities available to be utilised by the Group total \$24,948,000 (2013: \$33,860,000). Facilities not utilised at 30 June 2014 were \$8,911,000 (2013: \$8,536,000).

(d) Fair Value of Financial Assets and Liabilities

For cash and cash equivalents, receivables and payables with a remaining life of less than one year, the notional carrying amount on the Statement of Financial Position is a reasonable approximation of fair value. For interest bearing loans and borrowings of the Group, their fair value is calculated based on the present value of expected future principal and interest cash flows discounted at the market rate of interest at the reporting date and is \$18,247,388 (2013: \$23,615,983). The interest rate used to discount estimated cash flows was 12% (2013: 12%).

(e) Foreign Exchange Risk

The Group has a foreign currency risk in respect of payables as at 30 June 2014. The Group manages its exposure to foreign currency risk by paying its overseas suppliers promptly, applying a conservative pricing policy in respect of foreign sourced products and utilising forward exchange contracts in the range of 50%-70% of its estimated foreign currency purchases on a three to six month rolling basis.

(f) Sensitivity Analysis

The sensitivity analysis set out below summarises the sensitivity of the fair value of the financial instruments of the Group at 30 June 2014 to hypothetical changes in market rates and prices. It also shows the potential impact on the Consolidated Statement of Comprehensive Income if those changes had occurred for the 12 months ended 30 June 2014. The range of variables chosen for the sensitivity analysis reflect the view of changes which are reasonably possible over a one year period. Fair values are the present value of future cash flows based on market rates and prices at the valuation date.

The interest rate sensitivity analysis assumes a 100 basis point change in interest rates from their weighted average level for the year ended 30 June, with all other variables held constant. Based on the composition of the Group's interest bearing loan portfolio for the year ended 30 June, a 1% movement in interest rates would have no impact on interest expense being incurred on the fixed rate bank loans or hire purchase contracts.

The exchange rate sensitivity analysis assumes that the weighted average exchange rate moves by 10% from the level during the year to 30 June, with all other variables held constant. The +10% case assumes a 10% strengthening of the US dollar against Australian currency and the -10% case assumes a 10% weakening of the US dollar.

22. Financial Instruments (continued)

| | Consolidated | | Consolidated | |
|--|-----------------------|-----------------------|------------------------|------------------------|
| | Interest rates +1% | Interest rates -1% | Exchange rates +10% | Exchange rates -10% |
| 2014 | | | | |
| Increase/(decrease) in fair value of financial instruments at 30 June 2014 | (18,443) | 18,250 | (225,361) | 245,233 |
| Net Impact on Income Statement; gain/(loss) | (3,775) | 3,775 | (9,055,786) | 7,409,280 |
| 2013 | | | | |
| Increase/(decrease) in fair value of financial instruments at 30 June 2013 | (233,899) | 236,396 | (181,270) | 200,534 |
| Net Impact on Income Statement; gain/(loss) | (69,304) | 69,304 | (8,119,109) | 6,642,907 |

(g) Capital Management Policy

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the approach to capital management during the year.

The Company pays dividends at the discretion of the Board. The dividend amount is based on the profitability of the Company, market conditions, and maintaining capital for future growth.

| Consolidated Entity | |
|---------------------|---------|
| 30 June | 30 June |
| 2014 | 2013 |
| \$'000 | \$'000 |

23. Operating Lease Commitments

Non-cancellable operating lease rentals are payable as follows:

| | | |
|----------------------------|----------------|----------------|
| Less than one year | 50,506 | 49,474 |
| Between one and five years | 87,233 | 109,119 |
| More than five years | 16,958 | 12,402 |
| | 154,697 | 170,995 |

The Group leases property under operating leases typically expiring from one to ten years.

Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments are increased based on either fixed terms, movements in the Consumer Price Index, or other operating criteria. During the financial year ended 30 June 2014, \$52,067,754 (2013: \$50,415,775) was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases for the Group. Sub-lessee income for the year ended 30 June 2014 was \$1,384,174 (2013: \$533,188).

24. Capital Expenditure Commitments

| | | |
|--|-----|-----|
| Plant and equipment contracted but not provided for and payable within one year: | 653 | 410 |
|--|-----|-----|

27. Key Management Personnel Disclosures

(a) Key Management Personnel

The following were key management personnel at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors

Mr James Millar AM (Chairman) - Resigned 30 June 2014
Mr Denis McCormack - Resigned 25 March 2014
Mr Geoffrey Squires
Mr Julian Tertini - effective 12 July 2013 (Appointed Chairman 30 June 2014)
Mr Peter Brennan - effective 12 July 2013
Ms Margaret Haseltine - effective 26 November 2013

Executive Director

Mr Stephen Heath - Managing Director (Effective 12 July 2013)

Executives

Mr George Saoud: Chief Financial Officer and Company Secretary
Ms Debra Singh: Chief Operating Officer - Non-Fantastic Furniture brands (CEO Fantastic Furniture from 1st August 2014)
Mr Jason Newman: Chief Operating Officer - Fantastic Furniture (Manufacturing & Supply Chain)

(b) Key Management Personnel Compensation

The key management personnel compensation included in employment expenses is as follows:

| | Consolidated Entity | | Company | |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30 June 2014 \$ | 30 June 2013 \$ | 30 June 2014 \$ | 30 June 2013 \$ |
| Short term employee benefits | 2,140,250 | 1,793,279 | 1,436,250 | 1,793,279 |
| Post employment benefits | 87,543 | 106,424 | 87,543 | 106,424 |
| Share based payments | 40,000 | - | - | - |
| | 2,267,793 | 1,899,703 | 1,523,793 | 1,899,703 |

Individual Directors and Executives Compensation Disclosures

Information regarding individual Directors and executives compensation and equity instruments disclosures as permitted by Corporations Regulations 2M 3.03 and 2M 6.04 are provided in the Remuneration Report included in the Directors' Report.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

27. Key Management Personnel Disclosures (continued)

(c) Shareholdings

(i) There were no options over ordinary shares in Fantastic Holdings Limited held directly, indirectly or beneficially by any key management person including their related parties,

(ii) The movement during the reporting period in the number of ordinary shares in Fantastic Holdings Limited held directly, indirectly or beneficially by each key management personnel including their related parties is as follows:

| | Balance of Shares 1/07/2013 | Received as Remuneration | Shares Purchased, Sold or Reconstructed | Balance of Shares 30/06/2014 | Options over Ordinary Shares | Long term incentive shares not vested |
|--------------------------|--------------------------------|--------------------------|---|---------------------------------|------------------------------|---------------------------------------|
| | Number | Number | Number | Number | Number | Number |
| Company Directors | | | | | | |
| Julian Tertini | 41,776,211 | - | - | 41,776,211 | Nil | Nil |
| Peter Brennan | 10,698,016 | - | - | 10,698,016 | Nil | Nil |
| James Millar AM | - | - | - | - | Nil | Nil |
| Geoffrey Squires | 171,405 | - | - | 171,405 | Nil | Nil |
| Denis McCormack | 80,968 | - | - | 80,968 | Nil | Nil |
| Executives | | | | | | |
| Stephen Heath | - | - | - | - | Nil | 900,000 |
| George Saoud | - | - | - | - | Nil | 225,000 |
| Debra Singh | 8,500 | - | - | 8,500 | Nil | 225,000 |
| Jason Newman | - | - | - | - | Nil | - |
| Total | 52,735,100 | - | - | 52,735,100 | Nil | 1,350,000 |

| | Balance of Shares 1/07/2012 | Received as Remuneration | Shares Purchased, Sold or Reconstructed | Balance of Shares 30/06/2013 | Options over Ordinary Shares | Long term incentive shares not vested |
|--------------------------|--------------------------------|--------------------------|---|---------------------------------|------------------------------|---------------------------------------|
| | Number | Number | Number | Number | Number | Number |
| Company Directors | | | | | | |
| Julian Tertini | 41,776,211 | - | - | 41,776,211 | Nil | Nil |
| Peter Brennan | 10,698,016 | - | - | 10,698,016 | Nil | Nil |
| James Millar AM | - | - | - | - | Nil | Nil |
| Geoffrey Squires | 171,405 | - | - | 171,405 | Nil | Nil |
| Denis McCormack | 80,968 | - | - | 80,968 | Nil | Nil |
| Executives | | | | | | |
| Stephen Heath | - | - | - | - | Nil | - |
| George Saoud | - | - | - | - | Nil | - |
| Robert De Nicola | - | - | - | - | Nil | - |
| Total | 52,726,600 | - | - | 52,726,600 | Nil | - |

27. Key Management Personnel Disclosures (continued)

(d) Loans to Employees and their Related Parties

There were no loans outstanding at the reporting date to key management personnel or their related parties where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period.

(e) Other Related Party Transactions with the Company or its Subsidiaries

(i) The Caringbah store franchise is held by an entity associated with Julian Tertini, Non-Executive Director and Chairman. During the year, the following transactions took place with the Caringbah store on normal commercial terms:

| | Consolidated Entity | |
|--|-----------------------|-----------------------|
| | 30 June 2014 \$ | 30 June 2013 \$ |
| Franchise fees received | 160,813 | 146,826 |
| Sale of inventory | 1,979,416 | 2,026,329 |
| Amounts receivable from the Caringbah store franchise | 148,070 | 234,989 |

(ii) Bytenew Pty Ltd, a company associated with Julian Tertini received rent of \$1,172,010 (2013: \$1,152,330) and outgoings of \$90,777 (2013: \$77,281) in respect of franchise store on normal commercial terms.

(iii) Bytenew Pty Ltd, a company associated with Julian Tertini received consulting fees of \$10,000 (2013: \$228,000) in relation to executive services rendered. In addition, the same company received nil (2013: 84,600) for project management of web development.

| | Company | |
|--|---------------------------|---------------------------|
| | 30 June 2014 \$'000 | 30 June 2013 \$'000 |

28. Parent Entity Information

Assets

| | | |
|---------------------|---------------|---------------|
| Current assets | 10,920 | 7,903 |
| Non-current assets | 38,582 | 34,085 |
| TOTAL ASSETS | 49,502 | 41,988 |

| | | |
|--------------------------|---------------|--------------|
| Current liabilities | 8,921 | 7,722 |
| Non-current liabilities | 1,094 | 184 |
| TOTAL LIABILITIES | 10,015 | 7,906 |

Equity

| | | |
|---------------------|---------------|---------------|
| Share capital | 23,270 | 23,270 |
| Retained earnings | 16,217 | 10,812 |
| TOTAL EQUITY | 39,487 | 34,082 |

| | | |
|--|---------------|----------------|
| Profit/ (Loss) of Parent Entity | 11,588 | (1,707) |
|--|---------------|----------------|

Notes to Financial Statements (Continued)

FOR THE YEAR ENDED 30 JUNE 2014

29. Events Subsequent to Balance Date

On 1st August 2014, Ms Debra Singh, was appointed to the role of Fantastic Furniture CEO. Other than the above events, there have been no other events subsequent to year end until the date of this report.

30. Contingencies

The Directors are of the opinion that provisions are not required in respect of the matters detailed below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contingent Liabilities Considered Remote

Guarantees

(i) Under the terms of a Deed of Cross Guarantee, the Company has guaranteed to each creditor payment in full of any debt that remains unpaid six months after the winding up of any of its subsidiaries that are subject to the Deed. The subsidiaries have given similar guarantees in the event that the Company is wound up.

(ii) Each company within the Group as detailed in Note 31 has entered into cross guarantee arrangements.

The probability of default in respect of these financial guarantee contracts has been measured and has been determined to be remote as all subsidiaries in the group are solvent. As a result, no financial liability has been recognised in the financial statements.

31. Deed of Cross Guarantee

Pursuant to ASIC 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' Report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed dated 28 June 2007 are:

Fantastic Furniture Pty Ltd
Fantastic Furniture (Licensing) Pty Ltd
Plush - Think Sofas Pty Ltd
Best Buy Furniture Pty Ltd
Original Mattress Factory Pty Ltd
FHL Distribution Centre Pty Ltd
Royal Comfort Bedding Pty Ltd
Fantastic Property Pty Ltd
The Package Deal Kings Pty Ltd
Fantastic Metal Furniture Manufacturers Pty Ltd
Fantastic Furniture Share Plan Pty Ltd

D. Gallery Pty Ltd became a party to the Deed on 12 January 2009, by virtue of a Deed of Assumption.

White Label Investments Pty Ltd and its subsidiaries became a party to the Deed on 27 July 2009 by virtue of a Deed of Assumption. The subsidiaries included in this Assumption Deed were as follows:

White Label Investments Pty Limited
Innovation Nominees (1) Pty Limited
Innovation Nominees (2) Pty Limited
White Label Innovations (1) Pty Limited
White Label Innovations (2) Pty Limited
White Label Innovations Pty Limited
State Marketing and Innovation Corporation Pty Limited

The consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2014, is the same as the consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position included in this financial report.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2014

1 In the opinion of the Directors of Fantastic Holdings Limited (the Company):

(a) The consolidated financial statements and notes set out on pages 30 to 62, and the Remuneration Report in the Directors' Report set out on pages 17 to 27, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of the performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

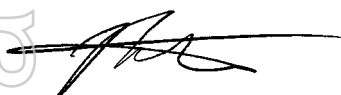
(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1;

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 26 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors



Julian Tertini
Chairman



Stephen Heath
Managing Director and Chief Executive Officer

Dated this 3rd day of September 2014

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
FANTASTIC HOLDINGS LIMITED AND CONTROLLED ENTITIES

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Fantastic Holdings Limited (the company) and Fantastic Holdings Limited and Controlled Entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MATTERS RELATING TO ELECTRONIC PUBLICATION OF THE FINANCIAL REPORT

This paragraph relates to the financial report of Fantastic Holdings Limited and its Controlled Entities for the year ended 30 June 2014 included on the website of Fantastic Holdings Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. The financial report refers only to the subject matter described above. We do not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the financial report to confirm the information contained in the website version of the financial report.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Fantastic Holdings Limited and Controlled Entities, would be in the same terms if provided to the directors as at the time of this auditor's report.

AUDITOR'S OPINION

In our opinion:


- a) the financial report of Fantastic Holdings Limited and Fantastic Holdings Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 17 to 27 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

AUDITOR'S OPINION

In our opinion the Remuneration Report of Fantastic Holdings Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



Felsers
Chartered Accountants



Michael Kersch
Partner
Sydney

Dated: 3 September 2014

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Shareholding Information

FOR THE YEAR ENDED 30 JUNE 2014

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Australian Stock Exchange Company Security Code

The shares of Fantastic Holdings Limited are listed on the Australian Stock Exchange under the trading symbol "FAN". The Home Exchange is Sydney.

Other Information

Fantastic Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company on the Australian Stock Exchange and is a company limited by shares.

Class of Shares and Voting Rights

At 20 August 2014, there were 103,068,398 issued ordinary shares of the Company. The voting rights attached to the ordinary shares, set out in clause 5.8 of the Company's Constitution are: "Subject to this Constitution and any rights or restrictions for the time being attached to any class of shares:

- (a) at meetings of members or classes of members, each member entitled to attend and vote may attend and vote in person or by proxy.
- (b) on a show of hands, every member present in person has one vote.
- (c) on a poll, every member present in person has the following voting rights:
 - (i) in the case of fully paid shares, one vote for each share held by the member; and
 - (ii) in the case of partly paid shares, for each share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the shares."

Distribution of Shareholders (at 20 August 2014)

| Category | Number of Holders | |
|------------------|-------------------|----------|
| | Ordinary Shares | Options |
| 1 - 1,000 | 469 | - |
| 1,001 - 5,000 | 455 | - |
| 5,001 - 10,000 | 127 | - |
| 10,001 - 100,000 | 142 | - |
| 100,001 and over | 28 | - |
| | 1,221 | - |

The number of shareholdings held in less than marketable parcels is 256.

Substantial Shareholders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 as at 20 August 2014 are:

| Shareholder | Number of Ordinary Fully Paid Shares Held |
|-----------------------------|---|
| Julian Tertini | 41,776,211* |
| Peter Brennan | 10,698,016 |
| Westpac Banking Corporation | 10,291,394 |
| IOOF Holdings Limited | 9,353,103 |
| Perpetual Limited | 5,154,541 |

* The total shares held includes 10 million shares by Yaquina Pty Limited and Mr Tertini has voting power on these shares.

Twenty Largest Shareholders (at 20 August 2014)

| Shareholder | No. of Ordinary Fully Paid Shares Held | Percentage of Capital Held |
|--|--|----------------------------|
| Bytenew Pty Limited | 30,842,074 | 29.92% |
| National Nominees Limited | 10,129,225 | 9.83% |
| Yaquina Pty Limited | 10,000,000 | 9.70% |
| HSBC Custody Nominees (Australia) Limited | 8,577,636 | 8.32% |
| Mrs Patricia Brennan | 5,259,965 | 5.10% |
| RBC Investor Services Australia Nominees Pty Limited <Pi Pooled A/C> | 5,234,541 | 5.08% |
| J P Morgan Nominees Australia Limited | 4,334,656 | 4.21% |
| Peter Brennan | 3,083,427 | 2.99% |
| BNP Paribas Noms Pty Ltd <DRP> | 2,879,470 | 2.79% |
| Nonad Financial Services Pty Limited <P & P Brennan Super Fund A/C> | 2,354,624 | 2.28% |
| RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C> | 2,332,401 | 2.26% |
| Trinity Management Group Pty Limited | 1,648,378 | 1.60% |
| Citycorp Nominees Pty Limited | 1,316,689 | 1.24% |
| Citycorp Nominees Pty Limited <Colonial First State Inv A/C> | 1,275,533 | 1.22% |
| Gragher Capital Securities Pty Ltd | 1,200,000 | 1.16% |
| HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C> | 1,124,180 | 1.09% |
| Norman Role | 1,045,085 | 1.01% |
| Lawncat Pty Limited | 934,137 | 0.91% |
| Dromore Finance Pty Limited <Bennett Family A/C> | 612,149 | 0.59% |
| Budetch Pty Limited <Keighran Family No 2 A/C> | 503,702 | 0.49% |
| | 94,687,872 | 91.85% |

On-Market Buy-Back

There is no current on-market buy-back.

Corporate Directory



Directors (L-R) Julian Tertini, James Millar, Denis McCormack, Peter Brennan, Geoffrey Squires, Margaret Haseltine, Stephen Heath.

DIRECTORS

| | |
|---------------------------|---|
| Julian Tertini | Chairman (Appointed 30 June 2014) |
| James Millar AM | Non-Executive Director (Resigned 30 June 2014) |
| Peter Brennan | Non-Executive Director |
| Denis McCormack | Non-Executive Director (Resigned 25 March 2014) |
| Geoffrey Squires | Non-Executive Director |
| Margaret Haseltine | Non-Executive Director (Appointed 26 November 2013) |
| Stephen Heath | Managing Director |

EXECUTIVE OFFICER

| | |
|---------------------|---|
| George Saoud | Company Secretary and Chief Financial Officer |
|---------------------|---|

REGISTERED OFFICE

62 Hume Highway
Chullora NSW 2190
Telephone: 02 8717 2600
Facsimile: 02 8717 2655

AUDITORS

Accru Felsers Chartered Accountants
Level 6, 1 Chifley Square
Sydney NSW 2000
Telephone: 02 8226 1655
Facsimile: 02 8226 1616

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington St
Sydney NSW 2000
Telephone: 1300 850 505
Facsimile: 03 9473 2500

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 31 October 2014, commencing at 10.30am at Rydges Bankstown, Corner Hume Highway and Strickland Street, Bass Hill NSW.



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FANTASTIC FURNITURE

ACT

Fyshwick

NEW SOUTH WALES

Albury
Armidale
Artarmon
Auburn
Balgowlah
Bathurst
Bennetts Green
Burwood
Campbelltown
Caringbah
Castle Hill
Chullora
Coffs Harbour
Crossroads
Dubbo
Erina
Griffith
Lismore
Moore Park
Newcastle
Nowra
Penrith
Port Macquarie
Prospect
Roselands
Rutherford
Stanmore
Tamworth
Taree
Tuggerah
Wagga Wagga
Warrawong
Warwick Farm

QUEENSLAND

Aspley
Burleigh Heads
Capalaba
Helensvale
Hervey Bay
Ipswich
Kawana Waters
Morayfield
Toowoomba
Underwood

Windsor

SOUTH AUSTRALIA

Marion
Munno Para
Noarlunga
Windsor Gardens

TASMANIA

Hobart
Launceston

VICTORIA

Ballarat
Bendigo
Caroline Springs
Dandenong
Geelong
Hoppers Crossing
Maribyrnong
Mildura

Moorabbin
Mornington
Nunawading
Preston
Richmond
Shepparton
Taylors Lakes
Thomastown
Traralgon
Warrnambool

WESTERN AUSTRALIA

Cannington
Cockburn
Joondalup
Mandurah
Osborne Park
Rockingham

PLUSH

ACT

Fyshwick

NEW SOUTH WALES

Albury
Alexandria
Artarmon
Auburn
Belrose
Castle Hill
Erina
Crossroads
Newcastle
Penrith
Prospect
Rutherford
Warrawong

QUEENSLAND

Aspley
Bundall
Jindalee
Maroochydore

SOUTH AUSTRALIA

Marion
Mile End
Gepps Cross

VICTORIA

Dandenong
Frankston
Geelong
Highpoint
Knox
Nunawading
Preston
Richmond
Shepparton
South Wharf
Springvale
Taylors Lakes

OMF

ACT

Fyshwick

NEW SOUTH WALES

Auburn
Artarmon
Bankstown
Bathurst
Bennetts Green

Castle Hill
Dubbo
Crossroads
West Gosford
Nowra
Prospect
Rutherford
Tuggerah
Warrawong

DARE GALLERY

NEW SOUTH WALES

Artarmon
Moore Park

QUEENSLAND

Fortitude Valley
Gold Coast

VICTORIA

Frankston
Geelong
Maribyrnong
Moorabbin
Nunawading
Richmond
South Wharf

LE CORNU

NORTHERN TERRITORY

Darwin

SOUTH AUSTRALIA

Adelaide

